Annual Consolidated Management Report
Annual Consolidated Report on Payments to Governments
Independent Auditor’s Report
Consolidated Financial Statements

CHIMIMPORT AD

31 December 2019

Contents

Consolidated statement of financial position as at 31 December

	Note	31.12.2019 BGN'000	31.12.2018 BGN'000
Assets			
Property, plant and equipment	8	384 025	420 897
Right of use assets	9	224 304	-
Investment property	10	421 263	422 174
Goodwill	11	24 341	28 425
Other intangible assets	12	132 328	157 731
Deferred tax assets	13	8 099	8 035
Investments accounted for using the equity method	6	28 914	35 126
Loans and advances to bank clients	14	2 617 507	2 417 517
Financial assets at fair value through profit or loss	15	1 926 420	1 685 078
Debt instruments at fair value through other comprehensive income	16	534 181	422 916
Equity instruments at fair value through other comprehensive income	17	72 618	70 983
Other financial assets at amortized cost	18	1 209 947	1 152 025
Insurance and reinsurance receivables	20	50 851	51 071
Reinsurance assets	29	81 791	87 218
Tax receivables	19	1 618	1 854
Other receivables	21	29 398	46 872
Inventories	22	62 331	45 923
Cash and cash equivalents	23	2 136 035	2 045 224
Total assets		**9 945 971**	**9 099 069**

Prepared by: ______________________ **Executive director:** ______________________
/A. Kerezov/ **/I. Kamenov/**
Date: 27 July 2020

Audited according to the auditor's report dated: 31 July 2020

Mariy Apostolov
Managing Partner

Zornitza Djambazka
Registered auditor responsible for the audit

Grant Thornton OOD, Audit firm

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of financial position as at 31 December (continued)

Equity and liabilities	Note	31.12.2019 BGN'000	31.12.2018 BGN'000
Equity			
Share capital	24.1	226 955	227 191
Premium reserve	24.2	246 850	247 070
Other reserves	24.3	179 123	145 477
Retained earnings		680 942	660 715
Profit for the period		71 164	70 309
Equity attributable to the shareholders of Chimimport AD		**1 405 034**	**1 350 762**
Non-controlling interest		309 870	293 931
Total equity		**1 714 904**	**1 644 693**
Liabilities			
Liabilities to depositors	25	5 703 841	5 259 602
Other financial liabilities	26	478 548	502 819
Payables to insured individual	27	1 460 355	1 295 894
Pension and other employee obligations	28.2	20 253	18 478
Deferred tax liabilities	13	24 666	23 841
Insurance reserves	29	264 885	269 782
Liabilities to insurance and reinsurance contracts	30	23 120	28 490
Lease liabilities	31	190 673	5 349
Tax liabilities	32	4 983	4 530
Other liabilities	33	59 743	45 591
Total liabilities		**8 231 067**	**7 454 376**
Total equity and liabilities		**9 945 971**	**9 099 069**

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ **/I. Kamenov/**

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Registered auditor responsible for the audit

ХИМИМПОРТ АД СОФИЯ

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December

	Note	2019 BGN'000	2018 BGN'000
Revenue from non-financial activities	34	477 366	461 437
Change in fair value of investment property	10	1 836	2 803
Gain on sale of non-current assets	35	420	1 106
Total revenue from non-financial activities		**479 622**	**465 346**
Insurance income	36	400 454	377 484
Insurance expense	37	(357 273)	(349 685)
Net result from insurance		**43 181**	**27 799**
Interest income	38	194 013	189 607
Interest expense	39	(41 312)	(34 234)
Net interest income		**152 701**	**155 373**
Net result from transactions with financial instruments	40	91 401	20 916
Operating and administrative expenses	41	(675 221)	(636 787)
Gains from investments under equity method	6	5 189	5 300
Other financial income	42	64 857	65 515
Allocation of income to individual insurance accounts		(69 522)	(10 544)
Profit before tax		**92 208**	**92 918**
Income tax expense	43	(7 414)	(8 566)
Net profit for the period		**84 794**	**84 352**
Other comprehensive income/(loss):			
Revaluation of financial assets, net of taxes		(449)	(48)
Remeasurement of defined benefit liability, net of taxes		5 852	(4 407)
Other comprehensive income/(loss)		**5 403**	(4 455)
Total comprehensive income for the year		**90 197**	**79 897**
Net profit for the year attributable to:			
The shareholders of Chimimport AD		71 164	70 309
Non-controlling interests		13 630	14 043
Total comprehensive income attributable to:			
The shareholders of Chimimport AD		75 037	66 598
Non-controlling interests		15 160	13 299
Earnings per share in BGN	44	0.31	0.31

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ **/I. Kamenov/**

Date: 27 July 2020

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Mariy Apostolov **Zornitza Djambazka**

Managing Partner **Registered auditor responsible for the audit**

Grant Thornton OOD, Audit firm

ХИМИМПОРТ АД София

Одиторско дружество София Рег. № 032 Грант Торнтон ООД

HIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of changes in equity for the year ended 31 December

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**227 191**	**247 070**	**145 477**	**731 024**	**1 350 762**	**293 931**	**1 644 693**
Decrease in share capital and reserves resulting from change in own shares held by subsidiaries	(236)	(220)	-	-	(456)	-	**(456)**
Business combinations	-	-	690	(6 221)	(5 531)	4 491	**(1 040)**
Dividends	-	-	-	(14 778)	(14 778)	(3 712)	**(18 490)**
Transactions with owners	**(236)**	**(220)**	**690**	**(20 999)**	**(20 765)**	**779**	**(19 986)**
Profit for the year	-	-	-	71 164	71 164	13 630	**84 794**
Other comprehensive income	-	-	3 873	-	3 873	1 530	**5 403**
Total comprehensive income for the year	-	-	3 873	71 164	75 037	15 160	**90 197**
Transfer of retained earnings to other reserves	-	-	26 002	(26 002)	-	-	**-**
Change in specialized reserves	-	-	3 081	(3 081)	-	-	**-**
Balance at 31 December 2019	**226 955**	**246 850**	**179 123**	**752 106**	**1 405 034**	**309 870**	**1 714 904**

Prepared by: ____________________
/A. Kerezov/

Executive director: ____________________
/I. Kamenov/

Date: 27 July 2020

Audited according to the auditor's report dated 31 July 2020:

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Zornitza Djambazka
Registered auditor, responsible for the audit

ХИМИМПОРТ • АД • СОФИЯ

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Consolidated statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2018	227 236	247 129	117 879	727 104	1 319 348	266 269	**1 585 617**
Decrease in share capital and reserves resulting from change in own shares held by subsidiaries	(45)	(59)	-	-	(104)	-	**(104)**
Business combinations	-	-	(4 442)	(16 325)	(20 767)	16 793	**(3 974)**
Dividends	-	-	-	(14 313)	(14 313)	(2 430)	**(16 743)**
Transactions with owners	**(45)**	**(59)**	**(4 442)**	**(30 638)**	**(35 184)**	**14 363**	**(20 821)**
Profit for the year	-	-	-	70 309	70 309	14 043	**84 352**
Other comprehensive loss	-	-	(3 711)	-	(3 711)	(744)	**(4 455)**
Total comprehensive income for the year	-	-	(3 711)	70 309	66 598	13 299	**79 897**
Transfer of retained earnings to other reserves	-	-	36 641	(36 641)	-	-	**-**
Change in specialized reserves	-	-	(890)	890	-	-	**-**
Balance at 31 December 2018	**227 191**	**247 070**	**145 477**	**731 024**	**1 350 762**	**293 931**	**1 644 693**

Prepared by: ______________________
/A. Kerezov/

Executive director: ______________________
/I. Kamenov/

Date: 27 July 2020

Audited according to the auditor's report dated 31 July 2020:

Mariy Apostolov
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Zornitza Djambazka
Registered auditor, responsible for the audit

Одиторско дружество София Рег. № 032 Грант Торнтон ООД

Химимпорт АД София

Consolidated statement of cash flows for the year ended 31 December

	Note	2019 BGN'000	2018 BGN'000
Operating activities			
Proceeds from short-term loans		7 155	65 802
Payments for short-term loans		(2 438)	(69 167)
Proceeds from sale of short-term financial assets		529 721	229 965
Purchase of short-term financial assets		(633 869)	(218 699)
Cash receipt from customers		442 175	422 129
Cash paid to suppliers		(332 443)	(359 589)
Proceeds from insured persons		162 949	146 716
Payments to insured persons		(53 953)	(37 921)
Payments to employees and social security institutions		(119 642)	(120 502)
Cash receipts from bank operations		51 004 855	47 913 910
Cash paid for bank operations		(50 763 410)	(47 730 991)
Cash receipts from insurance operations		201 681	187 004
Cash paid for insurance operations		(163 540)	(160 582)
Income taxes paid		(1 939)	(5 272)
Other cash outflows		(38 414)	(22 992)
Net cash flow from operating activities		**238 888**	**239 811**
Investing activities			
Sale of associates and subsidiaries, net of cash		2 964	2 170
Dividends from financial assets received		22 202	7 370
Sale of property, plant and equipment		1 827	1 626
Purchase of property, plant and equipment		(6 952)	(20 292)
Purchase of intangible assets		(493)	(2 453)
Sale of intangible assets		3 918	-
Sale of investment property		1 192	7 710
Purchase of investment property		(10 198)	(19 021)
Sale of non-current financial assets		372 125	787 288
Purchase of non-current financial assets		(496 084)	(1 209 706)
Interest payments received		47 123	38 119
Proceeds from loans granted		15 290	48 007
Payments for loans granted		(16 522)	(50 293)
Other cash outflows		(9 070)	(4 061)
Net cash flow from investing activities		**(72 678)**	**(413 536)**
Financing activities			
Dividends paid		(3 742)	(3 269)
Sale of own shares		(456)	(104)
Proceeds from loans received		21 852	42 029
Payments for loans received		(46 188)	(10 762)
Interest paid		(6 209)	(4 299)
Payments for finance leases		(39 653)	(1 733)
Other cash outflow		(1 257)	(8 545)
Net cash flow from financing activities		**(75 653)**	**13 317**
Net change in cash and cash equivalents		90 557	(160 408)
Cash and cash equivalents, beginning of period		**2 045 224**	**2 204 904**
Exchange gain on cash and cash equivalents		254	728
Cash and cash equivalents, end of period	23	**2 136 035**	**2 045 224**

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ **/I. Kamenov/**

Date: 27 July 2020

Audited according to the auditor's report dated: 31 July 2020

Mariy Apostolov **Zornitza Djambazka**

Managing Partner **Registered auditor responsible for the audit**

Grant Thornton OOD, Audit firm

Notes to the consolidated financial statements

1. Nature of operations

Chimimport AD (the Group) includes the parent company and all subsidiaries, presented in note 5.1. Information about the names, country of incorporation and percent of the shares of the subsidiaries, included in the consolidation, is provided in note 5.1.

The main activities of the Group include the following sectors:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Bank services, finance, life and non-life insurance and pension insurance;
- Extraction of oil and natural gas;
- Construction of output capacity in the area of oil-processing industry, production of biodiesel and production of rubber items;
- Production and trading with oil, chemical products and natural gas;
- Production of vegetable oil, purchasing, processing and trading with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transport and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehouse activity.

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990 with UIC 000627519. The address of the Company’s headquarters and registered office is 2 St. Karadzha Str., Sofia, Bulgaria. The Company is registered on the Bulgarian Stock Exchange on 30 October 2006 with emission numbers 6C4 for ordinary shares.

The parent company has a two-tier management structure consisting of Supervisory Board and Managing Board.

The members of the Supervisory Board of the parent company are as follows:

- Invest Capital AD
- CCB Group EAD
- Mariana Bazhdarova

The members of the Managing Board of the parent company are as follows:

- Alexander Kerezov
- Ivo Kamenov
- Marin Mitev
- Nikola Mishev
- Miroliub Ivanov
- Tzvetan Botev

The parent company is represented by its executive directors Ivo Kamenov and Marin Mitev, together and separately.

The number of employees of the Group as at 31 December 2019 is 5 237 (2018: 5 442 employees).

The ultimate owner of the Group that prepares the consolidated financial statements is Invest Capital AD registered in Bulgaria, which equity instruments are not listed on a stock exchange.

2. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the EU. The term “IFRS, as adopted by the EU” has the meaning of paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act, which is International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The parent company Chimimport AD issued audited separate financial statements on 30 July 2020.

The separate items of the Group's consolidated financial statements are measured in the currency of the primary economic environment in which the Group's entities operate (the "functional currency"). The consolidated financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the parent company. This is the functional currency of the parent company and its subsidiaries, except for the subsidiaries operating in Germany and Slovakia whose functional currency is euro; subsidiary operating in Macedonia whose functional currency is Macedonian denar and subsidiaries in Russia whose functional currency is Russian ruble.

All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2018) unless otherwise stated.

The consolidated financial statements are prepared under the going concern principle.

At the date of preparation of these consolidated financial statements the management has assessed the ability of the Group to continue as a going concern on the basis of the available information for the foreseeable future. Following a review of the activities of the Group, the management anticipates that the Group has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern assumption in preparing the consolidated financial statements.

3. Changes in accounting policy

3.1. New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2019

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2019:

IFRS 16 "Leases", effective from 1 January 2019, adopted by the EU

IFRS 16 "Leases" replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of the adoption of IFRS 16 recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

Weighted average differential interest rates ranging from 3% to 5% depending on the type of assets, the segment's activity and the currency in which the monthly lease payments are denominated are used to measure lease liabilities at the date of transition to IFRS 16.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	IAS 17 Carrying amount 31 December 2018	**Remeasurements**	**IFRS 16 Carrying amount 1 January 2019**
	BGN'000	**BGN'000**	**BGN'000**
Property, plant and equipment acquired under finance leases, intangible and other assets	34 560	(34 560)	-
Right of use assets	-	251 733	251 733
Lease liabilities	(6 216)	(203 826)	(210 412)
Total	**28 344**	**13 347**	**41 691**

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	IFRS 16 1 January 2019 BGN'000
Total operating lease commitments disclosed at 31 December 2018	**182 331**
Other adjustments connected to initial recognition of right-of-use assets	51 062
Recognition exemptions, incl.:	(2 900)
Leases of low value assets	(2 900)
Operating lease liabilities before discounting	230 493
Discounted using incremental borrowing rate	(27 166)
Operating lease liabilities	203 327
Finance lease obligations (note 31)	7 085
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**210 412**

The table below provides a summary of the financial impact of the application of IFRS 16 on the Group's financial statements:

In BGN'000	**1 January 2019**	**For the year ended 31 December 2019**
Right of use assets	251 733	224 304
Lease liabilities	(210 412)	(190 673)
Impact on profit or loss:		
- Increase in depreciation		(53 992)
- Increase in interest expense		(9 243)
- Reduced rental costs		52 870
Impact on the cash flow statement:		
- Increase in net cash flow from operating activities		12 456
- Decrease in net cash flow from financial activities		(12 456)

IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, adopted by the EU

The amendments allow companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income – instead of measuring those assets at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a "held to collect' business model.

IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement, effective from 1 January 2019, adopted by the EU

These amendments clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures, effective from 1 January 2019, adopted by the EU

The amendments clarify that:

- IFRS 9 should be applied only to those long-term interests in an associate or joint venture, which are not accounted for by using the equity method.
- in applying IFRS 9, the Group does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

IFRIC 23 Uncertainty over Income Tax Treatments, effective from 1 January 2019, adopted by the EU

The Interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments. It discusses:

- that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Annual Improvements to IFRSs 2015-2017, effective from 1 January 2019, adopted by the EU

These amendments include minor changes to:

- IFRS 3 "Business combinations" – the Group remeasures its previously held interest in a joint operation when it obtains control of the business;
- IFRS 11 "Joint arrangements" – the Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;
- IAS 12 "Income taxes" – the Group accounts for all income tax consequences of dividends (including payments on financial instruments classified as equity) consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity;
- IAS 23 "Borrowing costs" – the Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2019 and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU

IFRS 14, "Regulatory deferral accounts" permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU

IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet adopted by the EU

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, adopted by the EU

The amendments aim to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. The amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”. The Group has elected to present the consolidated statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the consolidated statement of financial position when the Group:

(i) applies an accounting policy retrospectively,
(ii) makes a retrospective restatement of items in its consolidated financial statements, or
(iii) reclassifies items in the consolidated financial statements.

In 2019 one comparative period is presented, as no restatements to the presentation of the elements of the consolidated financial statements and the corresponding comparative information other than the first-time application of IFRS 9. In case there are adjustments to the classification of the elements of the consolidated financial statements, relevant comparative information has also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The consolidated financial statements of the Group have consolidated the financial statements of the parent and subsidiary companies as of 31 December 2019. Subsidiaries are all entities that are under the control of the parent. There is control when a parent is exposed to, or has rights over, the variable return on its participation in the investee and has the potential to impact on that return by virtue of its powers over the investee. All subsidiaries have a reporting period ending on 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases the control of a subsidiary, any retained interest in the entity is measured to its fair value as at the date of loss of control, with the change in carrying amount recognized in profit or loss. The fair value of any retained interest in the former subsidiary at the date of loss of control is regarded as fair value of initial recognition of financial asset, or where appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

4.4. Business combinations

Business combinations are accounted for using the purchase method. . The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of any identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 39 "Financial Instruments: Recognition and

Measurement" either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

4.5. Transactions with non-controlling interest

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company.

4.6. Investments in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. The cost of the investment includes transaction costs.

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. They are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit from equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equal or exceed its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates and jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the sum of the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

4.7. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the BGN (the Group's presentation currency) are translated into BGN upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

4.8. Segment reporting

The Group operates in the following operating segments:

- production, trade and services
- finance
- transportation
- real estate and engineering

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 “Operating Segments” are the same as those used in its consolidated financial statements.

Group assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Information about the results of the separate segments that is regularly reviewed by the chief operating decision maker does not include isolated unrepeated events. Finance income and costs are also not included in the results of operating segments which are regularly reviewed by the chief operating decision maker.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

4.9. Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognised when the control over the goods and / or services subject of the contract is transferred to the client in an amount that reflects the remuneration that the Group expects to be entitled to in exchange for those goods or services. Control is transferred to the buyer when he satisfies a performance obligation, under the terms of the contract, by transferring the promised product or service to the buyer. A certain asset (product or service) is transferred when a buyer has control over that asset.

Any promise to transfer goods and / or services that are identifiable (on their own and in the context of the contract) is reported as a performance obligation. The Group recognizes revenue for each separate performance obligation for an individual contract with a client by analysing the type, term and conditions of each particular contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if their grouping in a portfolio would not have a materially different effect on the financial statements. Typically, contracts with clients of the Group include one performance obligation.

When a transaction falls partly within the scope of IFRS 15 and partly within the scope of other standards, the Group applies the separation and / or initial measurement requirements set out in those standards if the other standards specify how to divide and / or initially evaluate one or more parts of the contract. The Group excludes from the price the value of the part (or parts) of the contract that is initially measured in accordance with other standards and applies the requirements of IFRS 15 to allocate the remaining cost of the transaction.

If other standards do not specify how to separate and / or initially measure one or more parts of the contract, then the Group applies IFRS 15 for the separation and / or initial measurement of the part (or parts) of the contract.

Measurement

Revenue is measured based on the transaction price specified for each contract.
When determining the transaction price, the Group considers the terms of the contract and its usual business practices.
The transaction price is the amount of the consideration the Group expects to be entitled to in exchange for the transfer of the promised goods or services to the buyer, except for amounts collected on behalf of third parties (e.g. VAT). The price specified in the contract with the buyer may include fixed amounts, variable amounts, or both.

When a performance obligation is satisfied, the Group recognizes revenue at the amount of the transaction cost (which excludes estimates of variable remuneration containing limitations) that is attributable to that performance obligation.

The Group considers whether there are other promises in the contract that represent separate performance obligations for which a portion of the transaction price should be allocated. When determining the transaction price, account is taken of the impact of variable remuneration, the existence of significant financing components, non-monetary remuneration and the remuneration due to the client.

Principal or agent

When a third party participates in the sale of goods or services to a client, the Group determines whether the nature of his promise is a performance obligation related to the sale of the particular goods or services (principal) or by arranging for the third party to provide those goods or services (agent).

The Group is a principal when it controls the promised good or service before transferring it to the customer. However, the Group does not necessarily act as a principal if it receives the ownership of an asset only temporarily before the ownership right is transferred to the client.

The Group is an agent if the Group's performance obligation is to arrange the delivery of the goods or services from a third party. When the agent company satisfies the performance obligation, it recognizes revenue at the amount of a fee or commission it expects to be entitled to in exchange for arranging the goods and services to be provided by another party. The fee or commission of the Group may be the net amount of the remuneration that the Group retains after paying to the other party the consideration received in exchange for the goods or services to be provided by that party.

Trade receivables and contract assets

The receivable is the right of the Group to receive remuneration at a certain amount, which is unconditional (i.e., before the payment of the remuneration becomes due, it is only necessary to expire a certain period of time).

Contract asset is the Group’s right to receive remuneration in exchange for the goods or services it has transferred to the client, but which is not unconditional (charge for the receivable). If, through the transfer of the goods and / or the providing of the services, the Group fulfils its obligation before the client pays the relevant consideration and / or before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

Contract liabilities

The Group presents as a contracted liability the payments received by the client and/ or an unconditional right to receive payment before fulfilling its obligations to perform the contract. Contract liabilities are recognized as income when the performance obligation has been satisfied.

Contract liabilities include liabilities under sold air tickets for which the actual providing of the service has not occurred as at the date of the financial statement, i.e. the carriage.

Assets and liabilities arising from one contract are presented net in the statement of financial position even if they are a result of different performance obligations in the contract.

After initial recognition, trade receivables and contract assets are reviewed for impairment in accordance with IFRS 9 Financial Instruments.

4.9.1.Revenue recognized over time

Rendering of services

The services provided by the Group include a wide range of services of the companies in Group, depending on the nature of their business - banking, consulting, drilling, exploration, hydrogeological, repair, air, river and land transport, warehousing services, designing, technical services, IT support and more. The Group also provides IT services, including payroll processing for a fixed monthly fee. Revenue is recognized on a straight-line basis over the term of each contract. Since the amount of work required to execute these contracts does not differ significantly each month, the straight-line method faithfully reflects the transfer of goods or services.

Fees that are not an integral part of the effective interest rate of financial instruments are accounted for in accordance with IFRS 15.

Revenue from services is recognized when the control over the benefits of the services provided is transferred to the user of the services. Revenue is recognized over time on the basis of performance of individual performance obligations.

Revenue from these services is recognized based on time and materials, when the services are provided. When recognizing the revenue from the provided services, the Group applies stage of completion method taking into account outputs/ method reflecting the inputs.

Revenue from aviation

The main activity of the airline company in the Group is related to providing aviation services both on the territory of the country and abroad.

Revenue from flights includes international and domestic scheduled flights, international charter flights and other flight-related services. The Group transfers control over the service over time and therefore satisfies the performance obligation and recognizes revenue over time. Revenue from the operated flights are recognized after the actual flight.

The cost of the services may be defined as a fixed remuneration. The price of an airline ticket includes the price of the carriage of both the passenger and a different amount of luggage depending on the applicable tariff, on-board food, insurance; airport charges and fuel charges. Allocation of the price to the performance obligations is made on the basis of unit sales prices.

The Group measures its progress towards a full settlement of the performance obligation over time through a confirmation of the operated flight and respectively transportation used the passenger.

In cases where customers have purchased tickets but the usage options and / or the period of validity of the tickets have expired and they are not used by the customer, the Group recognizes revenue from expired tickets. The portion of the fee related to airport charges that the Group typically collects from clients as an agent is also recognized as income from tickets that have expired because they are non-refundable and there is no option for their usage.

4.9.2.Revenue recognized at a point in time

Sale of goods and production

Sale of goods and production comprises the sale of oil, crude oil, natural gas, petroleum products and others. Revenue is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognized on delivery. Where the goods require significant tailoring, modification or integration the revenue is recognized using stage of completion method taking into account outputs/ method reflecting the inputs.

When the sale of goods includes incentives for loyal customers, they are distributed within the transaction price and are recognized as contract liabilities. The remuneration received is allocated among the individual performance obligations included in the sales contract based on their unit sale prices/ residual value. Revenue from this type of sale is recognized when the customer exchanges the received rewards with products delivered by the Group.

4.9.3.Other revenue of the Group

The major part of the Group's revenue, which is outside the scope of IFRS 15 and is accounted for under other standards, relates to banking activity, insurance activity and activity related to financial asset management and trading. The Group's revenue related to transactions with financial instruments is classified as gains on operations with financial instruments and / or financial income from interest on loans and dividend income.

Revenue from bank fees and commissions that are not an integral part of the effective interest rate of financial instruments, interest on loans granted, gains on trading with financial instruments are recognized under IFRS 9. Revenue related to the Group's insurance activity are reported in accordance with IFRS 4.

The recognition and reporting are as follow:

Bank activity

Interest income and interest expenses

Interest income and expense are recognized using the effective interest method of the relevant financial asset or liability in all material aspects. Interest income and expense includes the amortization of discount, premium or other differences between the initial carrying amount and the maturity of an interest-bearing instrument calculated using an effective interest method. The effective interest rate is the rate at which the estimated future cash flows of the financial instrument for its lifetime are accurately discounted or, where applicable, for a shorter period, to the net carrying amount of the financial asset or financial liability. Future cash flows are approximated, taking into account the contractual terms of the instrument. Calculation of the effective interest rate includes all fees and charges paid or received between the parties to the contract that are directly related to the specific agreement, transaction costs and any other premiums or discounts.

Interest income and interest expense presented in the statement of profit or loss and other comprehensive income include:

- Interest from financial assets and liabilities at amortized cost calculated on the basis of the effective interest rate;

- Interest from financial assets, at fair value through other comprehensive income (FVTOCI), calculated on the basis of an effective interest rate

- Interest from debt instruments at fair value through profit or loss.

The Group does not accrue any interest income on the statement of financial position from receivables after change of their status to "court". After the date of classification to court status, interest income from court receivables is recognized on the statement of financial position only in case of their payment.

Fees and commissions

All fees and commissions that are not an integral part of the effective interest rate of financial instruments are accounted for in accordance with IFRS 15.

To determine whether to recognise revenue in accordance with IFRS 15, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations

5 Recognising revenue when performance obligation(s) are satisfied.

Revenue is recognized either at a time or with time when, or until the Group meets its performance obligations, transferring promised services to its clients.

The Group recognizes as contractual obligations remuneration received in respect of outstanding performance obligations and presents them as other liabilities in the statement of financial position. Similarly, if the Group meets a performance obligation before receiving the remuneration, it recognizes in the statement of financial position or contract asset or receivable, depending on whether or not something other than a specified time is required to receive the remuneration.

With regard to the entry into force of IFRS 15 "Revenue from contracts with customers" as of 1 January 2018, the Group has analyzed the types of existing contractual relationships with customers, as a result of which no significant effects have been identified from the application of IFRS 15 to financial statements of the Group.

Fees and commissions consist mainly of bank transfer fees in the country and abroad, account maintenance fees, credit exposures, off-balance sheet and other revenue items disclosed in a note 42**Error! Reference source not found.**.

Commissions arising from foreign currency transactions are reported in the statement of profit or loss and other comprehensive income on their receipt. Fees and commissions for granting and management of loans when considered to be part of the effective income are amortized during the loan term and are recognized as current financial income during the period by applying the effective interest method.

Revenue from insurance activities

Revenue recognition from premiums over insurance contracts is based on the amount, due by the insured (insuring) person for the whole term of the insurance, which the Group has the right to receive according to insurance contracts signed during the accounting period and for insurances with terms covering whole or parts of the next accounting period. The Group recognizes revenue from insurance premiums on an accrual basis as income is recognized at the time the policy is issued when the entire premium or first instalment is paid, unless otherwise agreed.

In case of co-insurance revenue is recognized only for the insurer's part from the whole amount of premiums.
Premiums signed away to reinsurers for common insurance include premiums due to reinsurers according to reinsurance contracts for reinsurance of risks over signed during the period contracts on direct insurance and inward reinsurance. The reinsurance premiums, which are not paid as at reporting date, are accounted for as payables.
The amounts that are subject to reimbursement from the reinsurer in relation to the claims paid during the period by the insurer, are accounted for as reinsurer's share including the case in which the settlement of the relations with reinsurers occurs in following accounting period.
Revenues from the exercise of recourse rights are recognized at the time of their registration.
The reinsurance premiums, which are not paid as of the balance sheet date, are reported as payables.

Revenue from government grants

Revenue from government grants is recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received.

Revenue from government grants is recognized over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses.

Government grants related to depreciable assets are recognized as revenue over the useful life of a depreciable asset by reduced depreciation charges.

4.10. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

The Group recognizes two types of contract costs related to the execution of contracts for the supply of services with customer: incremental costs of obtaining a contract and costs to fulfil a contract. Where costs are not eligible for deferral under IFRS 15, they are recognized as current expenses at the time they arise, such as they are not expected to be recovered, or the deferral period is up to one year.

The following operating expenses are always recognized as current expenses at the time of their occurrence:

- General and administrative costs (unless those costs that are chargeable to the customer);
- Costs of wasted materials;
- Costs that relate to satisfied performance obligation;
- Costs for which the company cannot distinguish whether the costs relate to unsatisfied performance obligation or to satisfied performance obligation.

Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

With respect to costs associated with non-regularity and / or other compensations due to customers, the airline company part of the Group has retained its current reporting approach as a current expense. IFRS 15 does not provide explicit guidance for reporting this type of compensations. The Group considers that there is no transfer of a separate good or service against which this benefit should be reduced.

Aviation costs are the costs of intermediary commissions and advertising costs and are recognized as current expenses over the term of the respective insurance contracts in full at the time when the revenue is accrued.

Cost of insurance activity

Expenses for paid compensations are recognized for the period in which they arise. These include the cost of paid compensations and the costs of assessing the compensation due (liquidation costs), less income from regress rights and recoverable compensations from reinsurers adjusted by the change in the provision for outstanding claims, net of reinsurance for the financial year.

Acquisition costs are the costs of intermediary commissions and advertising costs and are recognized as current expenses over the life of the respective insurance contracts in full at the time when the revenue is accrued.

Administrative expenses are expenses related to the insurer's personnel, the costs of collecting the premiums and managing the insurance portfolio, including advertising, as well as the depreciation and amortisation of the fixed assets. Administrative expenses are recognized in profit or loss upon use of the services or on the date of their occurrence.

Prepaid expenses are deferred for recognition as current expenses over the period in which the contracts to which they relate are satisfied.

4.11. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Interest expenses'.

4.12. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 4.4 for information on how goodwill is initially determined. For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.16for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.13. Intangible assets

Intangible assets include trademarks, licenses and patents, software products, relations with clients, research and development products, assets for research and valuation of mineral resources and other. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2-5 years
- Trade marks 6-7 years
- Property rights 5-7 years
- Licenses 7 years
- Certificates 5 years
- Industrial property rights 27 - 30 years
- Other 7 - 10 years

Amortization has been included in the consolidated statement of profit or loss and other comprehensive income within Depreciation, amortization and impairment of non-financial assets, included in item Expenses for non-financial activities and item Operating and administrative expenses.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss and other comprehensive income within Gain from sale of non-current assets.

4.14. Property, plant and equipment

Items of property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, the property, plant and equipment are carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Residual values and useful lives of property, plant and equipment are reviewed by the management at each reporting date.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

• Buildings	25 years
• Machines	3-5 years
• Fixtures and fittings	4 to 25 years
• Vehicles	4 to 10 years
• Aircrafts	20 years
• Engines	12 years
• Marine vessels	30 years
• Equipment	7 years
• Other	7 years

Depreciation has been included in the consolidated statement of profit or loss and other comprehensive income within Depreciation, amortization and impairment of non-financial assets, included in item Expenses for non-financial activities and item Operating and administrative expenses.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss and other comprehensive income within Gain on sale of non-current assets.

4.15. Leases

4.15.1. Leased assets

As described in note 3, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

4.15.2. Accounting policy applicable from 1 January 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- interest rate, consisting of the risk-free interest rate and a margin reflecting the credit risk related to the respective component of the Group and additionally adjusted due to the specific conditions of the leasing contract, incl. term, country, currency, collateral and type of leased asset.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the consolidated statement of financial position, the right of use assets and lease liabilities are presented on a separate line.

Extension and termination options are included in several property and equipment leases at the Group. They are used to increase operational flexibility regarding the management of assets used in the operations of the Group. Most owned extension and termination options are exercised only by the Group and not by the respective lessor.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

4.15.3. Accounting policy applicable until 31 December 2018

Group as a lessee

In accordance with IAS 17 "Leases", the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The finance lease liabilities are reduced by subsequent lease payments, which consist of repayment of principal and finance costs.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as a lessor

Assets subject to operating lease agreements are presented in the consolidated statement of financial position and are depreciated and amortized in accordance with the depreciation and amortization policy of the Group for similar assets and with the requirements of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". Income from operating lease contracts is recognized on a straight-line basis in the consolidated statement of profit or loss and other comprehensive income for the reporting period.

Assets held under a finance lease agreement are presented in the consolidated statement of financial position as a receivable at amount equal to the net lease investment. The sales revenue from assets is recognized in the consolidated income statement for the reporting period. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

4.16. Impairment testing of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets and cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.17. Investment property

The Group reports as investment property buildings and land held for rental income and / or for capital increases, according to the fair value model.

Investment property is initially measured at cost, including the purchase price and any costs that are directly attributable to the investment property, such as legal fees, property transfer taxes and other transaction costs.

Investment properties are revalued on an annual basis and are included in the consolidated statement of financial position at their market values. They are determined by independent appraisers with professional qualifications and significant professional experience depending on the nature and location of the investment properties, based on evidence of the market conditions.

Any gain or loss on a change in fair value or on the sale of an investment property is recognized immediately in profit or loss within 'Sale of non-current assets' and 'Change in fair value of the investment property'.

Subsequent expenditure on investment property that is already recognized in the Group's consolidated financial statements is added to the carrying amount of the property when it is probable that future economic benefits associated with the item will exceed the carrying amount of the existing investment property. All other subsequent costs are recognized as an expense in the period in which they are incurred.

The Group derecognises its investment property when it is sold or permanently decommissioned if no economic benefits are expected from its disposal. Gains or losses arising from decommissioning or sale are recognized in the consolidated statement of profit or loss and other comprehensive income and are determined as the difference between the net proceeds from the disposal of the asset and its carrying amount.

Rental income and operating expenses related to investment property are presented in the consolidated statement of profit or loss and other comprehensive income in the line "Income from non-financial activities" and the line "Operating and administrative expenses", respectively, and are recognized as described. in note 4.9 and note 4.10.

4.18. Assets from exploration and evaluation of mineral resources

The exploration and evaluation of the mineral resources of the Group is related to the search and exploration of crude oil and natural gas. After being granted the rights for these activities, all corresponding expenses are capitalized initially in a specific "Block".

The Group recognizes as exploration and evaluation assets all accrued expenses in the process of search of resources, exploration with commercial purpose, expenses that can be related directly to specific exploration area "Block", for which the Group has permission for search and exploration, issued by the state. These expenses include at least the following types:

- Acquisition of exploration rights
- Topographic, geologic, geochemical and geophysical exploration
- Exploration drilling
- Probing for analysis
- Activities related to evaluation of technical execution and commercial applicability of the extraction of mineral resources.

All expenses made before the permission for exploration and evaluation are assigned to the gain or loss for the period, they were incurred in.

Exploration and evaluation assets of mineral resources can be classified as follows:

- Permission for search and exploration, issued by MEW and MEE, in compliance with the Mineral Resources Act and the related taxes;
- All expenses for topographic, geological, geochemical and geophysical exploration, exploration drilling, digging work, probing for an analysis and other activities, related to the evaluation of the technical execution and the commercial applicability of the extracted mineral resources, as well as other expenses for exploration and evaluation, which are made for a specific area, for which the Group has a permission to explore, are also capitalized. These expenses also include employee remuneration, materials and used fuel, expenses for logistics and payments to suppliers.

The exploration and evaluation expenses of mineral resources are capitalized and recognized as intangible assets until the technical feasibility and trade application of the mineral resource are determined. After proving the technical feasibility and trade application of the discovered mineral resource, the cost of exploration and evaluation are transformed in "Property, plant and equipment".

Assets for exploration and evaluation reviewed technically, financially and on a management level, at least annually, with the purpose of confirmation of the continuation of the exploration activities and benefiting from the discovery, as well as for impairment testing. In case that the Group does not intend to continue the exploration activities or indications for impairment are identified, the expenses are written-off.

The exploration and evaluation assets of the mineral resources are measured at cost at their initial recognition. The elements of their cost include the exploration and evaluation activities.

"Exploration activities" - means activities with the purpose of discovery of oil accumulation. This includes, without being limited to, geological, geophysical, photographic, geochemical and other analyses, studying and explorations, as well as drilling, further deepening, abandonment or besiege and perforation, as well as testing of searching drillings for oil discovery, and the purchase, renting or acquisition of such resources, materials, equipment for such activities, which can be included in the approved annual working projects and budgets.

“Evaluation activities” - means evaluation works (part of the exploration) and working program for evaluation, being done after the discoveries, aiming to outline the natural reservoir, to which the discovery is related, in terms of thickness and lateral distribution, and evaluation of the extractable quantities in it, and should include, without being limited to, geological, geophysical, photographic, geochemical and other analyses.

4.19. Financial instruments under IFRS 9

4.19.1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.19.2. Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments

The classification is determined by both:

- the Group’s business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses in the consolidated statement of profit or loss and other comprehensive income.

4.19.3. Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as debt instruments that were previously classified as loans and receivables, held-to-maturity investments or available-for-sale financial assets under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell”, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at FVOCI include:

- Equity securities that are not held for trading and which at initial recognition the company irrevocably has chosen to recognize in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely payments of principal and interest and the purpose of the company's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

On disposal of equity instruments of this category, any amount recognized in the revaluation reserve is reclassified to retained earnings.

On disposal of debt instruments of this category, any amount recognized in the revaluation reserve is reclassified to profit or loss for the period.

4.19.4. Impairment of financial assets

IFRS 9’s new impairment requirements use more forward-looking information to recognise expected credit losses – the “expected credit loss” (ECL) model. This replaces IAS 39’s “incurred loss model”.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month expected credit losses” are recognised for the first category while “lifetime expected credit losses” are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Group and the cash flows it is actually expected to receive (“cash shortfall”). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For the purpose of determining the impairment of financial assets, the Group applies models of calculating the expected credit losses on collective or individual basis. The impairment models for individual measurement of financial assets are applied for debt financial instruments such as debt securities, bank balances, deposits and others. Impairment models for individually measured exposures, are based on discounted cash flows and reflect the different scenarios of expected cash flows, including available reasonable and supportable information without undue cost or effort, which concerns future events /including macroeconomic forecasts/. For the purpose of determining the impairment of the exposure at default /Stage 3/ or credit –impaired financial assets, the Group applies a model for individual impairment of assets above a certain amount.

The impairment model for collectively measured financial assets is based on determining amounts for the probability of default /PD/ and for the loss given default for each collectively measured asset, by applying amortization through the effective interest rate /EIR/ when calculating the exposure at default /EAD/. The impairment models of the financial assets collectively measured are applied for debt securities, bank balances and deposits, repurchase agreements and exposures as a result of the Group's loan activity – loans and off-balance exposures of individuals and legal entities. The models include available reasonable and supportable information, accessible without undue costs or efforts, for external credit rating of the counterparties, as well as 3–year scenarios for the macroeconomic development of the country. The Group updates the values of the forecast indicators used in its model once per year, when the 3-year forecast data is published and disclosed by the respective institutions.

At the end of each reporting period, the Group updates the assessment of the change in the credit risk of the respective financial instrument. The Group estimates the impairment loss for the financial instrument at a value that is equal to the expected credit loss over the whole term of the instrument if the credit risk of the financial instrument has increased significantly since initial recognition. If the credit risk of the financial instrument has not significantly increased from the initial recognition, the Group estimates the impairment loss for the financial instrument at an amount equal to the expected credit loss for 12 months.

Trade and other receivables, contract assets and finance lease receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using customer allocation by industry and time structure of receivables and a provision matrix.

Financial assets at fair value through other comprehensive income

The Group recognises 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime ECL.

4.19.5. Reclassification of financial instruments

The Group reclassifies all affected financial assets only when it changes its business model for financial asset management. The Group does not reclassify financial liabilities.

The Group reclassifies financial assets prospectively as of the date of reclassification. The Group does not restate any gains or losses recognized previously (including gain and loss on impairment losses) or interest.

4.19.6. Gain or loss on financial instruments

Gains and losses on a financial asset or financial liability designated at fair value is recognized by the Group in profit or loss, unless:

a) it is part of a hedging relationship

b) it is an investment in an equity instrument and the Group has elected to present the gains and losses on this investment in other comprehensive income.

c) it is a financial liability designated at fair value through profit or loss, and the Group is obliged to present the effect of the changes in the credit risk of the liability in other comprehensive income

d) it is a financial asset measured at fair value through other comprehensive income and the Group is obliged to present some changes in the fair value in other comprehensive income.

Gains and losses on a financial asset measured at amortized cost, which are not part of a hedging relationship are recognized by the Group in profit or loss when the financial asset is derecognized or reclassified through amortization or for recognition of impairment gains and losses.

Gains and losses on a financial asset measured at fair value through other comprehensive income is recognized by the Group in other comprehensive income, with the exception of gains and losses on impairment and foreign exchange gains and losses up to the moment of derecognition or reclassification of the financial asset. When the financial asset is derecognized, the cumulative gain and loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified from “measured at fair value through other comprehensive income", the Group takes into consideration the cumulative gain and loss that was previously recognized in other comprehensive income. The interest that is calculated by applying the effective interest method is recognized in profit or loss.

4.19.7. Modification of contractual cash flows of a financial asset

Modification of a contractual cash flow of a financial asset occurs when the contractual cash flows of a financial asset are renegotiated or otherwise altered, and those amendments have not been contracted at the initial recognition of the financial asset. The change in the interest rate on a financial asset due to a change in market conditions is not considered a modification. When determining the existence of a modification of a financial asset, the factors for its occurrence are analysed, as well as the accounting reflection of the effect of modification.

4.19.8. Classification and measurement of financial liabilities

The Group’s financial liabilities include borrowings, finance lease payments, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

4.19.9. Derecognition of financial instruments

Financial assets are derecognized when the Group loses control over the contractual rights and when substantially all the risks and rewards of ownership of the asset are transferred. A financial instrument is derecognized when the rights are realized, they have expired, or they are repurchased. A financial liability is derecognized when it discharged, cancelled or has expired.

4.20. Derivative financial instruments

Derivatives are carried at fair value and recognized in the consolidated statement of financial position as trading derivatives. The fair value of derivatives is based on the market price or similar models. Derivative assets are presented as part of the financial assets held for trading and derivative liabilities are presented as part of the financial obligations. Change in fair value of derivatives held for trading are recognized as part of net trading income in the consolidated statement of profit or loss and other comprehensive income. The Group does not apply hedge accounting in accordance with IFRS 9.

4.21. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which represents the funds placed/obtained by the Bank owned by the Group, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted for and recognized as interest income/expense in the period of its occurrence.

Securities pledged as collateral for repurchase agreements are not derecognized from the statement of financial position of the Group where the risks and rewards of ownership are not transferred.

Securities received as collateral for repurchase agreements are not reported in the statement of financial position of the Group where the risks and rewards of ownership are not transferred.

4.22. Provisions for credit related contingent liabilities

The amount of provisions for guarantees and other off-balance credit-related commitments is recognized as an expense and a liability when the Group has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in the consolidated statement of profit or loss and other comprehensive income for the respective period.

4.23. Inventory

Inventory includes raw materials, finished goods, work in progress and trading goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value. The reversal of the write-down is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the weighted average cost. When inventory is sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.24. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.37.1.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.25. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current bank accounts, demand deposits, deposits up to 3 months, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents, for the purpose of preparation of the consolidated statement of cash flows, include cash in hand, balances on accounts of the Bulgarian National Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placement with loans and advances to other banks with a maturity up to 3 months.

4.26. Equity, reserves and dividend payments

Share capital of the Group represents the nominal value of shares that have been issued by the parent company.

Share premium includes any premiums received on the initial and subsequent issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

When the subsidiaries of the Group purchase shares from the parent company of the Group (treasury shares), the paid remuneration, including all inherent taxes, is reduced from the Group’s equity, until the shares are sold outside the Group. In case these shares are sold outside the Group, the received remuneration, net of the necessary inherent taxes, is included in the owner’s equity.

Other reserves are formed on the base of the requirements of the Commercial act for the formation of legal reserves.

Retained earnings include all prior period retained profits and uncovered losses.

All transactions with the owners of the Group are presented separately in the consolidated statement of changes in equity.

4.27. Social security and pension contracts

The pension insurance company of the Group manages and represents three pension funds for supplementary pension insurance – Voluntary, Professional and Universal.

Voluntary Pension Fund (VPF) performs supplementary voluntary pension insurance for personal supplementary voluntary pension. The insurance cases covered are: old age, disability and death. Each individual above 16 years of age may insure himself or herself voluntarily.

The pension plans offered are developed upon previously determined insurance instalments. The voluntary insurance payments could be at the expense of the individual itself and/or employer and/ or another insurer.

The types of pension plans are:
- Individual pension plan – based on single or periodical instalments at the expense of the individual;
- Collective pension plan – based on single or periodical instalments at the expense of an employer or other insurer;

The additional pension is for life or over a term period as the chosen type and term of pension is stated in the pension contract when the right to receive the pension is obtained.

The insurance payments are based on:

- Additional pensions for old age and disability;
- Single or periodical disbursement of the funds from individual batches;
- Disbursement if inherited pension;
- Single or periodical disbursements of the remaining funds from an individual batch to the heirs of the insured person or the pensioner.

The amount of the personal supplementary old-age life pension is calculated based on:

- The accumulated funds in the individual batch;
- The technical interest rate;
- Biometric tables.

The right to supplementary pension can be obtained by depositing lump-sum contributions. The amount of the pension is determined based on actuarial reports.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of "Insurance control" department.

The insurance contract is terminated in the following cases:
- upon death of the insured;
- when the insured person transfers the whole amount of his/her individual batch to a third party or another pension fund;
- when the insured person withdraws the whole amount from his/her individual batch.

<u>Professional Pension Fund (PPF)</u> offers periodic professional pensions for early retirement. The professional pension for early retirement is disbursed until the right to length of service and age pension is acquired under the requirements of part one of the Social Security Code (SSC).

The insured persons of the fund have the right to:
- a periodic pension for early retirement when working under the conditions of I and II category labour, according to the labour category;
- Single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 89.99%;
- Single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the professional pension for early retirement is calculated based on:

- The accumulated funds in the individual batch;
- The period for the pension disbursement;
- The technical interest rate approved by the deputy director of the Financial Supervisory Commission.

When acquiring the right to length of service and age pension under requirements of part one of SSC before the period of the professional pension has ended, the remaining funds in the individual batch are disbursed with the last professional pension.

The insurance contract is terminated in the following cases:
- Upon death of the insured;
- When withdraw all accumulated amounts in the individual batch of the insured person after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code, if not become entitled to vocational pension under the terms of SSC;
- In case of a transfer of funds of the insured person to a professional pension fund, managed by another insurance company and the insured person has signed a valid insurance contract with a pension fund managed by another pension insurance company for which the change of participation procedure has not been terminated.

- One-time choice of the insured person under the provisions of Art. 4c of SSC to change its insurance in a pension fund to the fund “Pensions” of Government social fund if no contributory-service and retirement-age pension or early-retirement occupational pension has been granted to them.

The insurance is realized with monthly cash insurance contributions, the amount of which is determined in SSC as a percentage of the insurance income.

Universal Pension Fund (UPF): The supplementary life insurance for old age is based on a contract between the Group and in the insured persons. The choice of a Universal Pension Fund is a result of the official allocation done by National Revenue Agency.

An insured person has the right to a personal supplementary length of service and age pension from an universal pension fund, when he/she acquires the right to a length of service and age pension under the requirements of part one of SSC, or 5 years before turning the age for receiving pension under the condition that the accumulated funds allow the disbursements of such a pension, not smaller that the size of the minimal length of service and age pension under article 68, paragraph 1-3.

The insured persons of the fund have the right to:
- supplementary life pension for old age after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code;
- single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 89.99%;
- single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the personal supplementary old-age life pension is calculated based on:
- the accumulated funds in the individual batch;
- the technical interest rate;
- biometric tables.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of “Insurance control” department.

The social insurance contract is terminated in the following cases:
- upon death of the insured;
- in the case of a transfer of funds of the insured person to a universal pension fund, managed by another relevant retirement insurance company and the insured person has signed a valid insurance contract with a universal pension fund managed by another pension insurance company for which the change of participation procedure has not been terminated.
- One-time choice of the insured person for transfer of funds from insurance in a universal pension fund to the Pensions Fund for persons under Article 69, but at least 5 years before attaining the age stated in in Article 68 (1), where no contributory-service and retirement-age pension has been granted to them.

The insurance is performed with monthly cash instalments form insured individuals to the Pension funds. Social security code determines their amount as a percentage of the individual’s taxable income.

4.28. Special reserves for pension insurance activity

In accordance with the provisions of SSC the Group cumulate pension reserves in order to guarantee minimal pay-out from the activity of the supplementary obligator pension insurance. The pension reserves cumulated up 31 December 2019 represent 1.37% of the assets of the funds (31 December 2018: 1.17%).

4.29. Pension reserves

According to the requirements of the SSC, the Group forms pension reserves for the purpose of paying life pensions to individuals who have lived longer than the preliminary actuarial calculations in UPF and VPF. The pension reserve is formed from own funds of the Pension Fund and from funds of deceased insured individuals from VPF and UPF that have no heirs.

The Group annually recalculates the amount of the formed pension reserve as at 31 December. The calculations are made by an actuary.

4.30. Post-employment benefits and short-term employee benefits

The Group reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected that the leaves will occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labour Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Group is obliged to pay him/her compensation at the amount of up to six gross wages.

The liability recognized in the consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to Government bonds.

Actuarial gains and losses are recognized in other comprehensive income. Interest expenses related to pension obligations are included in 'Finance expenses' in profit or loss. All other post-employment benefit expenses are included in Operating and administrative expenses'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'Pension and other employee obligations', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.31. Insurance transactions

The Group applies IFRS 4 Insurance contracts. The standard defines the requirements for disclosure of the accounting policy and representation of the comparative information with respect to the insurance assets and liabilities as well as income and expenses related to insurance activity. The accounting policy of the Group is taken into consideration with respect to the specificity of the insurance services and the respective legal requirements.

4.32. Insurance contracts

Insurance contracts are those that transfer significant insurance risk over to the Group. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event, which are at least 10% higher than the benefits payable if the insured event had not occurred.

Once classified as insurance contracts at the date of the inception, the Group continues to present them as insurance contracts over their lifetime, even if the insurance risk reduces significantly during this period.

4.33. Reinsurance contracts

The Group assumes and cedes to reinsurers some of the risk undertaken in the normal course of business. The expected benefits arising from reinsurers contracts are recognized as assets in the statement of financial position at the time of their occurrence.

The Group performs an impairment review on all reinsurance assents on a regular basis. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive the entire amount due to it under the term of the contract and that this can be measured reliably. The difference is performed as change in the reinsurers' share into a reserve for outstanding payments in the technical statements for the insurance activity.

The Group also performs active reinsurance. The premiums and the collaterals on active reinsurance are accounted together with the registered insurance premiums and the paid gross collaterals on direct insurance operations.

4.34. Insurance reserves

Insurance reserves are formed by the insurance companies in order to cover present and future liabilities to insured persons or organizations in accordance with the insurance contract and they are not equity element. Insurance reserves are calculated by the actuaries of the Group by the use of actuarial methods, which consist of mathematical and statistical methods and rules. Insurance reserves are presented in gross in the Group's statement of financial position, as well as the reinsurer's portion. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the statement of profit or loss and other comprehensive income. The insurance reserves referring to the reinsurers' share formed in the prior period are recognized as expense for released insurance reserves in the current period statement of profit or loss and other comprehensive income and the reserves formed at the year-end are recognized as income from released insurance reserves in the current period statement of profit or loss and other comprehensive income.

4.35. Adequacy test of insurance reserves

An adequacy test is performed by the actuaries to ensure that the reserves, reduced by deferred acquisition costs, are sufficient to meet potential future payments. In accordance with the regulatory requirements the amount of the reserves formed should be completely secured with investments in highly liquid assets (given in percentage, regulated by the applicable acts and regulations).

When performing an adequacy test, the cash flows related to payment of collaterals, cash flows generated by collected premiums, and paid commissions are taken into consideration.

4.36. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.37. Significant management judgement in applying accounting policy

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements. Critical estimation uncertainties are described in note 4.38.

4.37.1. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.37.2. Transferred control over subsidiaries

In cases in which the parent company owns, directly or indirectly, through its subsidiaries more than half of the voting rights in an entity but does not have the power to govern the financial and operating policies in that entity and/or contractual agreement according to which the Group does not control the entity exists, then the investment in shares of that entity is reclassified as financial asset.

The parent company owns 97.32% of the equity in the subsidiary PFK Cherno more AD indirectly through subsidiaries. Equity participation does not lead to the acquisition of control according to management contracts for transfer of voting rights. Therefore, the investment in PFK Cherno more AD is reclassified as financial asset.

The Group owns 100% of the capital of AO SC Armeec, Russia and Ethyl Med, Russia. In 2016 control over these companies was transferred and therefore the investments in them were reclassified to financial assets.

The Group owns 99% of the capital of AK Plastic EOOD. In 2019 the control was transferred and therefore the investment is reclassified to financial assets.

4.37.3. Revenue from sale of air tickets with expired validity

The Group mainly provides transportation services of passengers in the period the air tickets have been issued for. Revenue from passenger transportation is recognized when the transportation is actually performed. There are cases when the clients do not use their air-tickets and therefore the validity of the ticket expires, and it is no longer available for use. In this case the Group writes-off the existing obligation for transportation service as other income. The amount of other income includes the airport fees and taxes related to the expired air ticket. Revenue recognition of tickets and airport fees with expired validity is based on statistical information extracted from the databases maintained by the Group. The management believes that the expiration of the validity of each ticket, when not being used, gives reason for recognition of revenue. This understanding is based on the basic principle for the recognition of revenue, precisely that it is based on actual services rendered.

4.37.4. Revenue from sale of air tickets when the flight has been interrupted and/or rerouted

As a member of the International Air Transport Association – IATA, the Group should follow the rules for air transportation set forth by IATA. According to IATA resolutions 735d and 735e, in cases of involuntary rerouting and/or flight interruptions, the airline company is obliged to issue a FIM (flight interruption manifest). The FIM is valid for a certain flight of the agent airline company that is different from the airline company that has initially issued the original flight ticket.

Since the beginning of 2019, there have been changes in IATA Resolution 735d, one of which is the abolition of the FIM (Flight Interruption Manifest) as a document that performs involuntary re-routing and / or flight interruption. This is accomplished with an electronic ticket. The reason is that FIM is a paper document on which no alternative electronic has been created. Therefore, IATA Resolution 735e has been dropped, and airlines may use FIM and other paper documents such as excess baggage receipts in the event of a two-way flight interruption.

The change in IATA resolutions has led to new texts in RAM (Revenue Accounting Manual). In Chapter A2, item 2.6, the rules for settlement with FIM are no longer indicated, but those for planned schedule changes.

Due to the bilateral agreement between the airlines for the use of FIM, the practice remained, after receiving the FIM invoice, the receiving airline (performing the flight) within four months from the date of issuance of the invoice according to the rules of Chapter A10, item 4.1. of RAM to redebit based on the prorate value. Upon receipt of the redebit invoice, the incurred settlement is closed. After the expiration of the four-month period for objections / redebites /, the unsubmitted amounts are recognized as income. In 2019, there was only one FIM on the Airline's flights, issued by Air France, on which a redebit invoice was received.

Revenue reporting is based on previous experience and management has estimated that 95% of the value of all issued and unreported FIM gives grounds for recognizing revenue based on the services actually provided.

For both the current 2019 and the previous period, approximately 5% of the value of issued FIMs is recognized as other income, and the remaining value is reported as an expected liability.

4.37.5. Revenue from sale of air ticket when customer loyalty incentives are used

The group has active loyalty programs, where customers can earn bonus points (prize credits), which can then be exchanged for free tickets for the flights of Bulgaria Air AD.

In cases where the customer can benefit independently from the product or service, regardless of the use of the transport service, it is considered a separate obligation to perform, if it gives a substantial right.

Rights such as free extra luggage, business class transport with an economy class ticket purchased, vouchers for the airport business lounge, attractive discounts when renting a car from Sixt and other similar incentives for loyal customers are not considered separate obligations for performance.

In cases where loyalty programs and award credits give substantial rights and are considered as a separate performance obligation, the airline considers them as a separate distinguishable performance obligation in relation to the sale in which the incentives are given. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the bonus points (prize credits) and the other components of the sale. The Group distributes the transaction price between the substantive law and other performance obligations specified in the contract, based on their relatively independent selling price. The Group provides incentives for loyal customers and recognizes the remuneration allocated to the incentives as revenue when these incentives in the form of bonus points are replaced and the Group fulfills its obligation to deliver them. The amount of recognized income is based on the number of prize credits that are exchanged for prizes, in relation to the total number that is expected to be replaced. Revenue from substantive law is recognized on the earlier of the date on which the customers have used the points and the date on which they expire.

The reporting of award credits is based on management's estimate of the likelihood that they will be used during their term of validity. Therefore, the amount of reported bonuses and rebates and related revenue may differ from actual results.

4.37.6. Greenhouse gas emissions trading quotes

In accordance with the requirements of Directive 2003/87 / EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community, aviation activities are included in the single European greenhouse gas emissions trading scheme (EU ETS). For the periods after 1 January 2012, air operators shall participate in this mechanism to reduce the harmful effects on the environment.

Companies receive part of their required emission allowances free of charge. By 30 April of the following year, air carriers must submit to the EU ETS the emission allowances for the emissions of the current year.

The Group has adopted a policy for implementing the so-called "net liability approach" with regard to the accounting of greenhouse gas emission allowances. Under this approach, the Group recognizes neither an asset nor income for emission allowances acquired free of charge by the Executive Environment Agency.

Greenhouse gas emission allowances (CO_2 emissions) received free of charge from the state are not recognized in the statement of financial position, but are recognized as contingent assets and liabilities. Where annual emissions exceed available and gratuitously allocated allowances, the excess obligation shall be measured at the fair value of the greenhouse gas emissions at the end of the reporting period for which they are due and a provision shall be charged.

A provision is recognized only when the actual amount of emissions exceeds the amount of gratuitously provided emissions. The provision is recognized in the consolidated income statement and other comprehensive income. Emission allowances that are acquired and exceed the allowances allocated free of charge are recognized as an asset at cost.

The total number of quotas reached shall be determined by presenting a verified report issued by an independent accredited verification body.

4.38. Estimation uncertainty

When preparing the consolidated financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.38.1. Impairment of non-financial assets and goodwill

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.16). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The Group has incurred an impairment loss of BGN 4 084 thousand (2018: BGN 4 088 thousand), in order to reduce the carrying amount of goodwill to its recoverable amount (see note 11).

4.38.2. Measurement of expected credit losses for financial assets

Credit losses are the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to receive. Expected credit losses are a probability-weighted estimate of credit losses that require the Group’s judgment. Expected credit losses are discounted at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

4.38.3. Fair value measurements

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 52.1).

4.38.4. Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2019 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 12 and 8. Actual results, however, may vary due to technical obsolescence.

4.38.5. Inventory

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets BGN 62 331 thousand (2018: BGN

45 923 thousand) is affected by the future service providing and market realization of inventories, note 22.

4.38.6. Defined benefit liabilities

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to the yield of government bonds.

4.38.7. Provisions

The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

4.38.8. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill. Details of acquired assets and liabilities are given in note 5.

5. Basis for consolidation

5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2019 Percentage of consolidation	31.12.2019 Nominal percentage	31.12.2018 Percentage of consolidation	31.12.2018 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	77.00%	77.00%	79.31%	79.31%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	67.26%	91.83%	73.76%	91.83%
ZAO Investment Corporate Bank	Russia	Finance	86.27%	86.27%	86.27%	86.27%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	79.31%	100.00%	79.31%	100.00%
ZAD Armeec	Bulgaria	Finance	96.26%	96.26%	96.26%	96.26%
ZEAD CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	67.43%	67.43%	67.01%	67.01%
DPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.01%	67.01%
UPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.01%	67.01%
PPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.01%	67.01%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	68.12%	68.12%	68.12%	68.12%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	49.59%	65.92%	49.59%	65.92%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	49.59%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.12%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	49.93%	72.36%	47.74%	68.65%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	49.59%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	34.71%	70.00%	34.71%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.96%	66.00%	44.96%	66.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.87%	60.00%	40.87%	60.00%
Chimceltex EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.12%	100%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	49.59%	100.00%
Zarneni Hrani Grain EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.12%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	86.40%	90.00%		
Dobrich Fair AD	Bulgaria	Production, Trade and Services	40.85%	59.97%		
National Stokova Borsa AD	Bulgaria	Production, Trade and Services	75.00%	75.00%	75.00%	75.00%
Asela AD	Bulgaria	Production, Trade and Services	-	-	24.53%	51.39%
AK Plastic EOOD	Bulgaria	Production, Trade and Services	-	-	47.26%	99.00%
Prime Lega Consult EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100%	100%
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	96.00%	96.00%	96.00%	96.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.12%	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2019 Percentage of consolidation	31.12.2019 Nominal percentage	31.12.2018 Percentage of consolidation	31.12.2018 Nominal percentage
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	79.89%	79.89%	79.89%	79.89%
Port Balchik AD	Bulgaria	Sea and River Transport	78.64%	100.00%	78.64%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	100.00%	99.00%	100.00%
Mayak - KM AD	Bulgaria	Sea and River Transport	69.16%	86.57%	41.04%	51.37%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	43.94%	55.00%	0.00%	0.00%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	79.89%	100.00%	79.89%	100.00%
Interlihter Slovakia	Slovakia	Sea and River Transport	79.89%	100.00%	79.89%	100.00%
Blue Sea Horizon Corp	Seychelles	Sea and River Transport	79.89%	100.00%	79.89%	100.00%
Bulgarian Airways Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%	99.99%	100.00%
Airport Consult EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Trans intercar EAD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Energoproekt AD	Bulgaria	Real Estate and engineering	98.69%	98.69%	98.69%	98.69%
Energoproekt Utilities OOD (in liquidation)	Bulgaria	Real Estate and engineering	50.33%	51.00%	50.33%	51.00%
Bulgaria Air Maintanance EAD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate and engineering	32.23%	65.00%	32.23%	65.00%
Sporten Complex Varna AD	Bulgaria	Real Estate and engineering	65.00%	65.00%	65.00%	65.00%
Sporten management EOOD	Bulgaria	Real Estate and engineering	65.00%	100.00%	65.00%	100.00%
TI AD	Bulgaria	Real Estate and engineering	87.66%	87.66%	87.66%	87.66%
Bulchimex GmBH	Germany	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Invest Capital Consult AD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Sitniakovo Project Estate EOOD	Bulgaria	Real Estate and engineering	49.59%	100.00%	49.59%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate and engineering	68.12%	100.00%	-	-

The Group includes non-controlling interest (NCI), broken down by segments as follows.

Segment	Accumulated non-controlling interests 2019 BGN'000	2018 BGN'000
Financial sector	168 343	119 302
Production, trade and services	107 106	134 047
Transport	12 708	16 411
Real estate and engineering	21 713	24 171
	309 870	**293 931**

In 2019 dividends paid to non-controlling interest amount to BGN 3 712 thousand (2018: BGN 2 430 thousand). Summary of financial information of the assets and liabilities before intragroup eliminations is disclosed in note 7 Segment reporting.

5.2. Acquisition of controlling interest in Imoti Activities 1 EOOD

In 2019, the Group acquired a controlling interest in the amount of nominal percentage of 100.00% (68.12% consolidation percentage) in the company Imoti Activities 1 EOOD, through an in-kind contribution of Investment Properties in the amount of BGN 9 755.

The carrying amount of the newly acquired net assets of the subsidiary Imoti Activities 1 EOOD, recognized at the date of acquisition in the consolidated financial statements, amounts to BGN 6 645 thousand). The Group has recognized an increase in the non-controlling interest in the amount of BGN 3 109 thousand.

5.3. Acquisition of controlling interest in Port Pristis AD

In 2019 the Group acquired an additional interest of 22.05% nominal percentage (28.76% consolidation percentage) in the company Port Pristis AD for the amount of BGN 55 thousand (BGN 46 thousand for the Group), thus acquiring a controlling interest in the amount of 55.00% percentage (43.94% - consolidation percentage).

The carrying amount of the newly acquired net assets of the subsidiary Port Pristis AD, recognized at the date of acquisition in the consolidated financial statements, amounts to BGN 46 thousand. The Group has recognized an increase in the non-controlling interest in the amount of BGN 49 thousand.

	2019 BGN'000
Total transferred remuneration	46
Share in net assets	(46)
Net result	**-**

5.4. Acquisition on non-controlling interest in Mayak - KM AD

In 2019 the Group acquired an additional share of 35.20% nominal percentage (28.12% consolidation percentage) in its subsidiary Mayak - KM AD for the amount of BGN 3 056 thousand for the Group and a nominal price of BGN 3 530 thousand, thus increasing its controlling interest to 86.57% nominal percentage (69.16% consolidation percentage).

The carrying amount of the newly acquired net assets of the subsidiary Mayak - KM AD, recognized as at the acquisition date in the consolidated financial statements amounts to BGN 2 135 thousand. The Group has recognized a decrease in the non-controlling interest in the amount of BGN 2 609 thousand and a decrease of retained earnings in the amount of BGN 8 969 thousand.

	2019 BGN'000
Total transferred remuneration	(3 056)
Additional acquired share in the net assets of Mayak – KM AD	2 135
Decrease in retained earnings	**(921)**

5.5. Acquisition of non-controlling interest in POAD CCB Sila

In 2019, the Group acquired an additional shareholding of 0.42% in its subsidiary POAD CCB Sila for an amount of BGN 521 thousand, thus increasing its controlling interest to 67.43% (consolidation percentage).

The carrying amount of the newly acquired net assets of the subsidiary POAD CCB Sila, recognized at the acquisition date in the consolidated financial statements, amounts to BGN 220 thousand. The Group has recognized a decrease in the non-controlling interest in the amount of BGN 220 thousand and a decrease in retained earnings. in the amount of BGN 301 thousand.

	2019 BGN’000
Total transferred remuneration	(521)
Additional acquired share in the net assets of POAD CCB Sila	220
Decrease in retained earnings	**(301)**

5.6. Increase of the share capital of Asenova Krepost AD and sale of a part of controlling interest in Asenova Krepost AD

On 4 June 2019 the subsidiary - Asenova Krepost AD has increased its capital by issuing new 1 749 995 ordinary shares with a par value of BGN 3 and an issue value of BGN 10.80 per share. Thus, the Group increased its participation by 6.84% consolidation percentage and 10.05% nominal percentage with an acquisition value for the Group of BGN 11 813 thousand. During the period after the increase of the share capital, 3.59% consolidation interest percentage and 5.27% nominal interest percentage were sold with a sale value of BGN 1 767 thousand. Following the transactions, the Group has increased by 2.9% its consolidation interest percentage (3.71% nominal) of the share capital of Asenova Krepost AD, thus increasing its controlling interest to 49.93% consolidation percentage (72.36% nominal percentage).

The carrying amount of the acquired net assets of the subsidiary Asenova Krepost AD, recognized as at the acquisition date in the consolidated financial statements amounts to minus BGN 832 thousand. The Group has recognized a decrease in the non-controlling interest in the amount of BGN 4 697 thousand and a decrease of retained earnings in the amount of BGN 9 214 thousand.

5.7. Increase of the share capital of Central Cooperative Bank AD

On 25 February 2019 the subsidiary - Central Cooperative Bank AD increased its capital by issuing new 13 975 679 ordinary shares with a par value of BGN 1, by converting a bond issue, according to a decision of the extraordinary GMS from 2018. Thus, the group net decreased its participation by 2.31% consolidation interest, as the current and controlling participation amounts to 77.00% consolidation interest.

As a result of the conversion, an increase in the non-controlling interest in the amount of BGN 11 295 thousand and an increase in retained earnings in the amount of BGN 6 334 thousand were recognized for the Group.

5.8. Sale of the controlling interest in Asela AD

In 2019, the Group sold its entire stake in the amount of a nominal percentage of 61.39% (34.53% consolidation percentage) in its subsidiary Asela AD for the amount of BGN 1 405 thousand.

The Group has recognized an increase in the consolidated profit in the amount of BGN 1 115 thousand and an increase in the minority interest in the amount of BGN 502 thousand.

	2019 BGN’000
Total transferred remuneration	1 405
Sold share of the net assets of Asela AD	(290)
Result of loss of control recognized in line "Result of operations with financial instruments"	**1 115**

5.9. Transfer of the controlling interest of AK Plastik EOOD

In 2019, the Group transferred control in the amount of 99% (47.26%) in its subsidiary AK Plastic EOOD to a legal entity outside the Group of Chimimport AD. The transaction has no effect on minority participation and the Group of Chimimport AD.

6. Investments accounted for using the equity method

The value of investments accounted for using the equity method is as follows:

	Note	2019 BGN'000	2018 BGN'000
Investments in associates	6.1	26 054	27 685
Investments in joint ventures	6.2	2 860	7 441
Total investments accounted for using the equity method		**28 914**	**35 126**
Gains from investments under equity method	6.1, 6.2	**5 189**	**5 300**

6.1. Investments in associates

The Group owns shares in the share capital of the following associated companies:

Associates	**2019 BGN'000**	**Share %**	**2018 BGN'000**	**Share %**
Lufthansa Technik Sofia OOD	8 502	24.90%	8 945	24.90%
Swissport Bulgaria AD	5 829	49.00%	5 671	49.00%
Silver Wings Bulgaria OOD	4 678	42.50%	5 170	42.50%
Amadeus Bulgaria OOD	3 078	44.99%	3 294	44.99%
VTC AD	3 385	41.00%	4 034	41.00%
Kavarna Gas OOD	582	35.00%	552	35.00%
Port Pristis OOD	-	-	19	19.00%
	26 054		**27 685**	

Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December.

The shares and stocks of the associated companies are not traded on a public stock exchange and therefore there are no quoted prices on an active market.

Summarized financial information for significant associated companies of the Group is presented below. It reflects the amounts presented in the financial statements of the respective associate after adjustments relating to the application of the equity method (incl. Fair value adjustments) or adjustments for differences in accounting policies.

	2019 BGN'000	**2018 BGN'000**
Non-current assets	211 908	65 376
Current assets	68 242	59 988
Total assets	**280 150**	**125 364**
Non-current liabilities	176 200	34 435
Current liabilities	41 656	27 090
Total liabilities	**217 856**	**61 525**
Net assets	**62 294**	**63 839**
Revenue	210 343	181 650
Profit for the period before tax	10 398	14 086
Profit for the period	9 325	12 646
Other comprehensive loss	(136)	(53)
Total comprehensive income for the period	**9 189**	**12 593**

A reconciliation of the financial information set out above with the carrying amount of investments in significant associates is presented as follows:

	2019 BGN'000	2018 BGN'000
Total net assets at 01 January	63 840	60 197
Profit for the period	9 325	12 646
Other comprehensive income / (loss)	(136)	(59)
Dividends paid	(10 435)	(8 944)
Total net assets at 31 December	**62 594**	**63 840**
Share of the Group (in thousand BGN)	20 652	22 283
Goodwill	5 402	5 402
Carrying amount of the investment	**26 054**	**27 685**

All transfers of cash to the Group, e.g. payment of dividends is made after the approval of at least 51% of all owners of associates. The Group received dividends in the amount of BGN 3 819 thousand for 2019 and BGN 3 270 thousand for 2018, respectively.

The Group has no contingent liabilities or other commitments related to its investments in associates.

6.2. Investments in joint ventures

The Group holds shares in the capital of the following joint ventures:

Joint ventures	2019 BGN'000	Share %	2018 BGN'000	Share %
Nuance BG AD	2 674	50%	2 434	50%
Consortium Bulgaria Air – Direction	132		-	
Consortium Bulgaria Air and Direction	54		-	
Varna ferry OOD	-	50%	5 007	50%
	2 860		**7 441**	

The investments in the joint venture is presented in the financial statements of the Group using the equity method. Joint ventures have a reporting date as at 31 December.

The shares and stocks of joint venture companies are not traded on the public stock exchange market and therefor there are no quoted prices in an active market.

Summary of financial information of the Group's major joint ventures is presented below. It reflects the amounts presented in the financial statements of the associate concerned after adjustments in connection with the application of the equity method (including fair value adjustments) or adjustments for differences in accounting policies:

	2019 BGN'000	2018 BGN'000
Non-current assets	10 685	12 935
Current assets	12 772	11 039
Total assets	**23 457**	**23 974**
Non-current liabilities	1 308	2 030
Current liabilities	18 779	17 572
Total liabilities	**20 087**	**19 602**
Net assets	**3 370**	**4 372**
Revenue	54 448	46 135
Profit for the period before tax	1 074	158
Profit/(loss) for the period	718	(54)
Total comprehensive income / (loss) for the period	**718**	**(54)**

A reconciliation of the financial information set out above with the carrying amount of investments in significant joint ventures is presented as follows:

	2019	2018

	BGN‘000	BGN‘000
Total net assets at 1 January	4 372	7 684
Profit for the period	718	(54)
Total net assets at 31 December	**5 090**	**7 630**
Share of the Group (in thousand BGN)	2 860	7 441
Carrying amount of the investments	**2 860**	**7 441**

All transfers of cash to the Group, e.g. payment of dividends shall be made after the approval of the joint ventures. The Group has received dividends in the amount of BGN 953 thousand for 2019 and BGN 1 629 thousand for 2018, respectively.

The Group has no contingent liabilities or other commitments in relation to the associated companies.

7. Segment reporting

The management responsible for making the business decisions determines the business segments on the grounds of the types of activities, the main products and services rendered by the Group. The activities of the Group are analysed as a whole of business segments that may vary depending on the nature and development of a certain segment by considering the influence of the risk factors, cash flows, products and market requirements.

Each business segment is managed separately as long as it requires different technologies and resources or marketing approaches. The adoption of IFRS 8 had no influence on the identification of the main business segments of the Group in comparison with those determined in the last consolidated financial statements.

According to IFRS 8 the profits reported by segments are based on the information used for the needs of the internal management reporting and is regularly reviewed from those responsible for the business decisions. All inter-segment transfers are priced and carried out at market price and condition basis.

For segment reporting under IFRS 8, the Group applies the same valuation policy as in the latest annual consolidated financial statements. All transfers between segments are valued and recognized at market prices and conditions.

The main operating segments of the Group are the following: Production, trade and services; Finance; Transport; Real estate and engineering.

The Group's operating segments are summarized as follows:

Operating segment 31.12.2019	Production, trade and services BGN'000	Finance BGN'000	Transport BGN'000	Real estate and engineering BGN'000	Eliminations BGN'000	Consolidated BGN'000
Income from non-financial activities from external customers	77 500	39 273	348 931	13 595	(1 933)	477 366
Change in fair value of investment property	819	1 030	-	(13)	-	1 836
Gain from sale of non-current assets	(4)	79	355	-	(10)	420
Inter-segment income from non-financial activities	15 761	2 964	5 610	**441**	(24 776)	-
Total income from non-financial activities	**94 076**	**43 346**	**354 896**	**14 023**	**(26 719)**	**479 622**
Insurance income from external customers	-	400 454	-	-	-	400 454
Inter-segment insurance income	-	4 981	-	-	(4 981)	-
Total insurance income	**-**	**405 435**	**-**	**-**	**(4 981)**	**400 454**
Net result from insurance	**-**	**47 761**	**-**	**-**	**(4 580)**	**43 181**
Interest income	6 082	193 943	4 229	1 638	(11 879)	194 013
Interest expenses	(7 014)	(29 077)	(13 910)	(3 234)	11 923	(41 312)
Net interest income	**(932)**	**164 866**	**(9 681)**	**(1 596)**	**44**	**152 701**
Net result from transactions with financial instruments	**3 948**	**74 325**	**6 638**	**-**	**6 490**	**91 401**
Operating and administrative expenses	(91 272)	(241 629)	(346 903)	(13 168)	17 751	(675 221)
Net result from equity accounted investments in associates	26	-	5 163			5 189
Other financial income/(expenses)	(1 379)	74 890	(3 614)	(149)	(4 891)	64 857
Allocation of income to individual insurance accounts	-	(69 522)	-	-	-	(69 522)
Profit for the period before tax	**4 467**	**94 037**	**6 499**	**(890)**	**(11 905)**	**92 208**
Income tax expense	399	(7 242)	(86)	18	(503)	(7 414)
Net profit for the year	**4 866**	**86 795**	**6 413**	**(872)**	**(12 408)**	**84 794**
Assets of the segment	680 003	10 246 137	929 331	304 138	(2 242 552)	9 917 057
Equity accounted investments	3 769	-	21 968	2	3 175	28 914
Total consolidated assets	**683 772**	**10 246 137**	**951 299**	**304 140**	**(2 239 377)**	**9 945 971**
Liabilities of the segment	226 953	8 009 355	526 311	132 333	(663 885)	8 231 067
Total consolidated liabilities	**226 953**	**8 009 355**	**526 311**	**132 333**	**(663 885)**	**8 231 067**

Operating segment 31.12.2018	Production, trade and services BGN'000	Finance BGN'000	Transport BGN'000	Real estate and engineering BGN'000	Eliminations BGN'000	Consolidated BGN'000
Income from non-financial activities from external customers	91 671	48 158	313 965	10 441	(2 798)	461 437
Change in fair value of investment property	(149)	2 481	-	471	-	2 803
Gain from sale of non-current assets	104	126	936	1	(61)	1 106
Inter-segment income from non-financial activities	11 075	3 168	2 775	**725**	(17 743)	-
Total income from non-financial activities	**102 701**	**53 933**	**317 676**	**11 638**	**(20 602)**	**465 346**
Insurance income from external customers	-	377 484	-	-	-	377 484
Inter-segment insurance income	-	4 271	-	-	(4 271)	-
Total insurance income	**-**	**381 755**	**-**	**-**	**(4 271)**	**377 484**
Result from insurance	**-**	**31 600**	**-**	**-**	**(3 801)**	**27 799**
Interest income	5 382	197 627	1 124	1 813	(16 339)	189 607
Interest expenses	(7 646)	(33 140)	(6 701)	(3 089)	16 342	(34 234)
Total insurance income	**(2 264)**	**164 487**	**(5 577)**	**(1 276)**	**3**	**155 373**
Net result from insurance	**6 156**	**24 877**	**4 906**	**(308)**	**(14 715)**	**20 916**
Operating and administrative expenses	(92 165)	(237 851)	(320 363)	(9 145)	22 737	(636 787)
Net result from equity accounted investments in associates	42	-	5 258	-	-	5 300
Other financial income/ (expenses)	(2 765)	69 488	(441)	(174)	(593)	65 515
Allocation of income to individual insurance accounts	-	(10 544)	-	-		(10 544)
Profit for the period before tax	**11 705**	**95 990**	**1 459**	**735**	**(16 971)**	**92 918**
Income tax expense	(428)	(8 637)	1 061	(109)	(453)	(8 566)
Net profit for the year	**11 277**	**87 353**	**2 520**	**626**	**(17 424)**	**84 352**
Assets of the segment	649 562	9 521 296	767 905	291 768	(2 166 588)	9 063 943
Equity accounted investments	3 819	-	23 494	-	7 813	35 126
Total consolidated assets	**653 381**	**9 521 296**	**791 399**	**291 768**	**(2 158 775)**	**9 099 069**
Liabilities of the segment	215 237	7 385 436	366 097	124 860	(637 254)	7 454 376
Total consolidated liabilities	**215 237**	**7 385 436**	**366 097**	**124 860**	**(637 254)**	**7 454 376**

8. Property, plant and equipment

Property, plant and equipment of the Group include land, buildings, plant and equipment, vehicles, repairs of rented fixed assets, assets in process of acquisition, etc. Their carrying amount can be analysed as follows:

2019	**Land** BGN'000	**Building** BGN'000	**Machines and equipment** BGN'000	**Facilities and spare parts** BGN'000	**Vehicles** BGN'000	**Repairs of rented assets** BGN'000	**Other** BGN'000	**Assets in process of acquisition** BGN'000	**Total** BGN'000
Balance at 1 January 2019	51 543	139 880	184 325	85 637	125 760	26 830	77 035	40 461	**731 471**
Additions:									
- from business combination	-	2	-	-	-	-	-	-	**2**
- separately acquired	657	720	3 835	1 008	1 170	1 075	4 201	2 248	**14 914**
Disposals									
- separately disposed	(28)	(3 559)	(944)	(552)	(1 294)	-	(23)	(5 492)	**(11 892)**
- business combinations	(15)	(557)	(725)	-	(95)	-	(20)	-	**(1 412)**
- reclassification – right of use assets	-	-	(22 408)	-	(1 666)	(4 494)	-	(1 306)	**(29 874)**
- reclassification – intangible assets	-	-	-	-	-	(38)	-	(1 093)	**(1 131)**
Balance at 31 December 2019	52 157	136 486	164 083	86 093	123 875	23 373	81 193	34 818	**702 078**
Depreciation									
Balance at 1 January 2019	-	(28 637)	(122 671)	(34 680)	(58 574)	(25 715)	(40 297)	-	**(310 574)**
Additions from business combinations	-	(1)	-	-	-	-	-	-	**(1)**
Depreciation of disposed assets:									
- from business combinations	-	515	504	-	95	-	20	-	**1 134**
- from reclassification – right of use assets	-	-	8 033	-	125	2 750	-	-	**10 908**
- from separately disposed	-	1 128	1 846	282	1 744	-	23	-	**5 023**
Depreciation	-	(4 369)	(9 236)	(1 503)	(5 682)	(408)	(3 345)	-	**(24 543)**
Balance at 31 December 2019	-	(31 364)	(121 524)	(35 901)	(62 292)	(23 373)	(43 599)	-	**(318 053)**
Carrying amount at 31 December 2019	**52 157**	**105 122**	**42 559**	**50 192**	**61 583**	**-**	**37 594**	**34 818**	**384 025**

- for the period ending 31 December 2018:

2018	Land BGN'000	Building BGN'000	Machines and equipment BGN'000	Facilities and spare parts BGN'000	Vehicles BGN'000	Repairs of rented assets BGN'000	Others BGN'000	Assets in process of acquisition BGN'000	Total BGN'000
Balance at 1 January 2018	51 382	132 104	182 354	85 229	125 850	24 368	74 401	40 731	**716 419**
Additions:									
- from business combination	-	-	82	-	73	-	17	321	**493**
- separately acquired	166	8 299	6 834	1 183	5 887	2 478	2 712	17 606	**45 165**
Disposals									
- separately disposed	(5)	(523)	(4 763)	(774)	(3 164)	(16)	(95)	(18 197)	**(27 537)**
- business combinations	-	-	(182)	(1)	(2 886)	-	-	-	**(3 069)**
Balance at 31 December 2018	51 543	139 880	184 325	85 637	125 760	26 830	77 035	40 461	**731 471**
Depreciation									
Balance at 1 January 2018	-	(24 873)	(117 446)	(33 741)	(55 439)	(24 164)	(37 578)	-	**(293 241)**
Depreciation – business combinations	-	-	(75)	-	(62)	-	(17)	-	**(154)**
Disposal - business combinations	-	-	142	1	340	-	-	-	**483**
Disposal	-	133	4 705	570	2 120	19	94	-	**7 641**
Depreciation	-	(3 897)	(9 997)	(1 510)	(5 533)	(1 570)	(2 796)	-	**(25 303)**
Balance at 31 December 2018	-	(28 637)	(122 671)	(34 680)	(58 574)	(25 715)	(40 297)	-	**(310 574)**
Carrying amount at 31 December 2018	**51 543**	**111 243**	**61 654**	**50 957**	**67 186**	**1 115**	**36 738**	**40 461**	**420 897**

All depreciation and impairment charges are included in consolidated statement of profit or loss and other comprehensive income within "Operating and administrative expenses".

The carrying amount of the Group's property, plant and equipment pledged as security on borrowings as at 31 December is presented as follows:

	Land BGN'000	Building BGN'000	Machines plant and equipment BGN'000	Vehicles BGN'000	Other BGN'000	Total BGN'000
Carrying amount as at 31 December 2019	509	16 655	59 601	786	12	77 563
Carrying amount as at 31 December 2018	905	16 552	57 557	1 936	2	76 952

9. Right of use assets

The Group's right-of-use assets include aircrafts and vehicles, buildings and machinery and equipment, related to right of use of these leased assets. The carrying amounts of these assets can be analyzed as follows:

	Aircrafts and vehicles BGN'000	Buildings BGN'000	Machinery and equipment BGN'000	Total Right-of-use asstes BGN'000
Gross carrying amount				
Balance at 1 January 2019	1 666	18 167	22 408	42 241
Effect from IFRS 16	177 931	39 283	1 284	218 498
Additions	5 800	30 069	-	35 869
Disposals		(14 401)		(14 401)
Balance at 31 December 2019	**185 397**	**73 118**	**23 692**	**282 207**
Depreciation				
Balance at 1 January 2019	(125)	-	(8 033)	(8 158)
Effect from IFRS 16 – reclassification of assets	(2 750)	-	(124)	(2 874)
Depreciation	(37 888)	(15 990)	(1 229)	(55 107)
Disposals	-	8 236	-	8 236
Balance at 31 December 2019	**(40 763)**	**(7 754)**	**(9 386)**	**(57 903)**
Carrying amount at 31 December 2019	**144 634**	**65 364**	**14 306**	**224 304**

All depreciation expenses are included in the consolidated statement of profit or loss and other comprehensive income within "Operating and administrative expense".

10. Investment property

Investment property includes land and buildings, hangars and outbuildings which are owned to earn rentals and capital appreciation.

Investment property is recognized in the consolidated financial statements of the Group using fair value model. Changes to the carrying amounts presented in the consolidated statement of financial position can be summarized as follows:

	Investment property BGN '000
Carrying amount at 1 January 2018	**405 502**
Additions:	
- from business combinations	2 856
- through acquisition costs	1 592
- separately acquired	14 705
Gain from change of the fair value of investment property	3 806
Loss from change of fair value of investment property	(1 003)
Disposals	(5 284)
Carrying amount at 31 December 2018	**422 174**
Additions:	
- through acquisition costs	2 236
- separately acquired	4 574
Gain from change of the fair value of investment property	2 501
Loss from change of fair value of investment property	(665)
Disposals	(9 557)
Carrying amount at 31 December 2019	**421 263**

The fair value of the investment property is determined by the Group in accordance with valuation reports from certified valuation specialists, internal group expert reports based on the current market prices.

Investment properties that are pledged as collateral are at the amount of BGN 87 537 thousand (2018: BGN 83 508 thousand).

Revenue from investment properties for the year 2019 amounted to BGN 12 613 thousand (2018: BGN 11 999 thousand) and are included in the consolidated statement of profit or loss and other comprehensive income within "Income from non-financial activities". Direct operating expenses in the amount of BGN 1 494 thousand are recognized as "Operating and administrative expenses" (2018: BGN 2 101 thousand).

11. Goodwill

The main changes in the carrying amount of goodwill arise from the annual impairment tests performed and from the acquisition of subsidiaries in the Group during the reporting period.

	Goodwill BGN'000
2018	
Carrying amount at 1 January	32 307
Goodwill recognized during the period	206
Impairment loss recognized for the period	(4 088)
Carrying amount at 31 December	**28 425**
2019	
Carrying amount at 1 January	28 425
Impairment loss recognized for the period	(4 084)
Carrying amount at 31 December	**24 341**

For the purpose of annual impairment testing in 2019 the carrying amount of goodwill is allocated to the following cash-generating units:

	2019 BGN'000	2018 BGN'000
Segment "Finance"	15 559	18 169
Segment "Production, trade and services "	7 769	9 073
Segment "Transport"	566	661
Segment "Real estate and engineering"	447	522
	24 341	**28 425**

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates. The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

In 2019 impairment of goodwill was carried, associated with segment “Finance” totalling BGN 2 610 thousand (2018: BGN 2 594 thousand), segment “Production, trade and services” totalling BGN 1 304 thousand (2018: BGN 1 070 thousand), segment “Transport” – BGN 95 thousand (2018: BGN 83 thousand), segment “Real estate and engineering” – BGN 75 thousand (2018: BGN 341 thousand).

The impairment of goodwill is included within "Operating and administrative expenses " in the consolidated statement of profit or loss and other comprehensive income.

12. Other intangible assets

The carrying amounts of the intangible assets of the Group for the reporting periods can be analysed as follows:

2019	Trade marks BGN'000	Licenses and patents BGN'000	Software products BGN'000	Customer relationships BGN'000	Research and development activities BGN'000	Exploration and evaluation expenditures BGN'000	Property rights BGN'000	Other BGN'000	Total BGN'000
Gross carrying amount									
Balance at 1 January 2019	55 627	9 508	10 581	6 058	1 145	9 595	13 811	131 354	**237 679**
Additions:									
- separately acquired	-	158	305	-	-	119	-	992	**1 574**
- reclassified to property, plant and equipment	-	53	409	-	-	-	-	669	**1 131**
Disposals									
- reclassified to right-of-use assets	-	-	-	-	-	-	(13 811)	(4 356)	**(18 167)**
- separately disposed	(6 531)	(17)	(45)	-	-	(2 390)	-	(113)	**(9 096)**
Balance at 31 December 2019	49 096	9 702	11 250	6 058	1 145	7 324	-	128 546	**213 121**
Amortization									
Balance at 1 January 2019	(38 289)	(6 942)	(10 213)	(5 594)	(52)	-	-	(18 858)	**(79 948)**
Disposals	6 531	-	1	-	-	-	-	96	**6 628**
Amortization	(1 380)	(493)	(557)	(413)	-	-	-	(4 630)	**(7 473)**
Balance at 31 December 2019	(33 138)	(7 435)	(10 769)	(6 007)	(52)	-	-	(23 392)	**(80 793)**
Carrying amount at 31 December 2019	**15 958**	**2 267**	**481**	**51**	**1 093**	**7 324**	**-**	**105 154**	**132 328**

- For the period ended 31 December 2018:

2018	Trade marks	Licenses and patents	Software products	Customer relationships	Research and development activities	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2018	53 168	9 243	10 420	6 058	1 145	11 625	21 499	131 385	244 543
Additions:									
- separately acquired	-	257	200	-	-	73	-	3 444	3 974
- reclassified assets	-	11	6	-	-	-	-	(17)	-
- business combinations	2 459	-	-	-	-	-	-	-	2 459
Disposals									
- separately disposed	-	(3)	(45)	-	-	(2 103)	(7 688)	(3 458)	(13 297)
Balance at 31 December 2018	55 627	9 508	10 581	6 058	1 145	9 595	13 811	131 354	237 679
Amortization									
Balance at 1 January 2018	(36 909)	(6 485)	(9 670)	(5 181)	(52)	-	-	(14 505)	(72 802)
Disposals	-	3	30	-	-	-	-	-	33
Amortization	(1 380)	(460)	(573)	(413)	-	-	-	(4 353)	(7 179)
Balance at 31 December 2018	(38 289)	(6 942)	(10 213)	(5 594)	(52)	-	-	(18 858)	(79 948)
Carrying amount at 31 December 2018	**17 338**	**2 566**	**368**	**464**	**1 093**	**9 595**	**13 811**	**112 496**	**157 731**

Established Property Right

Established property rights to the buildings relate to massive office buildings, located in several major cities in the country, which will be used for branches of CCB AD. Rights to use the buildings are set up in 2011 and 2012 and 2014 for the terms until 2020, 2022 and 2031 for a total amount of BGN 13 811 thousand. Carrying amount of each entitlement is amortized in equal instalments for the period of use of buildings. As of 01.01.2019 the assets are reclassified as result of applying IFRS 16.

Trade marks

The trademarks of the Group comprise “Bulgaria Air”, national carrier and “Arena Armeec”, representing name of multifunctional hall in Sofia, Bulgaria – Arena Armeec.

Exploration and evaluation expenditures

The expenses for research and valuation include granted rights and capitalized expenses for research and valuation.

As at 31 December 2019 the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha amounting to BGN 7 324 thousand (2018: BGN 9 595 thousand).

	2019 BGN‘000	2018 BGN‘000
Block 1-12 Knezha	7 324	7 842
Block 1-17 Ovcha mogila	-	1 753
	7 324	**9 595**

As of the period end the Company`s management has carried out a technical and financial review of the exploration and evaluation assets in order to confirm the intention to continue the exploration activities.

In 2019, indications for impairment of exploration and evaluation costs amounting to BGN 2 390 thousand as following: Block 1-17 Ovcha mogila – BGN 1 753 thousand and Block 1-12 Knezha – BGN 637 thousand were established and are presented within "Operating and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income (2018: BGN 2 103 thousand in Block 1-17 Ovcha mogila).

No intangible assets have been pledged as security for liabilities.

13. Deferred tax assets and liabilities

Deferred taxes arise from temporary differences and can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2019	Business combination	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2019
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Assets					
Property, plant and equipment	9 491	-	-	(860)	8 631
Investment property	5 397	-	-	81	5 478
Financial assets	1 918	-	(103)	2 388	4 203
Trade and other non-financial receivables	(192)	(1)	-	(222)	(415)
Inventories	(48)	-	-	15	(33)
Other assets	7 035	-	-	(681)	6 354
Liabilities					
Pension and other employee obligations	(1 592)	-	11	(319)	(1 900)
Provisions and trade payables	(398)	-	-	17	(381)
Unused tax losses	(5 805)	-	-	435	(5 370)
	15 806	**(1)**	**(92)**	**854**	**16 567**
Recognized as:					
Deferred tax assets	**(8 035)**				**(8 099)**
Deferred tax liabilities	**23 841**				**24 666**

Deferred taxes for the comparative period 2018 can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2018	Business combination	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2018
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Assets					
Property, plant and equipment	9 374	-	-	117	9 491
Investment property	5 115	(19)	-	301	5 397
Financial assets	(1 737)	-	960	2 695	1 918
Trade and other non-financial receivables	(559)	-	-	367	(192)
Inventories	(46)	-		(2)	(48)
Other assets	6 463	-	-	572	7 035
Liabilities					
Pension and other employee obligations	(1 174)	-	-	(418)	(1 592)
Provisions and trade payables	(335)	-	-	(63)	(398)
Unused tax losses	(4 606)	-		(1 199)	(5 805)
	12 495	**(19)**	**960**	**2 370**	**15 806**
Recognized as:					
Deferred tax assets	**(8 457)**				**(8 035)**
Deferred tax liabilities	**20 952**				**23 841**

14. Loans and advances to bank clients

Loans and advances can be summarized as follows:

(a) Analysis by customer type

	2019 BGN '000	2018 BGN '000
Individuals:		
In BGN	897 185	776 458
In foreign currency	237 927	224 663
Legal entities:		
In BGN	796 857	738 783
In foreign currency	765 313	792 019
Impairment loss	(79 775)	(114 406)
Total loans and advances to bank clients	**2 617 507**	**2 417 517**

Loans and advances to customers as at 31 December 2019 include deposits with international financial institutions under marginal derivative transactions amounting to BGN 14 149 thousand (2018: BGN 9 920 thousand), including the result of transactions.

(b) Interest rates
Loans in BGN and foreign currencies are accrued at a variable interest rate. Under the terms of these loans, the interest rate is calculated on the basis of a reference interest rate of the Bank or an interest rate index for EURIBOR, LIBOR, plus a margin. The allowance for regular loans ranges from 2% to 5%, depending on the credit risk associated with the respective borrower, and overdue loans are charged an additional margin above the agreed interest rate.

15. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss can be summarized as follows:

	2019 BGN '000	2018 BGN '000
Financial assets measured at fair value through profit or loss:		
Bulgarian corporate shares and rights	998 288	771 590
Bulgarian corporate bonds	208 117	184 136
Medium-term Bulgarian government securities	66 150	189 231
Long-term Bulgarian government securities	45 143	53 892
Securities issued or guaranteed in other countries	608 694	486 173
Derivatives held for trading	28	56
	1 926 420	**1 685 078**

Financial assets are measured at fair value based on stock quotes at the date of the financial statements or on the basis of estimates by independent valuers as at the date of the financial statements.

Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income within "Net result from operations with financial instruments".

16. Debt instruments at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income, including bonds and government securities, is presented as follows:

	2019 BGN '000	2018 BGN '000
Bonds	123 984	75 865
Government securities	410 197	347 051
Total debt instruments at fair value through other comprehensive income	**534 181**	**422 916**

As of 31 December 2019, the financial assets measured at fair value in other comprehensive income formed a related impairment loss amounting to BGN 3 179 thousand (2018: BGN 1 706 thousand), which is reflected in the equity and did not reduce the book value of the assets.

As at 31 December 2019 government bonds issued by the Bulgarian government amounting to BGN 118 279 thousand (2018: BGN 91 328 thousand) are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act. As at 31 December 2019, the Bulgarian corporate securities are bonds.

As at 31 December 2019, foreign government bonds represent for the most part government bonds of European Union countries. As at 31 December 2019, foreign corporate securities are bonds in foreign companies.

17. Equity instruments at fair value through other comprehensive income

	2019 BGN '000	2018 BGN '000
Quoted equity instruments	24 792	12 713
Unquoted equity instruments	47 826	58 270
Total equity instruments at fair value through other comprehensive income	**72 618**	**70 983**

18. Other financial assets at amortized cost

Amounts recognized in the consolidated statement of financial position are attributable to other financial assets measured at amortized cost are as follows:

	Note	2019 BGN '000	2018 BGN '000
Loans granted	18.1	193 789	301 069
Receivables under repurchase agreements	18.2	335 417	297 105
Debt instruments measured at amortized cost	18.3	357 228	302 516
Receivables from related parties	46	232 301	112 541
Trade receivables	18.4	192 957	156 426
Other		14 931	74 953
Impairment loss		(116 676)	(92 585)
		1 209 947	**1 152 025**

18.1. Loans granted

	2019 BGN '000	2018 BGN '000
Loans granted	133 665	249 580
Receivables under cession contracts	60 124	51 489
	193 789	**301 069**

Loans are provided at annual interest rates of 3% to 10% depending on the term of the loan.

The fair value of the loans granted is not individually determined as the management considers that their carrying amount gives a true idea of their fair value.

18.2. Receivables under repurchase agreements

As at 31 December 2019, the Group has entered into repurchase agreements with a total of BGN 335 417 thousand (2018: BGN 297 105 thousand), including interest receivables.

Some of them amounting to BGN 30 494 thousand are secured by pledge of Bulgarian government securities of approximately the same amount. The rest of the amount of BGN 304 923 thousand is secured by a pledge of corporate securities whose value is greater than the value of the provided resource. As at 31 December 2019 an impairment loss amounting to BGN 1 094 thousand was formed under the repurchase clauses. The maturity of these agreements is between January and June 2020.

18.3. Debt instruments measured at amortized cost

As at 31 December 2019, debt instruments measured at amortized cost consist of Bulgarian government bonds, government bonds of EU countries, Bulgarian corporate bonds and foreign corporate bonds, including the amount of accrued interest and discount / premium on the basis of their original maturity, as follows:

	2019	2018
	BGN '000	**BGN '000**
Bulgarian government Bonds	248 909	131 656
Foreign government bonds	87 614	148 099
Bulgarian corporate bonds	20 704	12 950
Foreign corporate bonds	1	9 811
Impairment loss	(834)	(412)
Debt instruments measured at amortized cost	**356 394**	**302 104**

As of 31 December 2019, government bonds issued by the Bulgarian government amounting to BGN 107 654 thousand (2018: BGN 130 776 thousand) are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.

18.4. Trade receivables

	2019	2018
	BGN '000	**BGN '000**
Trade receivables, gross	192 957	156 426
Impairment loss	(28 408)	(21 189)
Trade receivables	**164 549**	**135 237**

All receivables are short-term. The net book value of trade receivables is considered a reasonable estimate of their fair value.

All trade receivables of the Group have been reviewed for impairment indications. Some trade receivables have been derecognised and the corresponding impairment in the consolidated statement on profit or loss and other comprehensive income within "Operating and Administrative Expenses". The impaired receivables were mainly due to commercial customers who had financial difficulties.

19. Tax receivables

	2019	2018
	BGN '000	**BGN '000**
Overpaid corporate tax	10	510
VAT recovery	1 576	1 336
Excise recovery fee	3	3
Other overpaid taxes	29	5
	1 618	**1 854**

20. Insurance and reinsurance receivables

	2019	2018
	BGN '000	**BGN '000**
Receivables on accrued premiums on insurance contracts	50 635	47 929
Receivables from reinsurance contracts	78	3 013
Receivables from co-insurance contracts	138	129
	50 851	**51 071**

21. Other receivables

	2019 BGN '000	2018 BGN '000
Noncurrent other receivables		
Advance payments	401	340
Prepaid costs	285	324
Noncurrent other receivables	**686**	**664**
Current other receivables		
Advance payments	14 378	20 004
Prepaid costs	5 634	14 383
Litigation and claims	12	158
Short-term deposits and guarantees	-	2 170
Other	8 704	9 868
Current other receivables, gross	**28 728**	**46 583**
Impairment of other receivables	(16)	(375)
Current other receivables	**28 712**	**46 208**
Other receivables	**29 398**	**46 872**

Significant part of short - term advance payments are cash guarantees at the total amount of BGN 14 378 thousand (2018: BGN 20 004 thousand) the paid amounts are under warranty contracts for leasing of airplanes, guarantees receivables for airports services, guarantees the rental of premises and other contracts and guarantee duty free - currency trading to Customs Sofia.

Significant portion of prepaid expenses totalling BGN 5 634 thousand (2018: BGN 14 383 thousand) represent prepaid advertising costs, rent, insurance, etc.

22. Inventories

Inventories recognized in the consolidated statement of financial position can be analysed as follows:

	2019 BGN'000	2018 BGN'000
Materials	16 898	11 014
Production	1 613	1 995
Goods	868	7 798
Unfinished production	1 965	1 549
Spare parts	7 004	6 316
Assets acquired from collateral	33 891	16 992
Other	52	259
	62 331	**45 923**

As of 31.12.2019, the Group's inventories amounting to BGN 5 015 thousand (2018: BGN 6 903 thousand) were provided as collateral for liabilities to banks.

Assets acquired from collateral amounting to 33 891 (2018: BGN 16 992 thousand) refer to assets acquired from the Group's banking activities that do not meet the criteria for classification as held for sale and are reported in accordance with the requirements of IAS 2 Inventories.

23. Cash and cash equivalents

Cash and cash equivalents include the following:

	2019 BGN'000	2018 BGN'000
Cash in cash and in banks:		
- BGN	1 657 848	1 650 269
- EUR	196 754	172 011
- USD	103 235	103 052
- other currencies	178 198	119 892
Cash and cash equivalents	**2 136 035**	**2 045 224**

	2019 BGN'000	2018 BGN'000
Cash at the Central Bank	1 511 983	1 433 596
Short-term investments and deposits	248 523	220 413
Provided resources and advances to banks and cash	364 331	387 513
Restricted cash	11 198	3 702
	2 136 035	**2 045 224**

24. Equity

24.1. Share capital

The share capital of Chimimport AD as at 31 December 2019 consists of 239 646 267 (31.12.2018: 239 646 267) ordinary shares with a par value of BGN 1 per share, including 12 691 034 (31.12.2018: 12 454 620) ordinary shares, acquired by companies of Group of Chimimport AD. The ordinary shares of Chimimport AD are registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota.

	2019 Number of shares	2018 Number of shares
Shares issued and fully paid at 1 January:	227 191 647	227 235 748
Change in own shares /ordinary and preferred/, acquired by subsidiaries during the year	(236 414)	(44 101)
Shares issued and fully paid as at period end	**226 955 233**	**227 191 647**

The list of the principal shareholders, holding ordinary shares of the Group, is as follows:

	2019 Number ordinary shares	2019 %	2018 Number ordinary shares	2018 %
Invest Capital AD	173 487 247	72,39%	174 847 247	72.96%
Other entities	50 126 772	20,92%	50 761 796	21.18%
Other individuals	16 032 248	6,69%	14 037 224	5.86%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**
Own shares held by subsidiaries				
CCB Group AD	(1 296 605)	(0.54%)	(1 296 606)	(0.54%)
ZAD Armeec	(236 007)	(0.10%)	(3 236 507)	(1.35%)
POAD CCB - Sila	(8 431 222)	(3.52%)	(7 919 307)	(3.30%)
Trans Intercar EAD	(2 200)	-	(2 200)	-
Omega Finance OOD	(2 725 000)	(1.14%)	-	-
	(12 691 034)	**(5.30%)**	**(12 454 620)**	**(5.19%)**
Net number of shares	**226 955 233**		**227 191 647**	

The tax on dividends for individuals and foreign non-EU legal entities is 5%, with the tax deducted from the gross amount of the dividends.

24.2. Premium reserve

	2019 BGN'000	2018 BGN'000
Share premium from 2009, 2007 and 2006	247 070	247 129
Change in the reserve due to own shares acquired by subsidiaries for the period	(220)	(59)
	246 850	**247 070**

In 2019 the premium reserve decreased by BGN 220 thousand as a result of sale of own shares from subsidiaries of the Group.

As at 31 December 2019 premium reserve amounts to BGN 246 850 thousand (2018: BGN 247 070 thousand). Premium reserve is formed by the issue of privilege shares from 2009 and two issues of ordinary shares from 2007 and 2006.

24.3. Other reserves

As of 31 December 2019 the other reserves amount to BGN 179 123 thousand (2018: BGN 145 477 thousand), including BGN 13 713 thousand - reserves from pension funds (2018: 10 632 BGN thousand), revaluations under defined income plans (BGN 323) thousand (2018: BGN 126 thousand) and other reserves.

25. Liabilities to depositors

Liabilities to depositors are presented as follows:

Analysis by term and type of currency:	**2019 BGN '000**	**2018 BGN '000**
On-demand deposits		
in BGN	1 416 465	1 148 504
in foreign currency	289 513	238 548
	1 705 978	1 387 052
Term deposits		
in BGN	1 118 030	1 200 827
in foreign currency	1 101 956	1 058 451
	2 219 986	2 259 278
Savings accounts		
in BGN	1 254 135	1 108 901
in foreign currency	516 435	497 300
	1 770 570	1 606 201
Other deposits		
in BGN	6 409	3 742
in foreign currency	898	3 329
	7 307	7 071
Total liabilities to depositors	**5 703 841**	**5 259 602**

Analysis by term and type of currency:	**2019 BGN '000**	**2018 BGN '000**
Individual deposits		
in BGN	2 769 882	2 515 000
in foreign currency	1 615 691	1 560 207
	4 385 573	4 075 207
Legal entities deposits		
in BGN	1 013 880	938 364
in foreign currency	290 683	232 606
	1 304 563	1 170 970
Deposits of other institutions		
in BGN	11 277	8 610
in foreign currency	2 428	4 815
	13 705	13 425
Total liabilities to depositors	**5 703 841**	**5 259 602**

26. Other financial liabilities

		Current		Non-current	
		2019 BGN'000	**2018 BGN'000**	**2019 BGN'000**	**2018 BGN'000**
Financial liabilities measured at fair value					
Derivatives held for sale	26.1	10 079	1 272	-	-
Financial liabilities measured at amortized cost:					
Bonds and debenture loan	26.2	2 417	2 488	40 004	42 690
Bank borrowings	26.3	63 109	62 060	108 417	127 140
Other borrowings and financing	26.4	7 120	7 305	14 090	18 218
Deposits from banks	26.5	19 415	14 452	-	-
Cession liabilities		15 786	21 898	33 156	32 852
Liabilities under repurchase agreements	26.6	13 160	13 559	-	-
Trade payables	26.7	87 871	98 388	18	8 114
Payables to related parties	46	50 512	46 785	13 394	5 598
Total carrying amount		**269 469**	**268 207**	**209 079**	**234 612**

26.1. Derivatives held for sale

As at 31 December 2019 derivatives held for trading amounting to BGN 10 079 thousand (2018: BGN 1 272 thousand) are presented at fair value and include transactions for the purchase and sale of currency, valuables securities, forward contracts and currency swaps in the open market.

26.2. Bonds and debenture loans

The bond loans received by the Group are as follows:

	Current		Non-current	
	2019 BGN'000	**2018 BGN'000**	**2019 BGN'000**	**2018 BGN'000**
Bonds and debenture loans	2 417	2 488	40 004	42 690
	2 417	**2 488**	**40 004**	**42 690**

The carrying amount of the Group's debts on the aforementioned debenture loans at 31 December 2019 amounted to BGN 42 421 thousand (2018: BGN 45 178 thousand) and was calculated using the effective interest method.

26.3. Bank borrowings

The Bank loans of the Group comprise loans, granted by Bulgarian commercial banks, designated for financing investment projects of the Group, as well as, for refinancing the current operating activity of the Group. Bank loans are classified according to their contracted maturity date.

	Current		Non-current	
	2019 BGN'000	**2018 BGN'000**	**2019 BGN'000**	**2018 BGN'000**
Bank loans	63 109	62 060	108 417	127 140

26.3.1. Non-current bank borrowings

	2019 BGN'000	**2018 BGN'000**
Revolving and investment bank loans	108 417	127 140
	108 417	**127 140**

Investment loans

The Group has received the following investment loans as with the following terms and conditions.

- The Group is party to a contract for an investment bank loan, signed on 30 January 2015 with maturity date on 30 April 2023. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The annual interest rate on the loan is “Average deposit index” plus 4.732%. The loan is secured by investment property with carrying amount as at 31 December 2018 amounting to BGN 35 831 thousand.

- The Group is party to a contract for an investment bank loan, signed on 23 December 2015 with maturity date on 31 December 2025. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The interest rate is formed as the sum of “Average deposit index” plus 2.727 %. The loan is secured by contractual mortgage of a hangar, all receivables of the Group arising from lease agreements concluded with Lufthansa Technik Sofia OOD in its capacity of tenant.
- The Group is party to a contract for an investment bank loan, signed on 01 November 2016. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule with beginning date on 31 October 2018. The interest rate is formed as the sum of “Average deposit index” plus 2.727 %. The loan is secured by contractual mortgage of a hangar, all receivables of the Group arising from lease agreements concluded with Lufthansa Technik Sofia OOD in its capacity of tenant.
- The Group is party to a contract for an investment bank loan, signed on 11 August 2017, maturing on 31 August 2027. The interest on the loan is equal to the annual interest rate determined as the sum of the variable base interest rate applicable to the relevant interest rate period and a surplus to the interest rate index of 2.738 %. The loan is secured by a mortgage on a real estate in Sofia and a pledge of shares and receivables.
- The Group is a party to an investment bank loan agreement signed on 21 June 2013, maturing on 20 March 2029. The interest on the loan is 3M EURIBOR plus 3 percentage points, but not less than 6%. The loan is secured by a real estate mortgage, a pledge of long-term tangible assets under the Law on Special Pledges.

Revolving loans

- The Group was granted a bank loan on 5 October 2011 with maturity date on 25 October 2024. The loan is secured by real estate. The annual interest rate equals 4%, formed based on 1M EURIBOR + 4%, but no less than 4%.
- The Group is party to a bank loan agreement with a commercial bank signed on 31 January 2019 at the amount of EUR 4 950 thousand with due date on 31 January 2022. The loan is secured by bank deposits. The annual interest rate on the loan is based on BIR plus 0.8%.
- The Group was granted bank loan for working capital with due date on 01 February 2021. The annual interest rate is equal to the base interest rate of the Bank plus a contractual surplus of 1.7 % on the used portion of the loan. The loan is secured by a contract for pledge of making third party lease of "Hangar with lightweight construction (HLC)" and connecting corridor, located in the town. Sofia Slatina, Sofia Airport.
- The Group is party to a loan contract for working capital, signed on 01 August 2018 with due date on 20 August 2021. The annual interest rate is equal to the base interest rate of the Bank plus a contractual surplus of 1.7 %. The loan is secured by a pledge of receivables on current accounts in creditor bank and a special pledge on goods intended for duty-free foreign exchange trading on airplanes and / or in specialized stores with carrying amount as at 31 December 2019 at the amount of BGN 230 thousand.
- The Group is party to a 4 loan contracts for working capital with due dates on 31 October 2022, 31 January 2021 and 30 December 2021. The annual interest rate on the loans is 3 % plus 3M EURIBOR, but no less than 4 %. The loans are secured by pledge of public procurement contracts for providing of air tickets, receivables under BSP receipts, receivables under contracts of third parties
- The Group was granted a revolving bank credit, signed on 28 January 2008 with maturity date on 25 October 2024. The annual interest rate is 1M EURIBOR plus 4%.
- The Group was granted a revolving bank credit, signed on 13 December 2013 with maturity date on 30 September 2024. The annual interest rate is average deposit index (ADI) plus 2.657 %.
- The Group is party to a loan contract for working capital, signed on 08 October 2019 with maturity date on 20 September 2021. The annual interest rate on the loan is BIR in BGN 2.5 % and an agreed credit risk margin amounting to 1 % or the sum of 3.5 %.
- The Group is party to a loan contract for working capital, signed on 11 December 2019 with maturity date on 20 April 2021. The interest on the loan is defined as the sum of the variable base interest rate applicable to the relevant interest rate period plus 2.50%.

26.3.2. Current bank borrowings

	2019 BGN'000	2018 BGN'000
Current revolving and investment loans	63 109	62 060
	63 109	**62 060**

Investment loans

Liabilities of the Group as at 31 December 2019 comprise the following investment bank loan:

- The Group is party to a contract for an investment bank loan, signed on 20 December 2013. The repayment of the loan is made in BGN and is in accordance with an agreed repayment schedule for the whole term of the contract. The annual interest rate on the loan is base index (until it dropped in 2018) plus 3 %. The loan is secured by non-self-propelled dry cargo barge BRP 19003 (owned by the Group) and tangible fixed assets purchased with funds from the respective credit.

Revolving loans

The Group is party to a bank loan contract for working capital. The annual interest rate on the loan is BIR in BGN 2.5 % and an agreed credit risk margin amounting to 1 % or the sum of 3.5 %. The maturity date of the loan is 20 November 2020. The loan is secured by pledge of assets from the group of property, plant and equipment.

26.4. Other borrowings and financing

		Current			Non-current	
		2019 BGN'000	**2018 BGN'000**		**2019 BGN'000**	**2018 BGN'000**
Other borrowings and financing	26.4.2	7 120	7 305	26.4.1	14 090	18 218

26.4.1. Other non-current borrowings

	2019 BGN'000	**2018 BGN'000**
Non-current borrowings	13 437	16 943
Financing from State Agricultural Fund	653	1 275
	14 090	**18 218**

Other non-current borrowings are received under annual interest rates from 3% to 8% depending on the contract period, received from third parties. The long-term borrowing is not secured. Payments are concluded in the currency, in which they were granted.

Financing refers to acquired assets Station for geophysical studies in oil and gas Drilling, Station for drilling geophysical studies in oil and gas drilling under contract between Oil and Gas Exploration and Production and The General Directorate "European Funds for Competitiveness" - Managing Authority of the OPC to the Ministry of Economy and Energy - legal successor of BSMEPA, regarding grant № 2TMG-02-21 / 13.06.2011 under Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013", Financed by the European Union through the European Regional Development Fund, and others.

26.4.2. Other current borrowings

	2019 BGN'000	**2018 BGN'000**
Current borrowings	6 778	6 840
Financing under operational programs	342	465
	7 120	**7 305**

Other current borrowings are received under annual interest rates from 3% to 8% depending on the contracted period. The period of repayment is on demand by the Group. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

26.5. Deposits from banks

	Current	
	2019 BGN'000	2018 BGN'000
Demand deposits – local banks		
-in Bulgarian leva	7 206	2 202
-in foreign currency	5 182	2 083
Demand deposits from foreign banks in foreign currency	4 630	9 117
Demand deposits from foreign banks in BGN	220	-
Term deposits from foreign banks in foreign currency	363	875
Term deposits from Bulgarian banks in foreign currency	1 814	175
	19 415	**14 452**

26.6. Liabilities under repurchase agreements

As at 31 December 2019, the Group has entered into agreements with a repurchase clause with Bulgarian companies totalling BGN 13 160 thousand. (2018: BGN 13 559 thousand), including accumulated interest payables on them. The maturity of these agreements is until the end of 2020.

26.7. Trade payables

	Current		Non-current	
	2019 BGN'000	2018 BGN'000	2019 BGN'000	2018 BGN'000
Trade payables	87 871	98 388	18	8 114

The net carrying amount of trade payables is considered a reasonable estimate of their fair value.

27. Payables to insured individuals

	2019 BGN'000	2018 BGN'000
Attracted funds in a voluntary pension fund	94 066	87 148
Attracted funds in a professional pension fund	130 950	121 008
Attracted funds in a universal pension fund	1 235 339	1 087 738
	1 460 355	**1 295 894**

The net assets value of the funds, managed by the subsidiary POAD CCB - Sila AD as at 31 December 2019 amounts to BGN 1 460 355 thousand. The increase at the amount of BGN 164 461 thousand, compared to the liabilities as at 31 December 2018, is a result of proceeds from positive return on investment of the insured individuals, realized in 2019, proceeds from social security contributions and a reduction of the amounts paid under insurance contracts.

The change in the net assets available for income is a result of:

	2019 BGN '000	2018 BGN '000
Beginning of the period	**1 295 894**	**1 195 555**
Received pension contributions	156 043	141 080
Amounts received from pension funds, managed by other Pension Insurance Companies	44 318	38 820
Funds of persons who have resumed their insurance in UPF under the procedure of Art. 124a of CSR	99	128

	2019 BGN '000	2018 BGN '000
Funds transferred to persons from EU, ECB or EIB pension schemes	2	-
Total increase of pension contributions	**200 462**	**180 028**
Positive/ (negative) income from investment of funds	69 522	10 544
Result from investment of funds	**69 522**	**10 544**
Paid off pensions	(134)	(115)
One-time paid pensions to insured individuals	(5 221)	(4 193)
Funds for disbursement of funds to heirs of insured individuals	(2 656)	(2 584)
Amounts paid to the National Revenue Agency	(4 509)	(3 733)
Amounts paid under social security contracts	**(12 520)**	**(10 625)**
Amounts, paid to insured individuals, transferred to other pension funds	(67 317)	(53 770)
Amounts, paid to individuals that have changed their insurance under Article 46 of the SIC	(9 733)	(10 918)
Transferred taxes	(114)	(100)
Amounts paid to state budget	-	(1)
Transferred amount to insured individuals in EU, ECB and EIB schemes	(2)	(3)
Transferred amount to pension reserve	(50)	(38)
Entrance fee	(12)	(11)
Service fee	(201)	(192)
9% yield fee	(383)	-
Service fee (2019: 4.00% ; 2018: 4.25%)	(5 527)	(5 324)
Investment fee (2018: 0.80% ; 2018: 0.85%)	(9 654)	(9 251)
Withdrawal fee	(10)	-
End of the period	**1 460 355**	**1 295 894**

The net assets available for income are distributed as follows:

	2019 BGN '000	2018 BGN '000
Individual accounts	1 459 150	1 294 744
Reserve for minimal return	1 205	1 150
Net assets available for income	**1 460 355**	**1 295 894**

28. Employee remunerations

28.1. Employee benefits expense

Employee benefits expense includes current salaries and wages, as well as social security expenses, unused leaves and provisions for pension as follows:

	2019 BGN'000	2018 BGN'000
Wages expense	(101 211)	(96 718)
Social security costs	(18 321)	(17 448)
Employee benefits expense	**(119 532)**	**(114 166)**

28.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the consolidated statement of financial position consist of the following amounts:

	2019 BGN'000	2018 BGN'000
Non-current:		
Pension provisions	4 653	4 283
Non-current pension and other employee obligations	**4 653**	**4 283**
Current:		
Employee benefits obligations	11 856	10 884
Payables to social security institutions	2 691	2 544
Pension provisions	1 053	767
Current pension and other employee obligations	**15 600**	**14 195**
	20 253	**18 478**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2020.

In determining the pension obligation, actuarial assumptions were used. These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Group's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

Changes in pension provisions under the Labour code are presented as follows:

	2019 BGN'000	2018 BGN'000
Pension provisions, beginning of period	5 050	4 546
Expenses for current service	568	758
Interest expenses	96	105
Adjustments - actuarial losses from changes in demographic assumptions and financial assumptions	499	48
Benefits paid	(505)	(407)
	5 708	**5 050**

29. Insurance reserves and reinsurance assets

Insurance technical reserves	**Note**	**2019 BGN'000**	**2018 BGN'000**
Reserves from non-life insurance activities	29.1	262 933	267 594
Life Insurance Reserves	29.2	1 952	2 188
		264 885	**269 782**

The insurance reserves as at 31 December 2019 were set aside in the course of the insurance activity of the Group, performed through ZAD Armeec Insurance Company (General Insurance) and ZEAD CCB Life (Life Insurance).

Reserve adequacy

Periodically, the actuaries of the Group assess whether the total provision less the deferred acquisition costs is sufficient to cover any future payments. As required by regulators, the amount of such reserves should be fully secured by investing in highly liquid assets.

When assessing the adequacy of reserves, account shall be taken of cash flows intended to pay indemnities, cash flows generated by collected premiums, paid commissions.

29.1. Reserves from non-life insurance activities

		31.12.2019			31.12.2018		
	Note	Insurance reserves	Reinsurance assets	Net	Insurance reserves	Reinsurance assets	Net
		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Premium reserve carried forward	29.1.1	97 869	(18 454)	79 415	89 574	(17 720)	71 854
Reserve for outstanding payments	29.1.2	163 214	(62 673)	100 541	173 858	(68 832)	105 026
Unexpired risk reserve	29.1.3	419	-	419	2 684	-	2 684
Reserve for bonuses and discounts	29.1.4	1 431	(664)	767	1 478	(666)	812
		262 933	**(81 791)**	**181 142**	**267 594**	**(87 218)**	**180 376**

29.1.1. Premium reserves carried forward

Premium reserve carried forward as at 31 December 2019 amounting to BGN 97 869 thousand (2018: BGN 89 574 thousand) is formed to cover claims and expenses that are expected to arise after the reporting period under the insurance or reinsurance contracts in force at the time of valuation.

The amount of the transfer-premise reserve is determined using the "exact date" method according to which the reserve includes the portion of the premium income related to the time between the end of the reporting period and the expiry date of the insurance contract. The Group has formed its unearned premium reserve on the basis of accrued insurance premiums after deduction of unearned premiums and receivables written off in early terminated contracts and premiums on contracts expired at the reporting date period. Given that the insurer does not pursue a policy of deferral of its acquisition cost, the latter is recognized at the time of the conclusion of the insurance contract and deducted from the accrued premium income in the calculation of the carry-over reserve.

The basis for the formation of the reserve corresponds to the accounting recognized premium income. Premium income recognizes the amount owed by the insurer for the entire insurance period that the Group is entitled to receive under the contracts entered into during the accounting year. The accrued premium income includes all the contributions due for the entire duration of the policy, and in the case of multi-year policies with deferred payment of the premium, the consecutive annual contribution is accrued at the maturity date.

29.1.2. Reserve for outstanding payments

The reserve for outstanding payments as at 31.12.2019 amounting to BGN 163 214 thousand (2018: BGN 173 858 thousand) is set up to cover benefits, amounts and other payments under insurance or reinsurance contracts, as well as related costs, on claims that arose before the end of the reporting period, whether or not they were filed, and which were not paid on the same date. The amount of the provision is in line with the estimated cost of settlement of all claims on events occurring by the end of the reporting period, including the estimated amount of unreported claims.
The provision for claims outstanding includes the following components:

- reported, but not settled claims;
- incurred, but not reported claims;
- settlement costs

Reserve for reported, but not settled claims (RBNS):

The value of RBNS has been calculated using the "Claim by claim" method, including the expected amount of payments for each reported but unpaid claim.

For damages brought in legal actions for which there are no enforceable decisions, for insurance with sufficient representative data, correction coefficients are used, calculated according to Art. 90, para. 12 of Ordinance No. 53. As of 31 December 2019, correction coefficients are attached to the claims incurred in insurance claims: "Casco", "Civil liability of the motorist", "Fire and natural disasters" and "General civil liability".

Where the damage compensation is paid in the form of an annuity, the amount of the reserve is calculated using recognized actuarial methods, taking into account the annuity period, the value of the periodic payment, the age of the person, and the use of mortality tables and the risk-free interest rate curve published by EIOPA. Under the civil liability insurance lawsuits, as of 31.12.2019 the Group pays eight annuity claims.

Reserve for incurred, but not reported claims (IBNR):

The reserve includes the expected amount of unpublished claims that occurred before the end of the reporting period. In order to determine the IBNR reserve, chain-based methods based on the accumulated value of the paid or claimed claims were used. For all types of insurance, the Group has data for a sufficiently long period to cover the full cycle of claim development as well as to use statistical calculation methods. The amount of the reserve is determined separately for the activity of active reinsurance and direct business.
Under Casco Insurance, due to the significant amount of recovered amounts of regressions and sufficient data to predict future revenues, Armeec Insurance Company reduces the reserve for incurred but not reported claims with the expected recoveries by regressions. The latter are calculated using a chain-based method based on the recovered sums for regressions over the past 11 years.
Under Motor Third Party Liability insurance, the Unpaid Claims Reserve is calculated separately for property and non-pecuniary damage as well as for minor and major damage. Large claims have been categorized as one event with a total amount over BGN 500 000. The value of the reserve is calculated on a database for the period 2009 - 2019. The calculation of the small-loss reserve was done using a chain-based method based on the accumulated historical values of the claimed and paid claims using weighted averages of development, with the two approaches (paid and claimed) being assigned the same weight in determining of the final amount of the reserve. For the calculation of the large damages reserve Armeec Insurance Company uses a method based on the average number of damages per year per event and year of claim and the average amount of a claim. The method used for the calculation of the motor third party liability insurance was approved by FSC Resolution No. 530 - CP from 02.04.2019.

As of 31 December 2019, the Group has not created a provision for incurred but not reported damage to insurances: "Disease", "Rail Vehicles", "Casco on Vessels", "Property Damage", "Credit and Leasing" Guarantee Insurance "," Miscellaneous Financial Losses "and Legal Expenses Insurance, in the absence of the need to set aside, in view of the historical data and the results obtained from the calculations made.

Reserve for settlement costs

The value of the liquidation cost reserve is calculated on the basis of an expected average liquidation cost per claim.

29.1.3. Unexpired risk reserve

The Reserve for unexpired risks as at 31.12.2019 amounting to BGN 419 thousand (2018: BGN 2 684 thousand) is formed when the expectations for the risk and expense of the current policies at the end of the reporting period exceed the amount of the assigned premium reserve.
In the case of insurance under Section II, point A, item 10.1 of Annex 1 to the Insurance Code, where the sum of the expected loss and the operational costs of the insurance class for the relevant signature year exceed the premium received, the Group shall allocate a non-unexpected risk reserve an amount equal to the difference between the expected final loss and the operating costs on the one hand and the assigned premium reserve on the other.

29.1.4. Reserve for bonuses and discounts

The Bonus and Discount Reserve is formed for all contracts that provide for the return of a premium on a positive result after their expiration or a final settlement of the premium on the basis of realized risks during the term of the insurance.

The value of the reserve is determined separately for each policy with a performance clause, and for all insurance policies in force at the time of calculating the reserve, the winning premium is multiplied by an average return on the premium calculated on the basis of historical data. As of 31.12.2019, a factor of 10% was applied. For all expired contracts, the specific amount of the premium to be reimbursed has been calculated, or when insufficient data is available, the above approach is applied.

29.2. Life insurance reserves

	2019 BGN'000	2018 BGN'000
Mathematical reserve	542	610
Premium reserve carried forward	1 137	1 274
Reserve for outstanding payments	273	304
	1 952	**2 188**

The insurance reserves of the Group's 2019 life insurance business are formed in compliance with the requirements of Ordinance No. 53 of 23.12.2016 on the requirements for accountability, valuation of assets and liabilities and formation of the technical reserves of insurers, reinsurers and the Guarantee Fund.

Data on current allowances issued by the company and recognized as premium income for the period from the commencement of operations to 2019 are used for the **premium reserve carried forward**. As of 31.12.2019 these data are aligned with accounting data.

For the **RBNS reserve** (pending payments), data for the received and outstanding claims on policies as of 31.12.2019 was used in the Group damages register provided by the Liquidation Division. Claims relating to court proceedings include sums for court and interest in court cases.

For the IBNR reserve chain-column statistical methods were used.

For the **mathematical reserve** a prospective method has been used with respect to the group and individual life insurance policies as at 31.12.2019.

An additional **non-expired risk reserve** is not set aside under Disease Insurance because the result of Appendix No. 6 of Ordinance 53 is positive for 2019.

A stock fund is not formed because there has been no significant deviation in the amount of net allowances in the previous years.

A reserve for bonuses and rebates is not set as, under the terms of the insurance contracts and the internal rules of the Group, bonuses and rebates are made only in the case of the policy renewal by the insured person and the calculation of the levy on the expired policy.

The following methods for calculating the reserves are used:

The unearned premium reserve is allocated by the method of the exact date (according to Art. 84 para. 2 of Ordinance № 53). The amount of the reserve amounts to BGN 1 137 thousand.

The Reserve for Outstanding Payments includes the amounts for claims incurred but unpaid (IBNR). There are no charges due to settling claims related to pending payments.

For the RBNS reserve, the "Claim by Claim" method is used, according to Art. 90 para 1 of Ordinance No. 53. In addition, according to Art. 90 para. 2 of claims on insurance contracts brought before a court for which the Group is informed and on which there is no ruling of the Court are included in the reserve for pending payments at the cost of the claims together with the interest due and the known costs of the cases. Given the small number of legal claims - 3, the coefficient under paragraph 12 of Art. 90 was not administered. The total reserve for claimed and outstanding claims is BGN 273 thousand, the main amount being due to additional insurance.

With respect to the reserve currency, all policies in effect as at 31.12.2019 are in EUR or BGN, so BGN assets are used to cover the gross amount of the insurance reserves.

30. Liabilities to insurance and reinsurance contracts

	2019 BGN'000	2018 BGN'000
Insurance technical reserves		
Insurance liabilities	13 430	12 962
Reinsurance obligations	9 068	15 023
Assets with Guarantee Fund	483	505
Other insurance liabilities	139	-
	23 120	**28 490**

31. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2019 BGN'000	2018 BGN'000
Lease liabilities – non-current portion	143 168	3 416
Lease liabilities – current portion	47 505	1 933
Lease liabilities	**190 673**	**5 349**

The Group leases aircrafts on operative leasing for securing its main operations. All lease agreements are reviewed in accordance IFRS 16, entered into force on 01.01.2019 and respective right-of-use assets are recognised against leasing liabilities. Detailed information on the Group's right of use assets is presented in note 9).

With the exception of short-term leases and leases of low-value assets, each lease is recognized in the consolidated statement of financial position as an asset with a right of use and a lease liability. Variable lease payments that are independent of an index or variable interest rate (for example, lease payments based on a percentage of the Group's sales) are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due						
	2020 Within 1 year BGN'000	**2021** 1-2 years BGN'000	**2022** 2-3 years BGN'000	**2023** 3-4 years BGN'000	**2024** 4-5 years BGN'000	**>2024** After 5 years BGN'000	Total BGN'000
31 December 2019							
Lease payments	55 291	49 269	37 315	24 886	14 820	33 840	**215 421**
Finance charges	(7 786)	(5 677)	(3 886)	(2 430)	(1 668)	(3 301)	**(24 748)**
Net present values	**47 505**	**43 592**	**33 429**	**22 456**	**13 152**	**30 539**	**190 673**

Leases payments not recognized as a lease liability are recognized in profit or loss for the period and presented in note 41 Operating and administrative expenses.

32. Tax liabilities

Tax payables include the following:

	2019 BGN'000	2018 BGN'000
Corporate income tax	1 422	685
VAT payables	1 167	1 024
Excise duty	270	402
Other taxes	2 124	2 419
	4 983	**4 530**

33. Other liabilities

Other payables can be summarized as follows:

	Current			Non-current		
		2019 BGN'000	2018 BGN'000		2019 BGN'000	2018 BGN'000
Other payables	33.2	54 668	38 973	33.1	5 075	6 618

33.1. Other non-current payables

	2019 BGN'000	2018 BGN'000
Financing for purchase of intangible assets	988	2 075
Trans-European Transport Network financing	19	19
Provisions	1 772	1 017
Other	2 296	3 507
	5 075	**6 618**

The Group participates in the Operational Programme "Development of the Competitiveness of the Bulgarian economy BG161P003-1.1.04 Support for commercialization of innovative products, processes and provision of innovative services".

The program includes the purchase of:

- Three-layer line for inflating foil
- Flow technology line of installation tapes looms and apparel fabric products

As at 31 December 2019 the Group is a beneficiary under the Resolution for granting financial aid, dated 10 June 2009, by the Commission of the European Community for projects of common interest “Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria” 2008-BG-90300-S in the field of the trans-European transport networks (INEA).

33.2. Other current payables

	2019 BGN'000	2018 BGN'000
Airfare tickets sold	20 121	15 841
Advances from customers	7,363	2 523
Guarantees	2 631	1 809
Penalties	1 361	1 566
Other	23 192	17 234
	54 668	**38 973**

Liabilities for airfare tickets sold amounting to BGN 20 121 thousand (2018: BGN 15 841 thousand) represent the tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

34. Revenue from non-financial activities

The non-financial income of the Group can be analysed as follows:

	2019 BGN'000	2018 BGN'000
Income from sale from plane tickets	261 143	242 212
Income from services rendered	77 108	52 001
Income from sale of finished goods	49 333	54 739
Income from sale of trading goods	21 361	25 857
Other	68 421	86 628
	477 366	**461 437**

35. Gain on sale of non-current assets

	2019 BGN'000	2018 BGN'000
Proceeds from sale of non-current assets	2 158	2 539
Carrying amount of non-current assets sold	(1 738)	(1 433)
	420	**1 106**

36. Insurance income

		2019 BGN'000	2018 BGN'000
Insurance premium income	36.1	219 823	206 451
Income from reinsurance operations		113 875	157 951
Regression income		10 439	10 212
Income from release of insurance reserves		4 897	2 232
Other insurance income		51 420	638
		400 454	**377 484**

36.1. Insurance premium income

	2019 BGN'000	2019 %	2018 BGN'000	2018 %
Casco	126 166	57.39%	116 337	56.35%
Motor third party liability	54 680	24.87%	48 798	23.64%
Fire and natural disasters	15 435	7.02%	17 076	8.27%
Travel Assistance	5 535	2.52%	4 954	2.40%
Accidents	4 459	2.03%	4 612	2.23%
General third-party liability	2 942	1.34%	2 890	1.40%
Other financial losses	2 655	1.21%	2 830	1.37%
Additional insurance	2 157	0.98%	2 272	1.10%
Casco of aircrafts	2 442	1.11%	2 147	1.04%
TPL related to aircraft	665	0.30%	1 335	0.65%
Freight transport	1 420	0.65%	971	0.47%
Casco of vessels	774	0.35%	921	0.45%
Loans and leases	75	0.03%	739	0.36%
Health services/ de	163	0.07%	339	0.16%
Life and annuity	124	0.06%	141	0.07%
TPL related to vessels	66	0.03%	46	0.02%
Property damage	62	0.03%	41	0.02%
Insurance guarantees	3	0.01%	2	0.00%
	219 823	**100.00%**	**206 451**	**100.00%**

37. Insurance expense

		2019 BGN'000	2018 BGN'000
Reinsurance costs		(178 476)	(162 678)
Indemnities paid	37.1	(115 900)	(112 165)
Acquisition costs		(49 716)	(47 070)
Net change in insurance reserves set aside		-	(9 352)
Expenses for liquidation of damages		(6 730)	(5 474)
Other insurance costs		(6 451)	(12 946)
		(357 273)	**(349 685)**

37.1. Indemnities paid

In 2019 and 2018, the following insurance benefits were paid:

	2019 Indemnities paid BGN'000	2019 Share %	2018 Indemnities paid BGN'000	2018 Share %
Casco	(68 025)	58.68%	(59 752)	53.27%
Motor third party liability	(34 457)	29.73%	(40 662)	36.25%
Property damage	(8)	0.01%	(6 889)	6.14%
Travel assistance	(2 942)	2.54%	(1 927)	1.72%
Accident	(1 974)	1.70%	(1 549)	1.38%
Casco of aircrafts	(193)	0.17%	(390)	0.35%
Casco of vessels	(255)	0.22%	(227)	0.20%
Health services	(254)	0.22%	(197)	0.18%
Additional insurance	(297)	0.26%	(187)	0.17%
Life insurance	(246)	0.21%	(173)	0.15%
General Third-Party liability	(198)	0.17%	(110)	0.10%
Freight transport	(92)	0.08%	(102)	0.09%
Fire and natural disaster	(6 940)	5.99%	-	0.00%
Aircrafts Third Party liabilities	(19)	0.02%	-	0.00%
	(115 900)	**100.00%**	**(112 165)**	**100.00%**

38. Interest income

	2019 BGN'000	2018 BGN'000
Interest income by source:		
Legal entities	90 186	93 998
Government securities	44 118	39 236
Banks	7 395	5 921
Individuals	49 457	48 057
Other	2 857	2 395
	194 013	**189 607**

39. Interest expense

	2019 BGN'000	2018 BGN'000
Interest expense due to depositors:		
Legal entities	(14 331)	(4 718)
Individuals	(8 780)	(10 183)
Banks	(8 828)	(8 891)
Other	(9 373)	(10 442)
	(41 312)	**(34 34)**

40. Net result from transactions with financial instruments

	2019 BGN'000	2018 BGN'000
Gains from transactions with securities and investments	416 562	431 362
Dividend income	20 762	14 902
	437 324	**446 269**

	2019 BGN'000	2018 BGN'000
Losses from transactions with securities and investments	(345 923)	(425 353)
	(345 923)	**(425 353)**
Result from transactions with financial instruments, net	**91 401**	**20 916**

41. Operating and administrative expense

	Note	2019 BGN'000	2018 BGN'000
Hired services expense		(212 049)	(237 921)
Cost of materials		(113 695)	(111 456)
Cost of goods sold		(20 303)	(25 043)
Employee benefits expense	28.1	(119 532)	(114 166)
Depreciation expense	8,9,12	(87 123)	(32 482)
Change in inventories and work in progress		351	(9)
Impairment of receivables and non-financial assets		(64 334)	(57 678)
Other expenses		(58 536)	(58 032)
		(675 221)	**(636 787)**

Remuneration for engagements for independent financial audit of the companies in the Group for 2019, performed by registered auditors, amounts to BGN 2 350 thousand. During the year, tax consultations or other services not related to the audit performed by registered auditors were provided, for which remunerations in the amount of BGN 390 thousand have been accrued. This disclosure is in compliance with the requirements of Art. 30 of the Accounting Act.

42. Other financial income

		2019 BGN'000	2018 BGN'000
Revenue from fees and commissions, net	42.1, 42.2	65 406	59 622
Net result from foreign exchange differences		410	8 523
Other finance expenses		(959)	(2 630)
		64 857	**65 515**

42.1. Revenue from fees and commissions

	2019 BGN'000	2018 BGN'000
Bank transfers in Bulgaria and abroad	29 399	27 868
Maintenance fee on deposit accounts	16 594	15 523
Servicing fee for loans	7 865	3 148
Fee for commitments and contingencies	1 002	978
Other fees and commissions income, different from banks	15 787	13 810
Other income	10 573	11 052
Total revenue from fees and commissions	**81 220**	**72 379**

42.2. Expenses from fees and commissions

	2019 BGN'000	2018 BGN'000
Bank transfers in Bulgaria and abroad	(10 049)	(8 121)
Account maintenance fees	(1 212)	(977)
Release of precious parcels	(781)	(712)
Transactions with securities	(52)	(65)
Other fees and commissions expenses, different from banks	(2 191)	(1 594)
Other expenses	(1 529)	(1 288)
Total fees and commissions expenses	**(15 814)**	**(12 757)**

43. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2018: 10%) and the reported tax expense in profit or loss can be reconciled as follows:

	2019 BGN'000	2018 BGN'000
Profit before tax	92 208	92 918
Tax rate	10%	10%
Expected tax expense	**(9 292)**	**(9 292)**
Net effect of adjustments of the financial result for tax purpose	2 732	3 096
Current tax expense	**(6 560)**	**(6 196)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences	(854)	(2 370)
Tax expense	**(7 414)**	**(8 566)**
Deferred tax income/(expense) recognized in other comprehensive income	92	(960)

Note 13 presents additional information on the deferred tax assets and liabilities, including the amounts recognized in other comprehensive income.

44. Earnings per share

Earnings per share have been calculated using the profit attributed to shareholders of the parent company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share as well as the net profit, less the dividend expense, attributable to shareholders, is as follows:

	31 December 2019	31 December 2018
Profit attributable to the shareholders of the Group (BGN)	71 164 000	70 309 000
Weighted average number of outstanding shares	226 955 233	227 213 698
Earnings per share (BGN per share)	**0.31**	**0.31**

45. Related party transactions

The Group's related parties include its owners, associates and key management personnel. Unless otherwise stated, none of the transactions incorporate special terms and conditions. Outstanding balances are usually settled by bank transfers, in cash or set off.

45.1. Transactions with owners

	2019 BGN '000	2018 BGN '000
Sale of goods and services, interest income and other income		
- interest income	377	277
- sale of services	10	10
- other income	5	1 393
Purchase of services, interest expense and other expenses		
- purchase of services	(265)	-
- interest expense	(281)	(10)

45.2. Transactions with associates and other related parties

Sale of goods and services, interest income and other income	**2019**	**2018**
	BGN '000	**BGN '000**
Sale of production		
- associated companies	764	780
- other related parties	1 797	1 834
Sale of finished goods		
- associated companies	327	420
- other related parties	871	1 107
Sale of services		
- joint ventures	26	-
- associated companies	11 409	8 013
- other related parties	2 293	2 055
Interest income		
- joint ventures	294	401
- associated companies	27	29
- other related parties	4 771	554
Other income		
- joint ventures	49	186
- associated companies	132	105
- other related parties	398	257

Purchases of services and interest expense	2019 BGN '000	2018 BGN '000
Purchases of services		
- associated companies	(11 229)	(14 834)
- other related parties	(8 358)	(6 482)
Interest expense		
- associated companies	(1)	(4)
- other related parties	(19)	(27)

45.3. Transactions with key management personnel

Key management of Chimimport AD includes members of the Managing Board and Supervisory Board of the parent company. Key management personnel remuneration includes the following expenses:

	2019 BGN'000	2018 BGN'000
Short-term employee benefits:		
Salaries, including bonuses	(168)	(566)
Social security costs	(24)	(28)
Total short-term benefits	**(192)**	**(594)**

46. Related party balances at year-end

	2019 BGN'000	2018 BGN'000
Non-current receivables from:		
- owners	-	47
- associates	3 056	2 339
- joint ventures	-	38
- other related parties	33 351	4 032
Total non-current receivables from related parties	**36 407**	**6 456**

Current receivables from:	2019 BGN'000	2018 BGN'000
- owners	29 438	26 473
- associates	1 072	6 423
- joint ventures	-	7 082
- other related parties	165 384	66 107
Total current receivables from related parties	**195 894**	**106 085**

Non-current payable to:	2019 BGN'000	2018 BGN'000
- owners	1	-
- associates	4 135	2 864
- joint ventures	312	422
- other related parties	8 946	2 312
Total non-current payables from related parties	**13 394**	**5 598**

Current payables to:	**2019 BGN'000**	**2018 BGN'000**
- owners	25 807	22 170
- associates	8 568	8 602
- joint ventures	226	43
- other related parties	15 911	15 970
Total current payables from related parties	**50 512**	**46 785**

47. Contingent assets, contingent liabilities and other commitments

As at 31 December 2019 and 2018 the Group as entered into granting bank loans to customers which future utilization depends on whether the lessees fulfil certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.

The contingent liabilities related to the bank activity of the Group are as follows:

	2019 BGN'000	**2018 BGN'000**
Bank guarantees in BGN	36 068	32 456
Ban guarantees in foreign currency	21 796	19 797
Irrevocable commitments	261 677	202 404
Total contingent liabilities	**319 541**	**254 657**

In accordance with the requirements of IFRS 9, the Group has recognized BGN 1 110 thousand of provisions for expected credit losses related to the contingent liabilities of the Group.

The contingent liabilities of the Group in accordance with non-banking activities are as follows:

The Group is a party to commercial cases in the Sofia City court in connection with commercial contracts from 2014 in the total amount of BGN 14 909 thousand. The total value of the material interest of the court cases amounts to 24 931 thousand EUR. Based on the factual and legal situation, the Group's legal advisers expect the cases to be resolved favorably for the Group.

The Group is a party to a legal dispute in connection with issued acts for establishing a public state receivable for airport charges. The Group appealed the issued acts.

The Group is a party to a bank guarantee issued by a commercial bank in the amount of BGN 100 thousand. As well as a letter of credit in the amount of 999 thousand USD. The bank guarantee was issued in connection with securing the Group's trade liabilities.

According to the concession agreement for a port for public transport of regional importance "Pritis" – public municipal property, which entered into force on April 1, 2019 for a period of 35 years. The Group has obligations to:

- make annual concession payments, consisting of two parts - a fixed part in the amount of BGN 48 900 and a variable part depending on the performed activity;
- manages and maintains the concession site at its own risk, in accordance with good engineering and operational practice, with the care of a good owner and in accordance with the requirements of applicable law governing activities and actions arising from the concession contract;
- maintains the port in operational condition and the port infrastructure in good operational condition by carrying out the necessary repairs at its own expense;
- provides port services at its own risk, ensuring their continuity for at least 8 hours a day;
- makes investments in accordance with the envisaged annual investment programs;
- realizes the annual cargo turnover, defined in conditional transport units as a conditional transport unit is each passenger served at the port and / or ship visit multiplied by 10.

Pursuant to the contract for granting a concession for a port for public transport of regional importance "Pristis" - public municipal property, the Group the Group should maintain bank guarantee for good performance of the concession contract, amounting to BGN 100 thousand and validity until 01 March 2028.

In accordance with the concession contract of Port Lom Port - part of a port for public transport Lom, the Group should maintain bank guarantees in the established amount:

- a bank guarantee for execution of an Investment Program amounting to BGN 93 thousand with a term of validity of 31.10.2020;
- - a bank guarantee for the good performance of the obligations under the Concession Contract, amounting to BGN 449 thousand issued by Eurobank Bulgaria AD with a term of validity as of 15.11.2020.

According to an agreement for undertaking credit commitments with Bulgarian commercial banks, the Group establishes a mortgage on investment properties, the first special pledge on agricultural products, on receivables arising from contracts, orders and invoices for the sale of agricultural products, as well as on all receivables under all accounts of the Group in the Bank.

48. Reconciliation of liabilities arising from financing activities

The changes in the Group's long term liabilities arising from financing activities can be classified as follows:

	Debenture loan BGN'000	Bank loans BGN'000	Other loans BGN'000	Total BGN'000
1 January 2019	**42 690**	**127 140**	**18 218**	**188 048**
Cash flows:				
Repayment	(2 686)	(26 967)	(16 535)	(46 188)
Proceeds	-	8 244	13 608	21 852
Interest paid	-	-	(6 209)	(6 209)
Non-cash:				
Reclassification	-	-	5 008	5 008
31 December 2019	**40 004**	**108 417**	**14 090**	**162 511**

	Debenture loan BGN'000	Bank loans BGN'000	Other loans BGN'000	Total BGN'000
1 January 2018	**29 792**	**120 332**	**18 848**	**168 972**
Cash flows:				
Repayment	(12)	(5 377)	(5 373)	(10 762)
Proceeds	15 000	20 730	6 299	42 029
Interest paid	(420)	(2 323)	(1 556)	(4 299)
Non-cash:				
Reclassification	(1 670)	(6 222)	-	(7 892)
31 December 2018	**42 690**	**127 140**	**18 218**	**188 048**

49. Non-monetary transactions

As at 31 December 2019 and 2018, the Group made the following investment transactions in which no cash or cash equivalents were used and which are not reflected in the consolidated statement of cash flows, as follows:

- Transforming of trade payables into trade loans in the amount of BGN 2 462 thousand (2018: BGN 3 711 thousand)
- The Group has set off dividends distributed in its favor by its associates in the amount of BGN 2 462 thousand (2018: BGN 2 617 thousand)

- In 2019 the Company has set-off of counter receivables and liabilities with related parties in the amount of BGN 12 869 thousand and with non-related parties in the amount of BGN 389 thousand.

50. Categories of financial assets and liabilities

The carrying amount of the Group's financial assets and liabilities, can be presented in the following categories:

Financial assets	**Note**	**2019 BGN'000**	**2018 BGN'000**
Financial assets at fair value through profit or loss:	15		
- Corporate shares, stocks and rights		998 288	771 590
- Bulgarian corporate bonds		208 117	184 136
- Medium-term Bulgarian government securities		66 150	189 231
- Long-term Bulgarian government securities		45 143	53 892
- Securities issued or guaranteed in other countries		608 694	486 173
- Derivatives held for trading		28	56
Equity instruments at fair value through other comprehensive income:	17		
- Quoted equity instruments		24 792	12 713
- Unquoted equity instruments		47 826	58 270
Debt instruments measured at fair value through other comprehensive income:	16		
- Bonds		123 984	75 865
- Government Securities		410 197	347 051
Debt instruments at amortized cost:			
- Loans	14, 18.1	2 751 172	2 667 097
- Cession receivables	18.1	60 124	51 489
- Receivables under repurchase agreements	18.2	335 417	297 105
- Debt instruments at amortized cost	18.3	357 228	302 516
- Receivables from related parties	46	232 301	112 541
- Trade receivables	18.4	192 957	156 426
- Others	18	14 931	74 953
Less: Impairment	*18*	*(116 676)*	*(92 585)*
- Cash and cash equivalents	23	2 136 035	2 045 224
		8 496 708	**7 793 743**

Financial liabilities	Note	2019 BGN‘000	2018 BGN‘000
Financial liabilities measured at amortised cost:			
Liabilities to depositors	25	5 703 841	5 259 602
Borrowings	26.2, 26.3	235 157	259 901
Bank deposits	26.5	19 415	14 452
Cession payables	26	48 942	54 750
Obligations under repo agreements	26.6	13 160	13 559
Lease obligations	31	190 673	5 349
Trade and other payables	26.7	87 889	106 502
Related party payables	46	63 906	52 383
		6 362 983	**5 766 498**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	26.1	10 079	1 272
		6 373 062	**5 767 770**

See note 4.19 for information on accounting policy for each category of financial instruments. The methods used to measure fair values are described in note 52. A description of Group's policy and objectives for risk management is presented in note 51.

51. Financial instruments risks

Risk management objectives and policies

Due to the use of financial instruments and as a result of its operating and investment activities, the Group is exposed to various risks – insurance risks, market risk, foreign currency risk, interest risk, as well as price risk. The Group’s risk management is coordinated by the Managing board and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to risks. Long-term financial investments are managed to generate lasting returns.

The Group is exposed to different types of risk with regards to its financial instruments. For further information regarding the categories of financial assets and liabilities see note 52. The most significant financial risks to which the Group is exposed to are described below.

51.1. Insurance risk

Insurance risk is the risk of occurrence of insured events as a result of the portfolio of insurance contracts in which the amount of damages and the benefits to be paid exceeds the amount of the insurance reserves.

This depends on the frequency with which the insurance events occur, the type of insurance portfolio, the amount of the insurance benefits. To mitigate this risk, the variety of insurance portfolio and probability theory are of great importance.

The Group strives to make a relatively even distribution of insurance contracts and to analyse the different types of insurance risks, which is reflected in the general conditions. Through various assessment and control methods, the Head of Internal Control performs regular risk assessment and monitors the accumulation of insurance sums by group of clients and regions. The risk management is carried out by the Internal Control Directorate in cooperation with the actuaries and the management of the Group.

The main factors on which the positive financial result of the Group depends are the loss rate, the cost quota and the investment income.

Insurance risk - the technical risk is the risk of occurrence of an insured event, in which the amount of the insurance indemnity exceeds the expectations for risk manifestation, expressed in the amount of the formed insurance reserves, i.e. insurance technical risk exists when the total loss for a certain period of time is greater than the calculated premium and the reserves reserved. The insurance - technical risk is influenced by the frequency and weight of the claims.

Every insurance company is seeking to ensure that the coverage of its commitments have allocated sufficient amount insurance technical reserves.

The Group manages and balances the insurance risks incurred both within the insurance group and outside it. Within the insurance group, this is achieved by balancing the risks assumed in time, in essence, by location, in risk groups and by increasing the number of insured entities, i.e. through the manifestation of the Law of Big Numbers. The Group carries out a systematic analysis of the risks assumed, their time and territorial diversification, offers new insurance products and strives to incorporate permanently new units into the insurance population with a well anticipated risk exposure.

Outside the insurance group, the Group equates the risk by using reinsurance contracts. According to the specifics of the specific insurance products, the choice of the reinsurance contract and the relevant limits of self-retention is determined. The management of insurance risk is also reflected in the application of constraints in signing procedures - Limits of liability, exclusion of risks to which it can be influenced, use of appropriate methods to assess the necessary bonuses and future obligations, implementation of reinsurance program and monitoring of the insurance business. Regardless of the reinsurance protection, the Group is not relieved of its direct liability to the insured against the risks transferred, resulting in credit risk to the extent that the reinsurers of the relevant reinsurance contract are unable to meet their financial obligations under the reinsurance contract. To minimize the exposure to this credit risk, the Group maintains a register of available quantitative indicators of the financial position of its counterparties.

The Group offers over 70 types of insurance products, thus striving to achieve a diversified and balanced, aggregated insurance portfolio. Ten of the products offered cover risks in Car Insurance; 18 cover risks in Property Insurance; 40 - In liability insurance, Accident and Travel assistance; 10 are the Insurance of Insurance and Financial Risks Insurance and a number of other insurances in different fields of the non-life insurance. The term of the concluded contracts in the aggregated insurance portfolio is mainly one year, but there are also contracts in it that are shorter or longer than one year.

The car insurance covers mainly risk related to road accidents, natural disasters and illegal human activities. The risks are tangible and intangible. The covered risks cover to the fullest extent the insurance coverage needs of owners, users and holders of motor vehicles. The territorial scope of insurance covers the whole of Europe.

The property insurance covers mainly risk related to fire, natural disasters, equipment and equipment failure, illegal human activity, etc. For property insurance, valuation and reinsurance protection with regard to catastrophic risks is essential. In assessing these risks, the accent is put on the adequate determination of the sum insured, the prevention performed, the periodic inspection of the insured objects. The provided territorial coverage for them is only for the territory of the Republic of Bulgaria.

Under Insurances Responsibilities, besides General Civil Liability, a large number of Professional Responsibilities are covered, which are mostly mandatory under different regulations. The cover of these insurances is granted only for the territory of the Republic of Bulgaria.

Accident and Travel Assistance covers risks related to: death, permanent and temporary disability of the insured, as a result of an accident and assisted assistance in health conditions. The coverage provided for the different products in this group is different and ranges from cover only for the Republic of Bulgaria to coverage worldwide.

Annually, the range of insurance products offered is analysed, depending on the results of each product, the Group's risky interest, market needs and other factors, adapting existing products or developing new products to meet specific needs. The latter is done after a thorough analysis of consumer demand and market segmentation.

The underlying assumption underlying the valuation of liabilities is that the development of future claims to the Group will follow in broad terms the experience of the development of claims in past years. This includes assumptions about the frequency and weight of each claim, as well as an estimate of the inflation factor for each year of insurance events. In addition, a qualitative and quantitative assessment is made of the degree of deviation that can be expected in applying past trends in the future. The Group recognizes the impact of external factors such as changes in legislation, development of case law, etc. on the amount of insurance liabilities.

In order to limit exposure to extreme adverse events, especially with regard to catastrophic events, the relevant reinsurance protection applies. Reinsurance contracts distribute the risk and minimize the effect of significant losses, which guarantees the Group's capitalization.

In selecting a reinsurer, the Group takes into account the relative reassurance of the reinsurer, assessed on the basis of the public rating and the studies conducted.

Insurance risk is reflected in the settlement process and the allocation of reserves. The table below represents an estimate of the RBNS included in the financial statements based on the claims reported and paid, broken down by the year of occurrence of the damage. The table provides a historical review of the sufficiency of the estimate of the amount of outstanding claims used in past years. Due to the inherent uncertainty in the process of determining the reserves, it cannot be guaranteed with absolute certainty that these reserves will suffice as a final result.

Year of event	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
At the end of the period	52 241	48 674	52 390	54 258	55 684	77 766
1 year later	-	32 826	30 963	30 330	31 750	49 224
2 years later	-	-	8 066	13 422	7 040	10 122
3 years later	-	-	-	5 838	9 876	4 895
4 years later	-	-	-	-	7 482	2 775
5 years later	-	-	-	-	-	5 458
Cumulative payments to date						
Overall assessment of benefits	52 241	81 500	91 419	103 848	111 832	150 240
As of 31 December:						
Payments:	106 121	103 063	104 994	112 250	116 048	150 239
Measurements	53 879	21 563	13 575	8 402	4 216	(1)
Real Reserves	52 422	26 921	23 798	22 053	20 907	10 792

Some assumptions are made in the calculation of technical provisions. Assignment is a process related to the calculation of neutral estimates of the most probable or expected outcome of the insured event. The sources of information on which assumptions are made are based on in-depth studies on the Group's experience. Where there is insufficient insider information to produce a reliable assessment of the development of insurance claims, market data obtained from its own research or established by the Financial Supervision Commission is used.

With regard to the reserve for claimed but unpaid claims, the expertise of the liquidation experts is essential. They examine the damage in terms of the circumstances of the occurrence and the right to compensation. Based on a historically proven experience of the magnitude of such damage, it is assessed. This measurment is reviewed regularly, and updates are updated when new information is available.

In order to create a reserve for incurred but unreported claims (IBNR), the Group uses chain-based methods both on the basis of accrued values of the paid claims and on the basis of the historical claims. Average and weighted average growth rates were used for development factors, with almost all insurance policies being applied for the period 2009-2019. When there is a major variation in development rates for a certain insurance policy for a given year, these years are not taken into account when calculating the reserve.

With sufficient data for recovered sums, the Group calculates a regression reserve that is deducted from the reserve for incurred but unproven damages. Such a reserve is calculated only under Casco insurance because of the significant amount of the recovered sums from this insurance. This reserve has been calculated on the basis of a chain-based method based on the recovered sums for the past 11 years.

For Motor Third Party Liability insurance, the unsecured claim reserve is considered separately for both property and non-pecuniary damage as well as for minor and major damage. For the provision for minor but unpredicted property losses, the Group uses a combination of chain-based method based on the accumulated historical values of the claims using the weighted average development coefficients derived from the Group's own data and the chain-based method based on accumulated Values of paid claims using weighted average growth rates derived from the Group's own data in a 50/50 ratio.

The Group uses a combination of chain-based method based on the accumulated historical values of the claims using the weighted average development coefficients derived from the Group's own data and the chain-based method based on accumulated values of paid claims using weighted average growth rates derived from the Group's own data in a 50/50 ratio. The period taken as a basis for calculating the reserve is eleven years - 2009 - 2019. The method described is the method under Art. 92 para. 11 of Ordinance No. 53, which is used to determine the sufficiency of the insurance reserve by using adjusted data. The adjustment of the data is in accordance with Art. 92 para. 9 of Ordinance No. 53 on the requirements for accountability, valuation of assets and liabilities and formation of technical reserves of insurers, reinsurers and the Guarantee Fund, not taking into account damages over BGN 500 000 from one event.

For damages of more than BGN 500 000 from one event an additional large loss reserve is calculated which is added to the calculated values of the property and non-material damages with smoothed data.

In order to form a large loss reserve, the Group uses a method based on the average number of claims per year per event and claim and the average amount of damage claimed by one event.

The method has been approved for a method of calculating the insurance reserve as at 31.12.2019 by FSC Resolution No. 228 - CP from 24.03.2020. The reserve is calculated together for the compulsory Third Party Liability insurance of the motor vehicle and the insurance "Border Liability of the motorist ".

For the Green Card insurance, a separate reserve for incurred but unforeseen damages, was calculated using a combination of chain-based method based on the accumulated historical values of the claims, using weighted average development coefficients derived from the Group's own data and a chain-column method based on accumulated values of paid claims using weighted average growth rates derived from the Group's own data in a 50/50 ratio. The method is used separately for property and non-pecuniary damage. The data are for the period 2009-2019.

For insurances in which the Group offers active reinsurance and we have at least 3 years of damage statistics, the reserve for incurred but unproven damages, is calculated separately for direct insurance and active reinsurance. In the case of active reinsurance, damages are significantly delayed over time compared to their direct insurance claims and, given the availability of sufficient data for the chain-pillar method, it is more reasonable to consider them separately for the two types of business. For Insurance of Aircraft Crash and Fire and Natural Disasters the Group calculates the reserve for incurred but not reported damages separately for direct insurance and active reinsurance, as for the insurance "Fire and natural disasters" the active reinsurance is divided into "Property" and "Technical risks".

No provision is made for any incurred but unforeseen damages for Illness Insurance, Rail Vehicles, Cascade on Vessels, Property Damage, Credit and Leasing, Warranty Insurance, Miscellaneous Financial loss "and Legal Expenses Insurance because, using the chain-based method of calculating the reserve for incurred but unproven damages under Casco of Vessels, Property Damage, Warranty Insurance, Credit and Leasing "and" Miscellaneous Financial Losses "results as the value 0, and insurance "disease", "Rail vehicles" and "Legal expenses" not realized premium income.

The unearned premium reserve is formed to cover claims and expenses that are expected to arise in the insurance or reinsurance contract at the end of the reporting period.

The group formed unearned premium reserve base their accrued insurance premiums. All outstanding policy contributions are accrued over the life of the contract for one-year policies and for multiannual premiums with a lump sum payment. For multiannual policies with an annual contribution, the annual instalment is charged at the time of its maturity.

The Group uses a method of calculating the transfer-premise reserve - a method with the exact date. The transfer premium is deducted by subtracting the actual commission rate on each policy and the other acquisition costs incurred under the Insurance and Technical Plan.

The unearned premium reserve for insurance "Cargo" and "Carrier's Liability" was calculated for the period of insurance one month.

Basis for the calculation of the unearned premium reserve of the Group each policy separately. The calculations are made by a program embedded in the information system.

The proportion of reinsurers in the premium reserve is calculated in proportion to the premium on each policy for the proportionate contracts and facultative entered into. For the disproportionate reinsurance contracts "excess of loss", "stop loss" and CAT contracts, the share of the reinsurer is not set aside.

The adequacy of the obligations is ensured by the periodic assessment of the overall reserves and whether they are sufficient to cover any future payments. When assessing the adequacy of the reserves, account shall be taken of all expected cash flows under insurance contracts, such as benefits payments, compensation costs, etc. The adequacy of the unearned premium reserve and loss reserve is established by relevant tests.

Adequacy test of unearned premium reserve shall be under Art. 85 of Ordinance No. 53 of 23 December 2016 on the Procedure and Methodology for Establishing Technical Reserves by Insurers and Reinsurers. If during the last three years, including the current, the gross technical result under Appendix 6 of Art. 85, para. 3 of Ordinance No. 53 is negative, a reserve for unexpired risks is allocated. The test is carried out by type of insurance. The amount of the unexpired risk reserve is determined in accordance with Appendix 7 of Art. 85, para. 4 of the Ordinance.

The adequacy test of the pending payment reserve was performed using the run-off method.

The impact of the development of insurance performance on the Group's capital adequacy is simulated of the scenarios examined, the greatest impact on the Group's capital is that with a change in the amount of the provision for outstanding payments. This scenario reflects the uncertainty inherent in the assessment of the provision as it is a current estimate of expected future claims payments. This uncertainty is, to a large extent, the same in respect of the reserve for unreported and unreported claims, and in respect of insurances characterized by a longer claim settlement process, which is essentially compulsory Third-Party Liability insurance for motorists and others types of liability insurance.

	Equity BGN'000	**Deviation BGN'000**	**Deviation %**
Equity as of 31.12.2019	85 180	-	-
Increase of expected future claims payments by 10 %	84 766	(414)	(0.49%)
Decrease of expected future claims payments by 10 %	85 594	414	0.49%
Increase of reserve for unreported and unreported claims by 5%	77 019	(8 161)	(9.58%)
Decrease of reserve for unreported and unreported claims by 5%	93 341	8 161	9.58%

From considered scenarios, the one with the largest impact on the Group's capital is the one with a change in the amount of the reserve for unreported and unreported claims. This scenario reflects the inherent uncertainty in the assessment of the reserve, as it concerns the current assessment of the expected future payments on claims. This uncertainty is most valid with regard to the reserve for incurred but unclaimed claims and with regard to insurances characterized by a longer claim settlement process, such as mainly compulsory motor third party liability insurance for motorists and others. types of liability insurance.

51.1.1. Reinsurance strategy

The reinsurance campaign of the Group is aimed at preserving its financial stability and ensuring maximum protection of the interests of insured persons in the event of the occurrence of insurance events that involve the risk of sensitive losses as a result of the occurrence of single insurance events and of catastrophic nature. This objective is achieved by continuously analysing the structure of the insurance portfolio by ensuring the accumulation of cover risks in amounts not exceeding the financial capacity of the Group.

Reinsurance Program:

- is a capital management tool aimed at reducing the cost of capital funds in the event of adverse events;
- is a measure to protect the Group's capital adequacy from accumulating risks, including those of a catastrophic nature;
- covers almost all risks and classes of business recorded by the Group. The types of reinsurance protection and contract limits are fully in line with the Group's risk appetite, the type of portfolio and the signing rules of the Group;
- accurately and clearly defines the specific needs for transferring risks as well as the right kind of specific contracts;
- determines self-retention rates by business class;
- is aimed at constantly optimizing reinsurance contracts in order to alleviate capital pressure through the application of different reinsurance options that can partially or totally achieve optimization of capital adequacy;
- reduces fluctuations in case of occurrence of insurance events;
- evaluates and equalizes the risks of different types of insurance coverage.

The Group reinsures part of its risks in order to control its exposures to losses and to protect its capital resources. All optional reinsurance contracts are pre-approved by the management. Before concluding a reinsurance contract, the Group analyses the credit rating of the reinsurers concerned. High reinsurance reinsurers are selected. The Group periodically analyses the current financial position of reinsurers with which reinsurance commitments have been entered into.

The Group enters into reinsurance commitments with various reinsurers with a high credit rating to control the exposure to losses as a result of an insured event.

51.1.2. Damage settlement process

The damages table and namely the percentage of the damages quota ensures the opportunity for more precise information about the risk development during the reporting periods:

Types of insurance	2019 Damages quota, gross	2019 Damages, quota, net	2018 Damages quota, gross	2018 Damages quota, net
Accident insurance	52%	50%	47%	42%
Including obligatory accident insurance of the passengers in the public transport	38%	25%	54%	28%
Disease	0%	0%	0%	0%
Casco	47%	47%	42%	41%
Rail vehicles	0%	0%	0%	0%
Casco Aircraft	25%	-94%	14%	94%
Casco vessels	17%	35%	27%	-4%
Freight transport	1%	-2%	7%	7%
Fire and natural disasters	18%	21%	63%	19%
Damage to property	28%	28%	27%	27%
Insurance associated with the ownership and usage of motor vehicles, including:	57%	82%	95%	78%
Third-party vehicle insurance	57%	79%	96%	79%
“Green Card” insurance	0%	0%	-214%	-260%
Third-party boarder insurance	-457%	-886%	66%	431%
Third-party carrier insurance	99%	99%	34%	35%
Third-party aviation insurance	32%	77%	-11%	-36%
Third party vessels insurance	26%	25%	-1 222%	-608%
General third-party insurance	21%	31%	-22%	-15%
Loans and leasing	0%	0%	-12%	-12%
Insurance of guarantees	0%	0%	0%	0%
Miscellaneous financial losses	0%	0%	-1%	-1%
Legal costs	0%	0%	0%	0%
Travel Assistance	63%	63%	45%	45%
Total:	**47%**	**47%**	**55%**	**43%**

Compared to the annual net allowances, for 2019 and 2018, there is an increase in damages due mainly to Insurance associated with the ownership and usage of motor vehicles Third Party Vehicle Insurance - Third-party carrier insurance, Third-party aviation insurance and Third party vessels insurance.

The following table shows the average amount of damage paid by type of insurance:

Types of insurance	BGN	Number	Average indemnity 2019	Average indemnity 2018	Average indemnity 2017	Average indemnity 2016
Accident insurance	1 974 245	2 764	714	617	866	619
Casco	68 024 218	85 161	799	734	771	786
Casco of aircrafts	193 060	5	38 612	64 986	21 811	19 033
Casco of vessels	255 446	16	15 965	22 680	8 174	9 877
Cargo insurance during transportation	91 807	42	2 186	2 362	7 206	3 135
Fire and natural calamities insurance	6 939 658	2 121	3 272	2 762	1 582	1 564
Property damage insurance	8 354	5	1 671	-	984	14 520
Insurance associated with the ownership and usage of motor vehicles	34 457 252	7 481	4 606	4 353	3 151	3 124
Third-party aviation insurance	18 514	2	9 257	-	8 860	7 368
Third party vessels insurance	-	-	-	-	-	324
General third-party insurance	198 177	28	7 078	3 556	6 492	1 972
Loans and leasing	-	-	-	-	-	3 665
Travel assistance	2 941 972	4 806	612	550	538	610
Total:	**115 102 703**	**102 431**	**1 124**	**1 121**	**984**	**1 020**

The number of damages paid in 2019 increased by 2.4% compared to 2018. The average loss paid in 2019 for the group as a whole is BGN 1 124 and compared to the same indicator in the previous year - BGN 1 121 has not material increase increased its size by 0.3%. The greatest damage is the average for non-pecuniary in insurance "Casco of aircrafts" - BGN 38 612, and the smallest Insurance "Travel Assistance" - BGN 612.

51.2. Foreign currency risk

The foreign currency risk is a potential cause for losses for the Group when the foreign currency rates fluctuate.

Group's policy regarding other than banking activities

Most of the Group's transactions are carried out in BGN. The foreign transactions of the Group, denominated in US dollars, expose the Group to currency risk. The Group has long-term trade payables and short-term finance lease liabilities in US dollars, the greater part of which is related to the purchase of aircraft. These liabilities are stated at amortized cost. The Group has short-term and long-term US dollar loans. These receivables are classified as loans and receivables.

The foreign transactions of the Group denominated in euro do not expose the Group to currency risk as the exchange rate of the Bulgarian lev is fixed to the euro under the Currency Board Act.

In order for the foreign currency risk to be decreased, the non-BGN cash flows are monitored by the Group. Generally, the Group has different procedures for risk management for the short-term (due within 6 months) and long-term non-BGN cash flows.

Group's policies regarding the banking activities

In the Republic of Bulgaria, the exchange rate of the Bulgarian lev to the euro is fixed by the Currency Board Act, which is why the Group's long position in euro does not pose a risk to the Group. The risk-weighted net currency position as at 31 December 2019 in financial instruments denominated in currencies other than leva or euro is less than 2% of the capital base and no foreign exchange risk capital requirements on the part of the Group with respect to banking activities. Due to the low size of this position, the potential effect of changes in exchange rate will not lead to significant effects on equity and therefore the risk-weighted effect on capital will be below the materiality threshold for the Group and the regulatory framework – EU Regulation 2013/575.

The currency structure of financial assets and liabilities at book value as at 31 December 2019 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Provided resources and advances to banks	40 134	29 665	84 043	78 473	232 315
Receivables under repurchase agreements	302 250	980	-	-	303 230
Financial assets at fair value through profit or loss	180 517	11 984	25	44 275	236 801
Loans and advances to customers	1 645 242	753 341	209	218 715	2 617 507
Financial assets measured at fair value in other comprehensive income	146 308	412 701	7 521	1 043	567 573
Financial assets at amortized cost	26 291	284 784	-	45 479	356 554
TOTAL ASSETS	**2 340 742**	**1 493 455**	**91 798**	**387 985**	**4 313 980**
FINANCIAL LIABILITIES					
Deposits from banks	10 006	14 041	658	1 407	26 112
Received loans and other liabilities to banks	-	-	-	162	162
Liabilities to other depositors	3 814 551	1 406 545	198 746	283 999	5 703 841
Other attracted funds	-	-	-	778	778
Issued bonds	-	25,424	-	-	25 424
TOTAL LIABILITIES	**3 824 557**	**1 446 010**	**199 404**	**286 346**	**5 756 317**
NET POSTION	**(1 483 815)**	**47 445**	**(107 606)**	**101 639**	**(1 442 337)**

The currency structure of financial assets and liabilities at book value as at 31 December 2018 is as follows:

	BGN	EUR	USD	Oher	Total
FINANCIAL ASSETS					
Provided resources and advances to banks	23 024	33 015	104 727	71 445	232 211
Receivables under repurchase agreements	205 184	51 414	-	-	256 598
Financial assets at fair value through profit or loss	161 431	2 113	-	34 896	198 440
Loans and advances to customers	1 506 890	743 638	3 784	163 205	2 417 517
Financial assets measured at fair value in other comprehensive income	108 433	389 249	4 925	755	503 362
Financial assets at amortized cost	-	262 567	-	33 672	296 239
TOTAL ASSETS	2 004 962	1 481 996	113 436	303 973	3 904 367
FINANCIAL LIABILITIES					
Deposits from banks	6 162	4 695	2 509	1 086	14 452
Liabilities to other depositors	3 478 996	1 334 794	203 269	242 543	5 259 602
Issued bonds	-	-	-	25 343	25 343
Other attracted funds	-	-	-	1 907	1 907
TOTAL LIABILITIES	**3 485 158**	**1 339 489**	**205 778**	**270 879**	**5 301 304**
NET POSTION	**(1 480 196)**	**142 507**	**(92 342)**	**33 094**	**(1 396 937)**

51.3. Interest risk analysis

Group’s policy regarding other than banking activities

The policy of the Group is aimed at minimizing interest rate risk on long-term financing. Therefore, long-term loans are usually with fixed interest rates. As at 31 December 2019, the Group is exposed to the risk of a change in market interest rates on its variable-rate bank loans. All other financial assets and liabilities of the Group have fixed interest rates. All investments in the Group's bonds are paid on a fixed interest rate basis.

Group’s policies regarding the banking activities

Interest rate risk is the probability of a potential change in net interest income or net interest margin due to a change in overall market interest rates. Interest rate risk management in the Group seeks to minimize the risk of reducing net interest income as a result of changes in interest rates.

For measuring and assessing interest rate risk, the Group uses the GAR-analysis method (mismatch / imbalance analysis). It identifies the sensitivity of the expected revenues and expenditures to the development of the interest rate.

The GAP analysis method aims to determine the Group's position, generally and by individual types of financial assets and liabilities, in terms of expected changes in interest rates and the impact of this change on net interest income. It assists in the management of assets and liabilities and is a tool to provide sufficient and stable net interest rate profitability.

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2019 is negative, amounting to BGN 1 695 433 thousand. The GAP coefficient, as an expression of this imbalance, compared to the Group's total profitable assets (interest-bearing assets, derivatives and investments in subsidiaries) is minus 37.62%.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	229 396	-	-	-	2 919	232 315
Receivables under repurchase agreements	97 242	155 624	50 364	-	-	303 230
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Loans and advances to customers	62 643	77 237	298 627	1 256 742	922 258	2 617 507
Financial assets measured at fair value in other comprehensive income	1 991	-	877	232 389	316 021	551 278
Financial assets at amortized cost	17 063	4 068	24 348	96 990	214 085	356 554
TOTAL INTEREST-BEARING ASSETS	408 335	236 929	374 216	1 586 121	1 455 283	4 060 884
INTEREST-BEARING LIABILITIES						
Deposits from banks	26 112	-	-	-	-	26 112
Received loans and other liabilities to banks	-	162	-	-	-	162
Liabilities to other depositors	2 620 722	367 766	1 156 301	1 554 003	5 049	5 703 841
Other attracted funds	-	778	-	-	-	778
Issued bonds	-	-	-	25 424	-	25 424
TOTAL INTEREST–BEARING LIABILITIES	2 646 834	368 706	1 156 301	1 579 427	5 049	5 756 317
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 238 499)	(131 777)	(782 085)	6 694	1 450 234	(1 695 433)

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2018 is negative, amounting to BGN 1 606 556 thousand. The GAP coefficient, as an expression of this imbalance, compared to the Group's total profitable assets (interest-bearing assets, derivatives and investments in subsidiaries) is minus 42.48%.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	203 149	-	-	29 063	-	232 212
Receivables under repurchase agreements	34 741	129 535	92 322	-	-	256 598
Loans and advances to customers	74 663	49 466	243 570	1 294 771	755 047	2 417 517
Financial assets measured at fair value in other comprehensive income	19 671	25 146	8 960	218 039	220 366	492 182
Financial assets at amortized cost	27 480	6 184	11 225	52 138	199 212	296 239
TOTAL INTEREST-BEARING ASSETS	359 704	210 331	356 077	1 594 011	1 174 625	3 694 748
INTEREST-BEARING LIABILITIES						
Deposits from banks	14 421	-	-	31	-	14 452
Liabilities to other depositors	2 378 177	369 509	1 161 499	1 343 422	6 995	5 259 602
Issued bonds	-	-	-	25 343	-	25 343
Other attracted funds	954	4	6	943	-	1 907
TOTAL INTEREST–BEARING LIABILITIES	**2 393 552**	**369 513**	**1 161 505**	**1 369 739**	**6 995**	**5 301 304**
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	**(2 033 848)**	**(159 182)**	**(805 428)**	**224 272**	**1 167 630**	**(1 606 556)**

Maintaining a negative imbalance expose the Group to the risk of a decrease in net interest income when interest rates rise. The impact of the imbalance reported on 31 December 2019 on net interest income, with a 2% increase in interest rates on a horizon of one year is a decline in net interest income by BGN 4 198 thousand (2018: BGN 3 730 thousand).

In the tables above, a portion of the borrowed funds on current accounts with no residual maturity of BGN 1 538 187 thousand as at 31 December 2019 and BGN 1,335,422 thousand as at 31 December 2018 is presented in the range of 1 year to 5 years as The Group considers this reserve to be a reliable long-term resource based on the average daily balance on these accounts for 2019 and 2018.

51.4. Credit risk analysis

Group's policy regarding other than banking activities

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2019 BGN'000	2018 BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	1 926 420	1 685 078
Equity instruments at fair value through other comprehensive income	72 618	70 983
Debt instruments measured at fair value through other comprehensive income	534 181	422 916
Debt instruments at amortized cost	5 963 489	5 614 766
Carrying amount	**8 496 708**	**7 793 743**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in different industries and geographical areas. Based on historical indicators, the management considers that the trade receivables that are not past due are of good credit quality.

The credit risk related to cash and cash equivalents and financial market funds is considered immaterial as the contracting parties are banks with good reputation and good credit rating.

The carrying amounts presented above represent the maximum exposure to credit risk the Group might experience, regarding these financial instruments.

Group's policies regarding the banking activities

Credit risk is the probability of a loss arising from the non-performance of contractual obligations of the counterparty on financial assets held by the Group. The Group manages credit risk inherent in both the banking and trading book. The Group has structured credit risk monitoring and management units for individual business segments by applying individual credit policies. The credit risk of individual exposures is managed over the life of the exposure - from the decision to form the exposure to its full repayment. In order to minimize credit risk in the credit process, detailed procedures are applied for the analysis of the economic feasibility of each project, the control over the use of the funds allocated and the administration related to this activity.

To reduce credit risk, appropriate type and value collateral and guarantees are adhered to, in accordance with the Internal Rules, the approach used for calculating capital requirements and current banking legislation.

Cash, cash equivalents and cash balances in Central bank amounting to BGN 1 794 060 thousand are not carrying significant credit risk for the Group due to their nature and the Group's ability for disposal.

The provided resources and advances to banks amounting to BGN 232 315 thousand are primarily deposits with international and Bulgarian financial institutions with a maturity of up to 7 days. These financial assets carry a credit risk with a maximum exposure of 20%, 50% and 100% according to the policy of the Group, the percentage being determined by the quality characteristics of the financial institution.

Claims under repurchase agreements amounting to BGN 303 230 thousand carry a credit risk for the Group, depending on the risk of the collateral being provided. Part of the receivables amounting to BGN 30 494 thousand is secured by government securities issued by the Republic of Bulgaria and bear respectively: BGN 29 514 thousand - 0% risk and BGN 980 thousand - 25% risk. The remaining receivables amounting to BGN 272 736 thousand are secured by corporate securities and carry respectively: BGN 267 122 thousand - 100% risk and BGN 5 614 thousand - 150% risk depending on the issuer of the securities provided as collateral.

Financial assets at fair value through profit or loss amounting to BGN 236 801 thousand are equity instruments - shares in financial and non-financial corporations amounting to BGN 108 079 thousand, units in contractual funds amounting to BGN 128 694 and derivatives amounting to BGN 128 thousand. These financial instruments are credit risk holders whose maximum exposure is 100% or BGN 236 801 thousand.

Equity securities measured at fair value in other comprehensive income of BGN 16 295 thousand represent shares in financial and non-financial corporations carrying credit risk with a maximum exposure of 100% or BGN 16 295 thousand in absolute amount.

Debt securities measured at fair value in other comprehensive income and issued by the Republic of Bulgaria amounting to BGN 281 810 thousand carry a credit risk for the Group respectively: BGN 89 294 thousand - 0% risk and BGN 192 516 thousand. - 25% risk. Debt securities measured at fair value in other comprehensive income and issued by other European countries at the amount of BGN 167 266 thousand carry a credit risk to the Group depending on the credit risk of the issuing State.

Debt securities, measured at fair value in other comprehensive income and issued by local and foreign commercial companies amounting to BGN 102 202 thousand, have a credit risk for the Group with a maximum exposure of 100% or BGN 102 202 thousand. in absolute amount.

Debt securities, measured at amortized cost and issued by the Republic of Bulgaria, have a carrying amount of BGN 155 128 thousand, carrying credit risk for the Group respectively: BGN 26 291 thousand – 0%risk and 128 837 thousand – 25%. Debt securities, measured at amortized cost and issued by other European countries, have a carrying amount of BGN 180 758 thousand, incur credit risk to the Group, depending on the issuer's credit rating.

Debt securities, measured at amortized cost and issued by local and foreign commercial companies with carrying amount of BGN 20 668 thousand, have a credit risk for the Group with a maximum exposure of 100% or BGN 20 668 thousand in absolute amount.

The loans and advances to customers with a carrying amount of BGN 2 658 374 thousand carry a credit risk to the Group. In determining the Group's exposure to this risk, an analysis of the Group's individual risk arising from each particular exposure is performed and the Group applies the criteria for the assessment and classification of risk exposures set out in the Banking Legislation of the Republic of Bulgaria and IFRS In accordance with these criteria and the analysis carried out, the maximum exposure of the Credit Risk Group amounts to BGN 1 953 187 thousand.

As at 31 December 2019, the amount of provisions made by the Group to cover expected credit losses on loans and advances was BGN 79 787 thousand.

Asset quality

In the tables below, the Group presented the structure and amendment of the adjustment for expected credit losses arising from the initial introduction of the expected credit loss model as at 01.01.2019 and the amendment of the correction until the end of the financial period.

Impairment loss - Loans and advances to banks at amortized cost	**Stage 1** 12-month ECL BGN‘000	**Stage 2** Lifetime ECL BGN‘000	**Stage 3** Lifetime ECL BGN‘000	**Total** BGN‘000
Impairment loss on 31 December 2018	**165**	**-**	**3 889**	**4 054**
Change in impairment loss	(120)	-	5	(115)
Accrued for the period	35	-	5	40
Derecognised for the period	(155)	-	-	(155)
Foreign exchange and other movements	-	-	(3 918)	(3 918)
Write-off of impairment	-	-	24	24
Impairment loss on 31 December 2019	**45**	**-**	**-**	**45**

Impairment loss – Receivables under repurchase agreements of securities	**Stage 1** 12-month ECL BGN‘000	**Stage 2** Lifetime ECL BGN‘000	**Stage 3** Lifetime ECL BGN‘000	**Total** BGN‘000
Impairment loss on 31 December 2018	**208**	**-**	**-**	**208**
Change in impairment loss	886	-	-	886
Accrued for the period	1 094	-	-	1 094
Derecognised for the period	(208)	-	-	(208)
Impairment loss at 31 December 2019	**1 094**	**-**	**-**	**1 094**

Impairment loss – Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss at 31 December 2018	**13 120**	**1 889**	**99 925**	**114 934**
Change in impairment loss recognised in Profit and loss	(2 074)	(1 088)	8 570	5 408
– Transfer to Stage 1	940	(651)	(289)	-
– Transfer to Stage 2	(85)	263	(178)	-
– Transfer to Stage 3	(245)	(74)	319	-
– Increase due to change in credit risk	157	485	1 605	2 247
– Decrease due to change in credit risk	(2 699)	(1 190)	(1 159)	(5 048)
– Increase due to originated or purchased assets	2 579	123	137	2 839
– Change in risk parameters	(2 721)	(44)	8 135	5 370
– Decrease due to derecognition for uncollectibility	-	-	(1 743)	(1 743)
– Decrease due to derecognition for transfer	-	-	(36 517)	(36 517)
– Interest income adjustment	-	-	(2 567)	(2 567)
– Currency differences and other adjustments	-	-	272	272
Impairment loss at 31 December 2019	**11 046**	**801**	**67 940**	**79 787**

Impairment loss – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss at 31 December 2018	**411**	**-**	**-**	**411**
Change in impairment loss	263	-	-	263
Accrued for the period	335	-	-	335
Derecognised for the period	(72)	-	-	(72)
Impairment loss at 31 December 2019	**674**	**-**	**-**	**674**

Impairment loss – Investments in debt securities at FVTOCI	12-month ECL BGN'000	Lifetime ECL BGN'000	Lifetime ECL BGN'000	Total BGN'000
Impairment loss at 31 December 2018	**1 706**	**-**	**-**	**1 706**
Change in impairment loss	1 473	-	90	1 563
Accrued for the period	1 779	-	90	1 869
Derecognised for the period	(306)	-	-	(306)
Impairment loss at 31 December 2019	**3 179**	**-**	**90**	**3 269**

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss at 31 December 2018	**358**	**2**	**42**	**402**
Change in impairment loss	625	-	58	683
Accrued for the period	1 458	25	127	1 610
Derecognised for the period	(833)	(25)	(69)	(927)
Currency and other movements	52	2	(54)	-
Impairment loss at 31 December 2019	**1 035**	**4**	**46**	**1 085**

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss at 31 December 2018	**21**	**-**	**-**	**21**
Change in impairment loss	(6)	2	-	(4)
Accrued for the period	7	18	-	25
Derecognised for the period	(13)	(16)	-	(29)
Impairment loss at 31 December 2019	**15**	**2**	**-**	**17**

The tables below present the structure and change of gross amounts by categories of asset at 01.01.2019 and their change until the financial period end.

Carrying amount before impairment – Loans and advances granted to banks at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Gross carrying amount at 31 December 2018	**228 882**	**-**	**3 889**	**232 772**
Change in the gross carrying amount	3 425	-	5	3 430
Increase for the period	350 300	-	5	350 305
Decrease for the period	(346 875)	-	-	(346 875)
Wright-off	-	-	(3 918)	(3 918)
Other changes	53	-	24	76
Gross carrying amount at December 31 December 2019	232 360	-	-	232 360
Impairment loss at 31 December 2019	(45)	-	-	(45)
Carrying amount at 31 December 2019	**232 315**	**-**	**-**	**232 315**

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Gross carrying amount at 31 December 2018	**256 806**	**-**	**-**	**256 806**
Change in the gross carrying amount	47 518	-	-	47 518
Increase for the period	304 324	-	-	304 324
Decrease for the period	(256 806)	-	-	(256 806)
Gross carrying amount at 31 December 2019	**304 324**	**-**	**-**	**304 324**
Impairment loss at **31 December 2019**	(1 094)	-	-	(1 094)
Carrying amount at 31 December 2019	**303 230**	**-**	**-**	**303 230**

Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Gross carrying amount at 31 December 2018	**2 249 771**	**125 086**	**199 527**	**2 574 384**
Change in the gross carrying amount	249 487	(92 135)	46 980	204 332
– Transfer to Stage 1	50 643	(49 860)	(783)	-
– Transfer to Stage 2	(27 744)	28 645	(901)	-
– Transfer to Stage 3	(30 684)	(1 715)	32 399	-
– Increase due to change in credit risk	1 486	105	359	1 950
– Decrease due to change in credit risk	(341 577)	(70 770)	(2 181)	(414 528)
– Increase due to originated or purchased assets	732 024	2 506	25 968	760 498
– Change in risk parameters	(134 661)	(1 046)	(7 881)	(143 588)
– Decrease due to write-off for uncollectibility	-	-	(1 743)	(1 743)
– Decrease due to write-off for transfer	-	-	(36 517)	(36 517)
– Interest income adjustment	-	-	(2 567)	(2 567)
– Currency differences and other adjustments	-	-	272	272
Gross carrying amount at 31 December 2019	**2 499 258**	**32 951**	**205 952**	**2 738 161**
Impairment loss at 31 December 2019	(11 046)	(801)	(67 940)	(79 787)
Carrying amount at 31 December 2019	**2 488 212**	**32 150**	**138 012**	**2 658 374**

Carrying amount before impairment – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Gross carrying amount at 31 December 2018	**296 650**	**-**	**-**	**296 650**
Change in the gross carrying amount	60 578	-	-	60 578
Increase for the period	285 890	-	-	285 890
Decrease for the period	(225 312)	-	-	(225 312)
Gross carrying amount at 31 December 2019	357 228	-	-	357 228
Impairment loss at 31 December 2019	(674)	-	-	(674)
Carrying amount at 31 December 2019	**356 554**	**-**	**-**	**356 554**

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Gross carrying amount at 31 December 2018	**503 891**	**-**	**-**	**503 891**
Change in the gross carrying amount	63 682	-	-	63 682
Increase for the period	322 036	-	-	322 036
Decrease for the period	(258 354)	-	-	(258 354)
Gross carrying amount at 31 December 2019	567 573	-	-	567 573
Impairment loss at 31 December 2019	(3 179)	-	-	(3 179)

Loan commitments	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Total amount of loan commitments at 31 December 2018	**179 391**	**401**	**423**	**180 214**
Change in the amount of loan commitments	59 189	(51)	(260)	58 878
Increase for the period	107 201	133	94	107 428
Decrease for the period	(48 012)	(184)	(354)	(48 550)
Other movements	(279)	(11)	290	-
Total amount of loan commitments at 31 December 2019	**238 301**	**339**	**453**	**239 092**
ECL allowance at 31 December 2019	(1 035)	(4)	(46)	(1 086)

Financial guarantee contracts	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Total amount of guarantees at 31 December 2018	**52 651**	**-**	**-**	**52 651**
Change in the gross carrying amount	5 422	43	-	5 465
Increase for the period	20 543	121	-	20 664
Decrease for the period	(15 121)	(78)	-	(15 199)
Total amount of guarantees at 31 December 2019	**58 073**	**43**	**-**	**58 116**
ECL allowance at 31 December 2019	(15)	(2)	-	(17)

ECL by type of asset	2019 BGN'000	2018 BGN'000
Loans and advances granted to banks at amortised cost	(45)	(4 054)
Receivables under repurchase agreements of securities	(1 094)	(208)
Loans and advances granted to customers at amortised cost	(79 787)	(114 934)
Investments in debt securities at amortised cost	(674)	(411)
Investments in debt securities at FVTOCI	(3 179)	(1 706)
	(84 779)	**(121 313)**

Loans and advances granted to customers	2019 Gross carrying amount BGN'000	Impairment loss BGN'000	2018 Gross carrying amount BGN'000	Impairment loss BGN'000
0-29 days	2 445 050	(11 651)	2 341 177	(32 657)
30-59 days	107 773	(738)	30 425	(531)
60-89 days	3 949	(143)	4 334	(252)
90-180 days	9 965	(948)	2 134	(752)
Over 181 days	171 424	(66 307)	196 314	(80 742)
Total	**2 738 161**	**(79 787)**	**2 574 384**	**(114 934)**

	2019	2018
Loans and advances granted to customers at amortised cost	2 738 161	2 574 384
Less impairment for uncollectibility	(79 787)	(114 934)
Total loans and advances granted to customers	**2 658 374**	**2 459 450**

	31.12.2019 Gross carrying amount BGN'000	31.12.2019 ECL impairment BGN'000	31.12.2019 Carrying amount BGN'000	31.12.2018 Gross carrying amount BGN'000	31.12.2018 ECL impairment BGN'000	31.12.2018 Carrying amount BGN'000
Retail banking						
Mortgages	563 284	(1 731)	561 553	448 119	(740)	447 379
Consumer loans	541 201	(9 796)	531 405	512 788	(9 260)	503 528
Credit cards	24 549	(2 043)	22 506	25 256	(1 528)	23 728
Other	2 679	(2 267)	412	9 266	(8 626)	640
Total retail banking	**1 131 713**	**(15 837)**	**1 115 876**	**995 429**	**(20 154)**	**975 275**
Corporate lending	1 606 448	(63 950)	1 542 498	**1 578 955**	(94 780)	1 484 175
Total	**2 738 161**	**(79 787)**	**2 658 374**	**2 574 384**	**(114 934)**	**2 459 450**

Placements with, and advances to, banks at amortised cost	2019 Stage 1 12-month ECL BGN'000	2019 Stage 2 Lifetime ECL BGN'000	2019 Stage 3 Lifetime ECL BGN'000	2019 Total BGN'000	2018 Total BGN'000
Category	232 360	-	-	232 360	232 772
Total gross carrying amount	**232 360**	**-**	**-**	**232 360**	**232 772**
Impairment loss	(45)	-	-	(45)	(4 054)
Carrying amount	**232 315**	**-**	**-**	**232 315**	**228 718**

Receivables under repurchase agreements of securities	2019 Stage 1 12-month ECL BGN'000	2019 Stage 2 Lifetime ECL BGN'000	2019 Stage 3 Lifetime ECL BGN'000	2019 Total BGN'000	2018 Total BGN'000
Category	304 324	-	-	304 324	256 806
Total gross carrying amount	**304 324**	**-**	**-**	**304 324**	**256 806**
Impairment loss	(1 094)	-	-	(1 094)	(208)
Carrying amount	**303 230**	**-**	**-**	**303 230**	**256 598**

Placements with, and advances to customers at amortised cost	2019 Stage 1 12-month ECL BGN'000	2019 Stage 2 Lifetime ECL BGN'000	2019 Stage 3 Lifetime ECL BGN'000	2019 Total BGN'000	2018 Total BGN'000
Category	2 499 258	32 951	205 952	2 738 161	2 574 384
Total gross carrying amount	**2 499 258**	**32 951**	**205 952**	**2 738 161**	**2 574 384**
Impairment loss	(11 046)	(801)	(67 940)	(79 787)	(114 934)
Carrying amount	**2 488 212**	**32 150**	**138 012**	**2 658 374**	**2 459 450**

Investments in debt securities at amortised cost	2019 Stage 1 12-month ECL BGN'000	2019 Stage 2 Lifetime ECL BGN'000	2019 Stage 3 Lifetime ECL BGN'000	2019 Total BGN'000	2018 Total BGN'000
Category	357 229	-	-	357 229	296 650
Total gross carrying amount	**357 229**	**-**	**-**	**357 229**	**296 650**
Impairment loss	(675)	-	-	(675)	(411)
Carrying amount	**356 554**	**-**	**-**	**356 554**	**296 239**

Investments in debt securities at FVTOCI	2019 Stage 1 12-month ECL BGN'000	2019 Stage 2 Lifetime ECL BGN'000	2019 Stage 3 Lifetime ECL BGN'000	2019 Total BGN'000	2018 Total BGN'000
Category	567 573	-	-	567 573	503 891
Total gross carrying amount	**567 573**	**-**	**-**	**567 573**	**503 891**
Impairment loss	(3 179)	-	-	(3 179)	(1 706)
Carrying amount	**567 573**	**-**	**-**	**567 573**	**503 891**

Loan commitments	**2019 Stage 1 12-month ECL BGN'000**	**2019 Stage 2 Lifetime ECL BGN'000**	**2019 Stage 3 Lifetime ECL BGN'000**	**2019 Total BGN'000**	**2018 Total BGN'000**
Category	238 301	339	453	239 093	180 214
Total gross carrying amount	**238 301**	**339**	**453**	**239 093**	**180 214**
Impairment loss	(1 035)	(4)	(46)	(1 085)	(402)

Financial guarantee contracts	**2019 Stage 1 12-month ECL BGN'000**	**2019 Stage 2 Lifetime ECL BGN'000**	**2019 Stage 3 Lifetime ECL BGN'000**	**2019 Total BGN'000**	**2018 Total BGN'000**
Category	58 073	43	-	58 116	52 651
Total gross carrying amount	**58 073**	**43**	**-**	**58 116**	**52 651**
Impairment loss	(15)	(2)	-	(17)	(21)

Credit risk concentration

Concentration risk is the possibility of loss due to incorrect diversification of exposures to customers, groups of connected clients, customers in the same economic sector or geographic area.

The tables below represent a cross-section of the concentrations of the different asset classes of the Group by region and by economic sector.

Placements with, and advances to, banks at amortised cost	**2019 BGN'000**	**2018 BGN'000**
Concentration by sector		
Central banks	2 180	926
Bulgarian commercial banks	57 598	54 002
Foreign commercial banks	172 582	177 844
Total	**232 360**	**232 722**
Concentration by region		
Europe	228 493	230 430
America	406	2 286
Asia	3 461	56
Total	**232 360**	**232 722**

Receivables under repurchase agreements of securities	**2019 BGN'000**	**2018 BGN'000**
Corporate:	**304 324**	**256 806**
Construction	38 188	31 036
Commerce and finance	202 874	176 983
Transport and communications	20 571	13 104
Other	42 691	35 683
Total	**304 324**	**256 806**
Concentration by region		
Europe	304 324	256 806
Total	**304 324**	**256 806**

Investments in debt securities at amortised cost	2019 BGN'000	2018 BGN'000
Concentration by sector		
States	308 066	262 611
Bank	38 267	26 075
Corporate:		
Commerce and finance	10 896	7 964
Total	**357 229**	**296 650**
Concentration by region		
Europe	347 579	296 650
Asia	9 650	-
Total	**357 229**	**296 650**

Investments in debt securities at FVTOCI	2019 BGN'000	2018 BGN'000
Concentration by sector		
States	449 076	415 896
Corporate:	**102 202**	**76 060**
Construction	10 118	9 635
Industry	16 772	19 351
Commerce and finance	63 225	43 765
Other	12 087	3 309
Total	**551 278**	**491 956**
Concentration by region		
Europe	551 278	491 956
Total	**551 278**	**491 956**

Loans and advances at amortised cost granted to customers	2019 BGN'000	2018 BGN'000
Concentration by sector		
Retail banking:	**1 131 713**	**995 429**
Mortgage	563 284	448 119
Consumer	541 201	512 788
Credit cards	24 549	25 256
Other	2 679	9 266
Corporate:	**1 606 448**	**1 578 955**
Agriculture and forestry	90 506	74 865
Industry	46 300	46 366
Construction	464 402	396 181
Commerce and finance	747 574	795 279
Transport and communications	145 111	130 396
Other	112 555	135 868
Total	**2 738 161**	**2 574 384**
Concentration by region		
Europe	2 738 092	2 573 648
America	5	733
Middle East and Africa	64	3
Total	**2 738 161**	**2 574 384**

Credit commitments	**2019 BGN'000**	**2018 BGN'000**
Concentration by sector		
Retail banking:	**53 562**	**53 011**
Mortgage	1 374	823
Consumer	10 837	10 376
Credit cards	41 351	41 812
Corporate:	**185 531**	**127 204**
Agriculture and forestry	14 437	3 684
Industry	910	1057
Construction	37 443	42 517
Commerce and finance	123 641	73 500
Transport and communications	3 537	2 257
Other	5 563	4 189
Total	**239 093**	**180 215**
Concentration by region		
Europe	239 059	180 177
America	34	34
Middle East and Africa	-	4
Total	**239 093**	**180 215**

Financial guarantee contracts	**2019 BGN'000**	**2018 BGN'000**
Concentration by sector		
Retail banking:	**162**	**238**
Other	162	238
Corporate:	**57 954**	**52 413**
Agriculture and forestry	992	3 625
Industry	10 640	10 512
Construction	8 932	6 806
Commerce and finance	24 100	19 892
Transport and communications	7 918	4 697
Other	5 371	6 881
Total	**58 116**	**52 651**
Concentration by regions		
Europe	58 116	52 651
Total	**58 116**	**52 651**

Credit exposures with restructuring measures

As exposures with restructuring measures the Group accepts credit exposures that have modified the original terms of the contract caused by a deterioration in the financial condition of the debtor leading to the inability to repay the full amount of the debt in due time and which discounts the Group would not circumstances.

Amendments to the original terms of the contract in connection with the implementation of the restructuring measures may include:

- Postponing or rescheduling the payment of principal interest or where applicable fees resulting in a reduction in the amount of the financial commitment;
- Partial or total refinancing of a troubled debt contract which is only allowed when the debtor is in financial difficulties.
- An amendment involving repayments resulting from a collateral acquisition by the Group is treated as a restructuring measure when the debtor is in financial difficulty.
- Granted rebates to a debtor who is in default before granting the rebates.

- Decrease in the interest rate under the contract except for a change in the agreed interest rate resulting from changes in market interest rates.

The information on exposures with restructuring measures is as follows:

2019	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	112 411	1 959
Impairment	(38 551)	(639)
Amount after impairment	73 860	1 320

2018	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	89 430	1 497
Impairment	(40 617)	(595)
Amount after impairment	48 813	902

Collaterals on loans granted

Housing mortgage loans to individuals

The table below presents the carrying amount of reported housing mortgage loans to individuals based on loan-to-value ratio. The ratio is calculated as a correlation of the gross amount of loan exposure to the collateral value. Collateral value on housing mortgage loans is determined upon loan granting and is updated in case of significant changes in the prices of real estate market.

Loan-to-value	**2019 BGN'000**	**2018 BGN'000**
Below 50%	121 631	90 214
From 50% to 75%	215 708	168 349
From 75% to 90%	161 425	126 867
From 90% to 100%	7 253	13 132
Above 100%	3 403	5 563
Total	**509 420**	**404 125**

Loans granted to legal entities

With respect to loans to legal entities the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. For this the Group has adopted an approach to individual credit assessment and impairment testing of loans to corporates. To ensure additional security in addition to regular monitoring of the financial position of borrowing enterprises the Group also requires collateral to be set up in the credit exposures. The Group accepts collateral for loans to legal persons mortgages on real estate a pledge of a commercial enterprise a special pledge of tangible assets as well as other guarantees and rights of ownership.

The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment the regulatory framework or other occurring circumstances. In the event that there is a decrease in the value of the collateral as a result of which the Group considers that it is not sufficient the Group requires that the debtor be constituted additional collateral by setting a certain period within which the supplementation will be fulfilled.

51.5. Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period.

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Bank and other loans	72 646	159 015	3 496
Related party payables	50 512	13 394	
Lease liabilities	55 291	126 290	33 840
Liabilities to other depositors	4 150 725	1 548 067	5 049
Deposits from banks	19 415	-	-
Obligations under repo agreements	13 160	-	-
Liabilities under cession agreements	15 786	33 156	-
Trade and other payables	87 871	18	-
Derivatives	-	10 079	-
Total	**4 465 406**	**1 890 019**	**42 385**

As at 31 December 2018 Group's liabilities (including interest payables where applicable) have contractual maturities summarized below:

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Bank and other loans	71 853	172 013	16 035
Related party payables	46 785	5 598	
Financial lease payables	2 146	3 562	-
Liabilities to other depositors	3 929 276	1 323 441	6 885
Deposits from banks	14 452	-	-
Obligations under repo agreements	13 559	-	-
Liabilities under cession agreements	36 796	17 954	-
Trade and other payables	83 490	23 012	-
Derivatives	-	1 272	-
Total	**4 198 357**	**1 546 852**	**22 920**

The amounts disclosed in this obligation maturity analysis represent the undiscounted cash flows under the contracts that may differ from the carrying amounts of the liabilities at the reporting date. Annual interest payments amount to BGN 6 209 thousand (2018: BGN 4 299 thousand).

Group's policies regarding the banking activities

The liquidity risk arises from the discrepancy between the maturity structure of assets and liabilities and the lack of sufficient funds, with which the Group has to meet payments on current financial liabilities, as well as to provide financing for the increase of financial assets, and possible claims on off-balance sheet liabilities.

Adequate liquidity is achieved when the Group is able to provide sufficient funds for these purposes, by increasing liabilities or converting assets as quickly as possible at relatively low cost, by selling liquid assets or attracting additional funds from the money, capital or foreign exchange markets. The preventive function in liquidity risk management is to maintain an acceptable level of liquidity to provide protection against possible losses in case of unforeseen sale of assets. The specialized collective body for liquidity management in the Group is the Assets and Liabilities Management Committee. The Committee implements the liquidity risk management policy adopted by the Group's management.

Quantitative measure of the liquidity risk according to the regulations of the BNB and EBA is the Liquid Coverage Ratio - the LCR indicator. This ratio represents the excess of the liquidity buffer (liquid assets) of the Group over net outflows.

The Group's liquidity coverage ratio as at 31.12.2019 amounted to 494.14% (31.12.2018: 560.16%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2019 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and cash balances with the Central Bank	1 794 060	-	-	-	-	1 794 060
Placements with, and advances to banks	229 396	-	-	-	2 919	232 315
Receivables under repurchase agreements	97 242	155 624	50 364	-	-	303 230
Financial assets at fair value through profit or loss	4 217	-	232 584	-	-	236 801
Loans and advances to customers, net	62 643	77 237	298 627	1 256 742	922 258	2 617 507
Financial assets measured at fair value in other comprehensive income	2 746	-	877	247 929	316 021	567 573
Financial assets at amortized cost	17 063	4 068	24 348	96 990	214 085	356 554
TOTAL FINANCIAL ASSETS	2 207 367	236 929	606 800	1 601 661	1 455 283	6 108 040
FINANCIAL LIABILITIES						
Deposits from banks	26 112	-	-	-	-	26 112
Received loans and other liabilities to banks	-	162	-	-	-	162
Liabilities to other depositors	2 620 722	367 766	1 156 301	1 554 003	5 049	5 703 841
Other attracted funds	-	778	-	-	-	778
Issued bonds	-	-	-	25 424	-	25 424
Provisions for liabilities	-	-	1 102	-	-	1 102
Other liabilities	23 355	1 559	7 016	20 076	15 862	67 868
TOTAL FINANCIAL ASSETS	2 670 189	370 265	1 164 419	1 599 503	20 911	5 825 287

The allocation of the Group's financial liabilities as at 31 December 2018 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and cash balances with the Central Bank	1 722 610	-	-	-	-	1 722 610
Placements with, and advances to banks	202 784	-	-	25 934	-	228 718
Receivables under repurchase agreements	34 741	129 535	92 322	-	-	256 598
Financial assets at fair value through profit or loss	2 985	-	198 440	-	-	201 425
Loans and advances to customers, net	74 663	49 466	243 570	1 294 771	755 047	2 417 517
Financial assets measured at fair value in other comprehensive income	19 671	25 146	8 960	229 219	220 895	503 891
Financial assets at amortized cost	27 480	6 184	11 224	52 138	199 213	296 239
TOTAL FINANCIAL ASSETS	2 084 934	210 331	554 516	1 602 062	1 175 155	5 626 998
FINANCIAL LIABILITIES						
Deposits from banks	40 299	-	-	-	-	40 299
Received loans and other liabilities to banks	954	4	6	165		1 129
Liabilities to other depositors	2 378 177	369 509	1 161 499	1 343 422	6 995	5 259 602
Other attracted funds				778		778
Issued bonds	-	-	-	25 343	-	25 343
Other liabilities	11 279	-	109	455	461	12 304
TOTAL FINANCIAL ASSETS	2 430 709	369 513	1 161 614	1 370 163	7 456	5 339 455

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

In the tables above a part of the attracted funds on current accounts with no residual maturity amounting to BGN 1,538,187 thousand as at 31 December 2019 (2018: BGN 1,335,422 thousand) is presented in the range from 1 year to 5 years since the Group considers this reserve to be a reliable long-term resource based on the average daily balance on those accounts in 2019 and 2018.

Financial assets used for managing liquidity risk

In assessing and managing liquidity risk the Group recognizes the expected cash flows from financial instruments in particular available cash and trade receivables. Available cash resources and trade and other receivables significantly exceed the current outflow cash flow requirements. Under the contracts entered into all cash flows from trade and other receivables are due within 1 year.

52. Fair value measurement

52.1. Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups are based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

A financial asset or liability is classified to the lowest level of significant input information used to determine its fair value.

31 December 2019	**Level 1 BGN'000**	**Level 2 BGN'000**	**Level 3 BGN'000**	**Total BGN'000**
Assets				
Financial assets measured at fair value through profit or loss	1 301 444	190 161	434 815	1 926 420
Equity instruments at fair value through other comprehensive income	24 037	755	47 826	72 618
Debt instruments measured at fair value through other comprehensive income	526 201	7 975	5	534 181
Total assets	**1 851 682**	**198 891**	**482 646**	**2 533 219**
Liabilities				
Derivatives	-	10 079	-	10 079
Total liabilities	**-**	**10 079**	**-**	**10 079**

31 December 2018	**Level 1 BGN'000**	**Level 2 BGN'000**	**Level 3 BGN'000**	**Total BGN'000**
Assets				
Financial assets measured at fair value through profit or loss	1 142 974	172 170	369 934	1 685 078
Equity instruments at fair value through other comprehensive income	12 912	9 776	48 295	70 983
Debt instruments measured at fair value through other comprehensive income	383 542	-	39 374	422 916
Total assets	**1 539 428**	**181 946**	**457 603**	**2 178 977**
Liabilities				
Derivatives	-	1 272	-	1 272
Total liabilities	**-**	**1 272**	**-**	**1 272**

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange Sofia. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies adjusted for specific factors.

c) Derivatives

When derivative financial instruments are traded on stock markets or liquid OTC markets the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

All significant inputs to the model are based on observable market prices namely market interest rates on similar loans with similar risk.

52.2. Fair value measurements of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2019:

31 December 2019	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
Land, building, machines and equipment	-	-	421 263	421 263

31 December 2018	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
Land, building, machines and equipment	-	-	422 174	422 174

Fair value of the Company's main property assets is estimated based on appraisals performed by independent qualified appraisers.

Land, buildings, machines and equipment (Level 3)

The land buildings machines and equipment are revaluated on 31 December 2019.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

	Investment property BGN'000
Balance at 1 January 2019	422 174
Gains or losses recognised in profit or loss	
- change in fair value of investment property	3 806
Loss from change in the fair value of investment property	(1 003)
Acquisitions and reclassifications	19 153
Disposals and reclassifications	(5 284)
Balance as at 31 December 2019	**421 263**
Total amount included within Revenue from operating activity as a result of unrealized gains or losses from assets held at the end of the reporting period	1 836

53. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between capital to net debt.

The Group determines the capital based on the carrying amount of the equity presented in the statement of financial position.

Net debt is calculated as total liabilities less the carrying amount of the cash and cash equivalents.

Group's goal is to maintain a capital-to-net-debt ratio in a reasonable range which would ensure relevant and conservative ratio of financing.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders return capital to shareholders issue new shares or sell assets to reduce debt.

The capital for the presented reporting periods is summarized as follows:

	2019 BGN'000	2018 BGN'000
Shareholders' equity	1 714 904	1 644 693
Equity	**1 714 904**	**1 644 693**
Debt	8 231 067	7 454 376
- Cash and cash equivalents	(2 136 035)	(2 045 224)
Net debt	**6 095 032**	**5 409 152**
Capital to net debt	**1:3.55**	**1:3.29**

In 2019 the change in the ratio is minimal. The Group has complied with its contractual obligations including the maintenance of certain capital ratios.

54. Post-reporting date events

No any adjusting or significant non-adjusting events that would affect the accuracy and completeness of the reported financial information have occurred after the date of the consolidated financial statement up to the authorisation from the Groups`s Management on 27 July 2020 except the following non-adjusting event:

The worldwide spread of novel coronavirus (COVID-19) in early 2020 caused disruptions to businesses and economic activity. On 11 March 2020 the World Health Organization declared COVID-19 a pandemic. On 13 March the Bulgarian government declared a state of emergency adopted a Law on Measures and Actions during the State of Emergency in Bulgaria. As of 31 July 2020 Bulgaria is in state of emergency epidemic. As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Group is not able to assess the impact of the coronavirus pandemic on the future financial position and the results of operations of the Group. However, this may lead to volatility of market risk and price risk related to Group's financial assets and an overall negative impact.

Some of the measures that have been taken to limit the spread of the virus were related to travel bans, quarantine, social distancing and closure of non – essential services. This caused significant troubles for businesses around the world which led to economic decrease. This caused significant disruptions in worldwide business activities, which has led to economic decrease and a direct adverse effect over airlines, who have restricted their operations to essential and cargo flights only, and other world economic sector.

The Government, and specifically regulators, have undertaken measures to restrict the negative impact on national markets and economies, although the spread of the virus still had a strong adverse impact on economic activity, stock markets, tourism, transport and other industries.

The extent to which the Group will undertake negative economic effects depends directly on the duration of this new unfamiliar situation and on the measures that can directly affect the people`s movement. The financial markets follow the economic environment. The decrease in economic activity reflects on future financial results.

Bank regulators in Republic of Bulgaria and Republic of North Macedonia approved application of debt moratoriums which are allowing the clients, which activities have been most impacted of the coronavirus pandemic, to postpone their obligations. This will not affect the classification of the loans in terms of their restructuring. These moratoriums have a limited duration (up to 9 months). It provides an opportunity for bank customers who have paid their obligations (overdue up to 90 days) as of 01 March 2020 (29 February 2020 for North Macedonia) to use grace period for loans repayments, with which the final maturity of the instruments will be increased. The moratoriums are comparable in effect and duration but they have different scope. In Republic of Bulgaria the clients who wants to take advantage should explicitly express their desire to the bank. In Republic of North Macedonia the grace period is for every customer and only customers who explicitly want to be excluded should state this to the banks. The Group expects different ranges of client to benefit from these moratoriums - limited in Bulgaria and more massive in North Macedonia.

The effects for the two banks of the Group are manifested at different rates - while for the subsidiary bank in the Republic of Macedonia the process has already started and renegotiations will be automatically and the deadline to express a refusal is 10 days. The Group's management does not expect significant changes in the net present value of financial assets affected by these moratoriums and expects an insignificant effect on the Group's interest income too.

The major economic sectors that will be affected by the restrictive measures because of the pandemic and to which the Group has credit exposures are: tourism, construction, wholesale and retail and transport. Management of the Group expects decrease in the negative impact on economic after the end of restrictions for moving of people, vehicles and goods. Economic activity is expected to be positively affected by the announced support measures and allocated Government and European funds. This will lead to additional public guarantee of receivables additional free of interest financing of business entities and direct aid to the affected companies and individuals. As the situation and supportive measures taken by the authorities are very dynamic, management of the Group cannot asses the global effect on economic activity which also depends on the currently unknown duration and scope of undertaken quarantine restrictions.

The Group`s Management believes that the Bank will continue as going concern although the impact of the coronavirus pandemic on the Group`s financial position and its business results.

The Group's management will continue to monitor the impact of the epidemic crisis and will take all possible measures to mitigate the effects on the activities of all segments of the Group.

55. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 (including comparatives) were approved by the Managing board on 30 July 2020.