

2019



ANNUAL CONSOLIDATED ACTIVITY REPORT



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please visit: www.chimimport.bg

INTRODUCTION

The present Annual Activity Report of the Group of Chimimport AD presents comments and analyses of the financial statements and other material data on the financial position and the results of the Company's activity covering the one-year period from 1 January 2018 until 31 December 2018. The report is prepared in accordance with the requirements of the Accountancy Act, Art. 100n, par. 7 of the Public Offering of Securities Act and Annex 10 to Art. 32, par. 1, item 2, from Ordinance № 2 of 17 September 2003.

More than 70 years "Chimimport" AD is one of the most successful Bulgarian enterprises. It started as a foreign trade company specializing in the marketing of chemical products, today "Chimimport" AD is an established holding company, uniting successful businesses.

The main area of activity of "Chimimport" AD is the acquisition, sale of shares in Bulgarian and foreign companies, restructuring and management of subsidiaries of the portfolio. Subsidiaries occupy leading positions in various economic sectors, which operate:

- banking and finance
- non-life insurance
- life insurance
- pensions
- air transport and ground activities on servicing and repair of aircraft
- manufacture, production and marketing of petroleum and chemical products and natural gas
- production, processing and trade with cereals and vegetable oils

Each of every nearly 6 000 employees in the structure of "Chimimport" AD contributes to the successful integration of Bulgarian business to European standards. Recent years have strengthened the company as a leader of the "Bulgarian Stock Exchange - Sofia" AD, included in "Premium" segment share, in the indices SOFIX, BGBX40 and BGTR30, which is the result of proper planning of investments and professional actions and efforts of management. The company's activities as a public company is the creation and establishment of effectively functioning corporate governance models to ensure equal treatment and protection of the rights of all shareholders. The common practice is the transparent and fair disclosure of information needed by current shareholders, stakeholders and potential investors.

At this stage the main advantages of "Chimimport" AD are:

- Knowledge of economic and political conditions and resources in Bulgaria, needs and specificities of clients conquered good positions in strategic sectors of the economy;
- Approved management team - the group has a highly motivated team of managers with a vision for the growth of the holding company, with proven skills and experience in management, acquisition and restructuring of companies in both favourable and unfavourable market environment.



IVO KAMENOV
CEO /Chief Executive Officer/

A handwritten signature in blue ink, appearing to read 'Ivo Kamenov', is written over the printed name and title.

INFORMATION FOR THE GROUP OF CHIMIMPORT AD

Chimimport AD is a public company with a two-tier management system.

All members of the Management Board and the Supervisory Board shall meet the legal requirements for taking up their position. Management bodies of the Company are: General Meeting of Shareholders, Supervisory Board and Management Board. The Management Board manages in accordance with the established vision, goals and strategy of Chimimport AD. All members and management and supervisory bodies are guided by their generally accepted principles of integrity, managerial and professional competence.

The basic strategy and investment policy of "Chimimport" AD are focused on positioning the group as a significant partner in servicing the traditional for the country and region trade flows. In particular, this motivates the entry of the group in sectors such as transport, agriculture, financial operations and real estate.

The companies of the economic group of Chimimport JSC are 58, in total, in the following leading and key sectors:

- The financial sector, an area where the group strives to offer a full range of services to its clients. The financial group under the "Chimimport" AD now includes a universal commercial bank, which has traditionally good positions in lending, life and non- life insurance companies, pension company, management company (mutual funds).

- Transport is an important sector for the group. Bulgaria is geographically located at the crossroads between Europe and Asia / Middle East, as five of the ten Trans European transport corridors pass through the country. The group of "Chimimport" AD develops air, river and sea transport, and in all three cases seek to cover the entire spectrum of activities, not just transport (incl. the management of airports and ports, repair and maintenance vehicles, cargo handling, agency).

- Both in the transport sector and in agriculture, "Chimimport" AD seeks to spread its activities over the full spectrum of business - in this case, focusing firstly on buying, trading, logistics, storage of grain and oilseeds, actively seeking and exploiting interconnections and synergies with other businesses (transport, finance, etc.).

- The sector exploration and production of oil and gas is primarily develop through its subsidiary PDNG AD, which is the only Bulgarian company engaged in the full range of activities in prospecting, exploration, development and exploitation of oil and gas fields and processing crude oil into finished products for the market. And is the successor of the main geological, scientific research and production enterprises and objects of Bulgarian oil industry with over 50 years of history.

THE COMPANY TODAY

Share capital	BGN 239 646 thousand
In precisions owned by subsidiaries	BGN (12 691) thousand
Equit /consolidated/	BGN 1 405 034 thousand
Assets /consolidated/	BGN 9 945 971 thousand
Profit for the year attributable to the shareholders of Chimimport AD	BGN 71 164 thousand
Executive directors	Ivo Kamenov Marin Mitev
Majority shareholder	Company management in the face of “Invest Capital” AD -72,39 %
Minority shareholders of Chimimport AD are respected international companies and institutions	Uncredit Bank Austria – Austria Eurobank Ergasias - Greece Eaton Vance Emerging Markets Funds – USA Raiffeisen Bank International – Austria BNP Paribas Securities Services S.C.A. – France Euroins Romania Asigurare – Reasigurare - Horizon Growth Fund N.V. Approximately 220 legal entities and over 3 100 individuals.

MANAGING BODIES



Members of Supervisory Board :

Chairman of the Supervisory Board
Invest Capital AD

Member of the Supervisory Board
CCB Group EAD

Member of the Supervisory Board
Mariana Bazhdarova.

Members of Managing Board:

Chairman of the Managing Board
Tsvetan Botev

Deputy Chairman of the Managing Board;
Alexander Kerezov

Executive Director and Member of the Managing Board
Ivo Kamenov

Executive Director and Member of the Managing Board
Marin Mitev

Member of the Managing Board
Nikola Mishev

Member of the Managing Board
Mirolyub Panchev

The Company is managed by a two-tier management system.

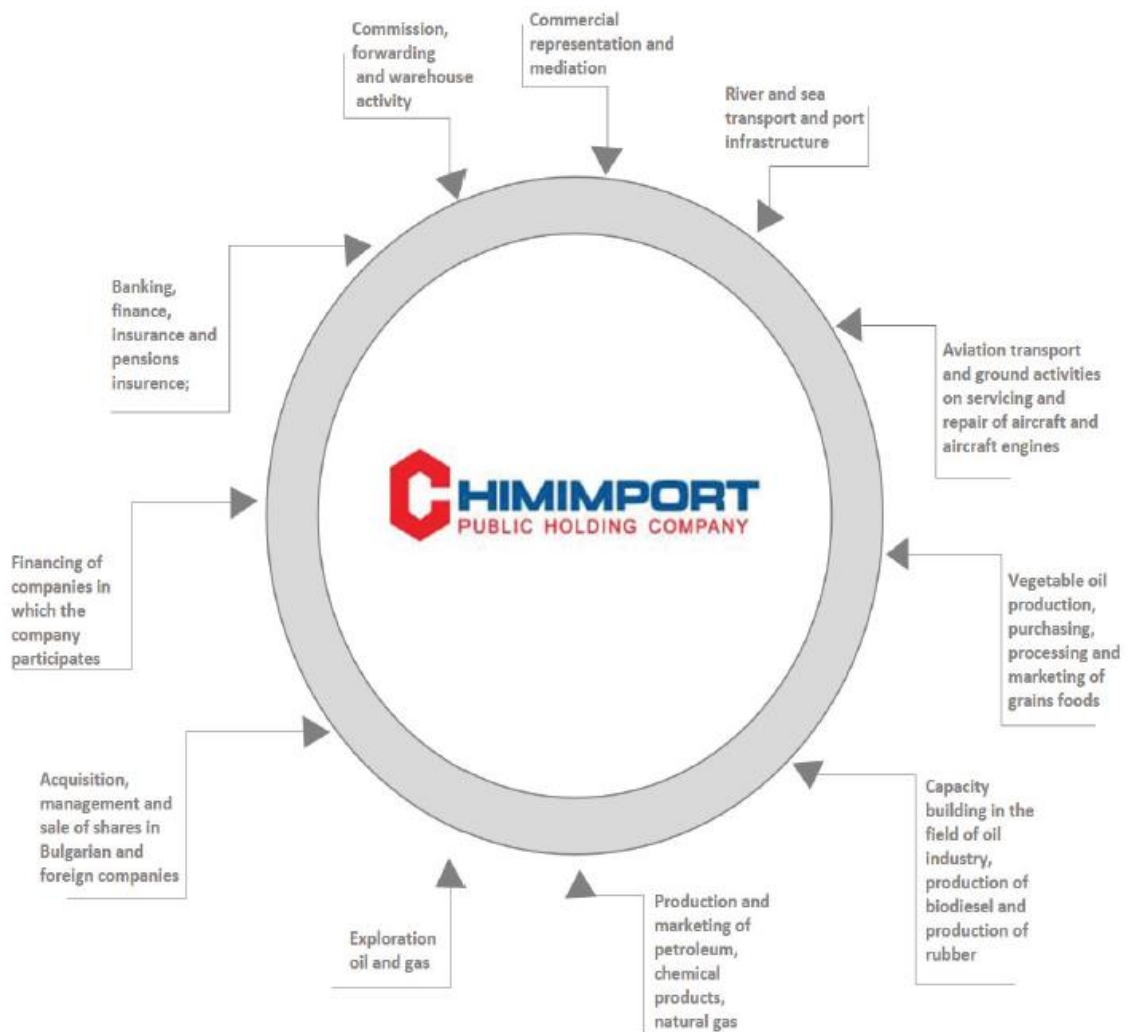
Boards are:

- General Meeting of Shareholders
- Supervisory Board
- Managing Board

“Chimimport” AD is represented by its executive directors Ivo Kamenov and Marin Mitev together and separately.

SCOPE OF ACTIVITY

Chimimport AD develops its activities through its subsidiaries. Its financial position, operating results and prospects are directly dependent on the status, results and prospects of its subsidiaries.



GENERAL INFORMATION

LIST A SUBSIDIARY

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%
ZAED 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 Iachi 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	68.12%	100.00%	68.12%	100.00%

GENERAL INFORMATION

		Services				
Technocapital AD	Bulgaria	Production, Trade and Services	86.40%	90.00%	86.40%	90.00%
Dobrich Fair AD	Bulgaria	Production, Trade and Services	40.85%	59.97%	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%
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	69.16%	86.57%	41.04%	51.37%
Port Pristis OOD	Bulgaria	Sea and River Transport	43.94%	55.00%	-	-
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	Construction and engineering	98.69%	98.69%	98.69%	98.69%
Energoproekt Utilities OOD (in	Bulgaria	Construction and	50.33%	51.00%	50.33%	51.00%

GENERAL INFORMATION

liquidation)		engineering					
Bulgaria Air Maintenance EAD	Bulgaria	Real Estate	100.00%	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate	32.23%	65.00%	32.23%	65.00%	65.00%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%	65.00%	65.00%	65.00%
Sporten management EOOD	Bulgaria	Real Estate	65.00%	100.00%	65.00%	100.00%	100.00%
TI AD	Bulgaria	Real Estate	87.66%	87.66%	87.66%	87.66%	87.66%
Bulchimex GmbH	Germany	Real Estate	100.00%	100.00%	100.00%	100.00%	100.00%
Invest Capital Consult AD	Bulgaria	Real Estate	49.59%	100.00%	49.59%	100.00%	100.00%
Sitniakovo Project Estate EOOD	Bulgaria	Real Estate	49.59%	100.00%	49.59%	100.00%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate	68.12%	100.00%	-	-	-

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

Name segment	Accumulated non controlling interest	
	2019 BGN '000	2018 BGN '000
Finance sector	168 343	119 302
Production, trade and services	107 106	134 047
Transport	12 708	16 411
Real Estate	21 692	24 171
TOTAL	309 870	293 931

In 2019 dividends paid to non-controlling interest amount to BGN 3 712 thousand (2018: BGN 2 430).

Appendix № 10 to Art. 32, par. 1, of the Ordinance № 2 / 17.09.2003

- Information regarding the value and the quality of the general categories of goods, products and/or provided services including their contribution to the issuer's revenue from sales and the changes occurred in the current financial year.

Due to the specific nature of the activity of the issuer - holding activity, the main revenues of the company are both income from operating activities and financial, formed by positive differences from operations with financial instruments, interest income and dividends. Operating revenues are mainly related to investment property, services and others.

Changes in Profit and Income from Non-Financial Activities of Segment Group

Business Segments	Production, Trade and Services BGN '000	Financial Sector BGN '000	Transport Sector BGN '000	Real estate BGN '000
31 December 2019 Share of the single segment in the Group's profit	5.00%	89.27%	6.62%	(0.90%)
31 December 2018 Share of the single segment in the Group's profit	11.08%	85.83%	2.48%	0.62%

The Finance segment has the biggest share of the Group's net profit in 2019.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Information on revenue broken down by category of activity, internal and external markets.

Operating segments	Production, trade and services	Financial sector	Transport sector	Real estate Sector and engineering	Elimination	Consolidated
31.12.2018	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	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
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)
Result from interest	(932)	164 866	(9 681)	(1 596)	44	152 701
Result from transactions with financial instruments, net	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
Profit for allocating insurance batches	-	(69 522)	-	-	-	(69 522)
Profit for the period before tax	4 467	94 037	6 499	(890)	(11 905)	92 208
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

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

- Information regarding the income, distributed in separate activity category, internal and external markets, as well as information on the rendering of services, reflecting the degree of dependency for each customer. In case the percentage of any of the customers exceeds 10% of the sales revenue or expenses, information should be provided for each person individually, the client's contribution to sale or purchases and its relationship with the issuer.

Income and expenses structure

Income from non-financial activities	2019 BGN '000	2018 BGN '000	Change
Income from the sale of plane tickets	261 143	242 212	8%
Income from sale of finished goods	77 108	54 739	48%
Income from services rendered	49 333	52 001	(10%)
Income from sale of trading goods	21 361	25 857	(17%)
Other	68 421	86 628	(21%)
Total	477 366	461 437	3%

	2019 BGN '000	2018 BGN '000	Change
Gain / (Loss) from change in fair value of investment property			
Gain on change in fair value of investment properties	2 501	3 806	(34%)
Loss from change in fair value of investment properties	(668)	(1 003)	33%
Net effect of changes in fair value of investment properties	1 833	2 803	(34%)

Interest income by types of sources:	2019 BGN '000	2018 BGN '000	Change
Legal entities	90 186	93 998	(4%)
Government securities	44 118	39 236	(12%)
Banks	7 395	5 921	25%
Individuals	49 457	48 057	3%
Other	2 857	2 395	19%
Total	194 013	189 607	2%

Interest expenses by depositors:	2019 BGN '000	2018 BGN '000	Change
Legal entities	(14 375)	(4 718)	205%
Individuals	(8 780)	(10 183)	(14%)
Banks	(8 828)	(8 891)	(1%)
Other	(9 373)	(10 442)	(10%)
Total	(41 356)	(34 234)	21%

Results from transactions with financial instruments	2019 BGN '000	2018 BGN '000	Change
Gains from transactions with securities and investments	416 562	431 362	(3%)
Dividend income	20 762	14 902	39%
Other	-	5	-
Total	437 324	446 269	(2%)

Losses from transactions with securities and investments	2019 BGN '000	2018 BGN '000	Change
Losses from transactions with securities and investments	(345 923)	(425 353)	(19%)
Total	(345 923)	(425 353)	(19%)

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Operating and administrative expenses	2019	2018	Change
	BGN '000	BGN '000	
Hired services	(212 049)	(237 921)	(11%)
Cost of materials	(113 695)	(111 456)	2%
Cost of goods sold	(20 303)	(25 043)	(19%)
Employee benefits expense	(119 532)	(114 166)	5%
Depreciation and impairment of non-financial assets	(87 883)	(32 482)	171%
Changes in inventories of products and work in progress	(51)	(9)	(4000%)
Impairment of receivables	(64 334)	(4 781)	12%
Other expenses	(57 776)	(110 929)	0%
	(675 221)	(636 787)	6%

Other financial income, net	2019	2018	Change
	BGN '000	BGN '000	
Revenue from fees and commissions, net	65 406	59 622	10%
Net result from foreign exchange differences	410	8 523	(95%)
Other finance expenses	(959)	(2 630)	(64%)
Total	64 857	65 515	(1%)

Revenue from fees and commissions	2019	2018	Change
	BGN '000	BGN '000	
Bank transfers in Bulgaria and abroad	29 399	27 868	5%
Maintenance fee on deposit accounts	16 594	15 523	7%
Servicing fee for loans	7 865	3 148	150%
Fee for commitments and contingencies	1 002	978	2%
Other fees and commissions income, different from banks	15 787	13 810	14%
Other income	10 573	11 052	(4%)
Revenue from fees and commissions	81 220	72 379	12%

Fees and commissions expenses	2019	2018	Change
	BGN '000	BGN '000	
Bank transfers in Bulgaria and abroad	(10 049)	(8 121)	24%
Account maintenance fees	(1 212)	(977)	24%
Release of precious parcels	(781)	(712)	10%
Transactions with securities	(52)	(65)	-20%
Other fees and commissions expenses, different from banks	(2 191)	(1 594)	37%
Other expenses	(1 529)	(1 288)	19%
Total fees and commissions expenses	(15 814)	(12 757)	24%

- **Research and development**

- In 2019 the Company has not performed any action on research and development.

- **Information regarding conclusion of major deals or such of a significant importance for the activity of the issuer**

- The Group does not have large deals for the period under Art. 114, para 1 of Public Offering of Securities Act.

- **Information regarding the transactions between the issuer and its related parties in 2019, the proposals for concluding such deals, as well as deals not related to the main activity, including the amount of the transactions, the relationship between the parties and any other information, needed for valuation of the impact on the financial statement of the issuer**

The related parties of the Group include the parent company, its subsidiaries, the key management personnel and other parties, described below.

Unless particularly stated, transactions with related parties were not performed under special conditions and no assurance were issued or received.

Transactions with key management personnel	2019 BGN '000	2018 BGN '000
Short-term wages:		
- Salaries, including bonuses	(168)	(566)
- Social security costs	(24)	(28)
Total short-term benefits	(192)	(594)
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 under common control	33 351	4 032
Total non-current receivables from related parties	36 407	6 456
Current	2019 BGN '000	2018 BGN '000
Receivables from:		
- owners	29 438	26 473
- associates	1 072	6 423
- joint ventures	-	7 082
- other related parties under common control	165 384	66 107
Total current receivables from related parties	195 894	106 085

Non-current Payables to:	2019 BGN '000	2018 BGN '000
- owners	1	-
- associates	4 135	2 864
- joint ventures	312	422
- other related parties under common control	8 946	2 312
Total non-current payables to 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 under common control	15 911	15 970
Total current payables to related parties	50 512	46 785

- **Information regarding unusual events and indices for the issuer that has a significant influence on its activity and realized income and expenses; valuation of this influence on the financial results for the current year.**

No unusual events for the issuer that might have a significant impact on its activities occurred in 2019.

- **Information regarding off-balance transactions**

As at 31 December 2019 and 2018, the Group has concluded bank lending agreements to clients whose future use depends on whether borrowers meet certain criteria, including whether there are no past due arrears on previous loan tranches, providing collateral with certain quality and liquidity, and others.

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
Bank 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 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 favourably 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 "Pristis" – 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.

- Information regarding changes in non-current and current investments of the Group:

Changes occurred in investment in subsidiaries and Changes in controlling shares

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.

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	-

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)

Acquisition on 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)

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.

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.

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

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.

- Investments accounted for using the equity method

Investments in associates

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

	2019	Share	2018	Share
	BGN '000	%	BGN '000	%
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%
Dobrich fair AD	582	35.00%	552	35.00%
Kavarna Gas OOD	-	-	19	19.00%
Total	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	2018
	BGN '000	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	2018
	BGN '000	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.

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

Joint ventures	2019	Share	2018	Share
	BGN '000	%	BGN '000	%
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 Group has no contingent liabilities or other commitments related to its investments in associates.

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	2018
	BGN '000	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/(oss) 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.

- **Information on the loan agreements concluded by the issuer, its subsidiary or its Parent company in their capacity as borrowers / lenders.**

BANKING ACTIVITY

Liabilities to depositors are presented as follows:

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

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
	<u>4 385 573</u>	<u>4 075 207</u>
Legal entities deposits		
in BGN	1 013 880	938 364
in foreign currency	290 683	232 606
	<u>1 304 563</u>	<u>1 170 970</u>
Deposits of other institutions		
in BGN	11 277	8 610
in foreign currency	2 428	4 815
	<u>13 705</u>	<u>13 425</u>
Total liabilities due to depositors	<u>5 703 841</u>	<u>5 259 602</u>

NON-BANKING ACTIVITY

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

Bonds and debenture loans

Bonds and debenture loans, received by the Group, relate to the following entities

	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

The carrying amount of the bond issue at 31 December 2019 is BGN 42 421 thousand (2018 BGN 45 178 thousand) is calculate as using the effective interest.

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	
	2018 BGN'000	2018 BGN'000	2019 BGN'000	2018 BGN'000
Bank loans	63 109	62 060	108 417	127 140

Non-current bank borrowings

	2019 BGN '000	2018 BGN '000
Revolving and investment bank credits	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%.

Short-term bank loans

	2019 BGN'000	2018 BGN'000
Short-term revolving and investment bank credits	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.

Other borrowings and financing

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

Other non-current borrowings

	2019 BGN'000	2018 BGN'000
Non-current borrowings	13 437	16 943
Financing from State Agricultural Fund	653	12 75
	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.

Other current borrowings

	2019 BGN'000	2018 BGN'000
Current borrowings	6 778	6 840
Operational program financing	342	465
Total	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.

Deposits from Banks

	Current	
	2019	2018
	BGN'000	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

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.

- **Information on the loan agreements concluded by the issuer, its subsidiary or its Parent company in their capacity as lender.**

Loans and advances to bank clients

Loans and advances can be summarized as follows:

(a) Analysis by customer type

	2019	2018
	BGN'000	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.

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.

- **Information on the lease agreements concluded by the issuer, its subsidiary or its Parent company**

Lease

Lease liabilities

	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 **Error! Reference source not found.**)

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						Total BGN'000
	2020	2021	2022	2023	2024	>2024	
	Within 1 year BGN'000	1-2 years BGN'000	2-3 years BGN'000	3-4 years BGN'000	4-5 years BGN'000	After 5 years 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 Operating and administrative expenses.

• **Information regarding the resources from the issuance of securities during the reporting period**

- During the reporting period the issuer did not increase its capital.

• **Information about changes during the reporting period in the key management principles of the issuer and its economic group.**

- In 2018 no changes have been made to the issuer's key management principles.

• **Information on changes in management and supervisory bodies during the reporting financial year**

- During the reporting period there were no changes in the number and persons participating in the Management and Supervisory Board of Chimimport AD.

• **Analysis of the relationship between the financial result in the financial statements and the previously forecasted results**

- In 2019 the Company has not published any forecasts of the financial result for the 2019. All publicly announced targets and objectives of the Group were accomplished.

The Chimimport Group`s companies – not applicable

• **Analysis and valuation of the financial resources management policy, including the ability to cover debt payments, subsequent threats and precautions that have been taken or are to be taken by the issuer for their avoidance.**

The parent company successfully manages its financial resources and serves its duties properly and in a timely manner.

• **Assessment of the possibilities for realization of the investment intentions with indication of the amount of available funds and reflection of possible changes in the structure of financing of this activity.**

The Group companies have the necessary resources to realize their future investment intentions and determine the assessment of the realization opportunities as positive

• **Information about the main characteristics applied by the issuer in the process of preparing financial statements, internal control system and risk management.**

- The main features of the internal control system and risk management are detailed in Consolidated Corporate Governance Statement, part of the report.

• **Post balance sheet events**

No 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 Group'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 assess 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.

- **Information about the amount of remuneration, rewards and / or benefits of each of the members of the management and control bodies for the financial year, paid by the issuer and its subsidiaries, regardless of whether they have been included in the expenses of the issuer or arise from the distribution profits, including:**

The key management personnel of the Parent company include the members of the Management Board and the Supervisory Board. The remuneration of key management personnel consists of current salaries and wages as follows

Name	Issuer BGN '000	Subsidiaries BGN '000
Supervisory board		
Mariana Bazhdarova	24	-
Management Board		
Ivo Kamenov	78	210
Nikola Mishev	50	52
Tzvetan Botev	24	76
Mirolyub Ivanov	53	92
Marin Mitev	50	174
Alexander Kerezov	58	151

The Issuer did not provide options on its securities as well as special rights of ownership on the part of the members of the Management Board.

- **Information about the issuer's shares held by the members of the management and supervisory bodies**

According to a reference from the Central Depository issued as at 31 December 2019, the members of the Managing and Supervisory Board own the following number of shares:

Members of the Managing Board:

IVO KAMENOV	495 880	0.21%
ALEXANDER KEREZOV	160 000	0.07%
MIROLYUB IVANOV	89 066	0.04%
NIKOLA MISHEV	36 790	0.02%
MARIN MITEV	26 533	0.01%

Members of Supervisory Board:

INVEST CAPITAL AD	174 847 247	72.39%
CCB GROUP EAD	1 296 605	0.54%
MARIANA BAZHDAROVA	199	0.00%



- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

SUPERVISORY BOARD of Chimimport AD:

Mariana Angelova Bazhdarova - Member of Supervisory Board of Chimimport AD:

<i>Company</i>	<i>UIC</i>	<i>Participation</i>
Chimimport AD	000627519	Member of the Supervisory Board
MB Consult Commerce	203868694	Owner of more than 25% of the shares

Does not participate in the management of other companies or cooperatives as a procurator, manager or board member under art. 247 of Commercial act.



MANAGING BOARD of Chimimport AD:

Ivo Kamenov Georgiev - Executive director, Member of Supervisory and Managing Board of Chimimport AD:

<i>Company</i>	<i>UIC</i>	<i>Participation</i>
Chimimport AD	000627519	Member of the Management Board, Member of the Supervisory Board and Executive Director
Invest Capital AD	831541734	Member of the Board of Directors and Executive Director
CCB Group AD	121749139	Chairman of the Management Board
CCB AD	831447150	Member of the Supervisory Board
Capital Invest EAD	121878333	Representative, who exercising the rights and obligations of the member of Invest Capital AD in the Board of Directors
Invest Capital Asset Management EAD	200775128	Representative, who exercising the rights and obligations of the member of Invest Capital AD in the Board of Directors
Invest Capital Management OOD	103045368	Owner of more than 25% of the shares
Varnenska Konsultantska Kompania OOD	103060548	Owner of more than 25% of the shares
National Association of Combat Sports	176868502	Chairman of the Management Board and manager

CHIMIMPORT



GENERAL RISKS AND UNCERTAINTIES

- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

Marin Velikov Mitev - Executive director, Member of Supervisory and Managing Board of Chimimport AD:

Company	UIC	Participation
Chimimport AD	000627519	Member of the Management Board, Member of the Supervisory Board and Executive Director
Golf Shabla AD	124712625	Member of the Board of Directors and Executive Director
Invest Capital AD	831541734	Member of the Board of Directors and Executive Director
Sporten Complex Varna AD	103941472	Member of the Board of Directors and Executive Director
Varna Plod AD	103106697	Member of the Board of Directors
CCB Group EAD	121749139	Member of the Supervisory Board
CCB AD	831447150	Member of the Supervisory Board
Association Sports Club TIM	103014351	Chairman of the Management Board and manager
Martial Sports Club Association TIM	103606634	Chairman of the Management Board and manager
Bulgarian Karate Kyokushin Federation	103570622	Chairman of the Management Board and manager
Association "Aerobics Club" Tim - Class "	103556156	Member of the Management Board
Association of Sports Clubs Black Sea	000090542	Member of the Management Board
Association National Tourism Board	175090938	Member of the Management Board
Marin Mitev Project Management	103326073	Owner
Varna Consulting Company OOD	103060548	Owner of more than 25% of the shares
Invest Capital Management OOD	103045368	Owner of more than 25% of the shares

Tsvetan Tsankov Botev - Chairman of the Managing Board of Chimimport AD:

Company	UIC	Participation
Chimimport AD	000627519	Chairman of the Management Board
CCB AD	831447150	Deputy Chairman of the Management Board
Bulchimtrade OOD	200477808	Manager
Pharma GBS	176397025	Manager
Consortium Chimimport-biofarm engineering DZZD	131071224	Manager

Does not hold directly more than 25 per cent of the capital of other commercial companies.

GENERAL RISKS AND UNCERTAINTIES

- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

Alexander Dimitrov Kerezov - Deputy Chairman and member of the Managing Board of Chimimport AD:

<i>Company</i>	<i>UIC</i>	<i>Participation</i>
Chimimport AD	000627519	Member of the Management Board
CCB AD	831447150	Member of the Management Board
Bulgarian Airways Group" EAD	131085074	Member of the Board of Directors
CCB Group EAD	121749139	Member of the Management Board
Zarneni Hrani Bulgaria AD	175410085	Member of the Management Board and Executive Director
Armeec Insurance Company AD	121076907	Member of the Management Board
Parahodstvo Bulgarsko Rečno Plavane AD	827183719	Member of the Management Board
Pension Insurance Joint Stock Company CCB - Sila" AD	825240908	Member of the Supervisory Board
Asenova Krepost AD	115012041	Member of the Management Board
AH "HGH Consult" OOD	130452457	Manager
Protekt Art OOD	203844348	Manager and Owner of more than 25% of the shares
Association Agreement 066	176941060	Chairman of the Management Board and manager
Foundation Agreement Sofia	205004556	Chairman of the Management Board and manager
Association "United Grand Lodge of Bulgaria	130688048	Member of the Management Board

Nikola Peev Mishev - member of the Managing Board of Chimimport AD:

<i>Company</i>	<i>UIC</i>	<i>Participation</i>
Chimimport AD	000627519	Member of the Management Board
Zarneni Hrani Bulgaria AD	175410085	Member of the Management Board
Asenova Krepost AD	115012041	Member of the Management Board and Executive Director
Asella AD	115023575	Member of the Board of Directors
Energoproekt AD	831367237	Member of the Supervisory Board
Chimsnab Trade OOD	131388356	Manager
Bulchimtrade OOD	200477808	Manager
Rabur Trade OOD	130430425	Manager
Chimeltex EOOD	130434434	Manager

Does not hold directly more than 25 per cent of the capital of other commercial companies.

GENERAL RISKS AND UNCERTAINTIES

- Information about participation of Members of Supervisory and Managing Board in other trade companies as general partners, as owners' of more than 25 % in other companies' shares, as managers of other companies and as members of other companies' Supervisory, Managing Boards and Boards of, in accordance with Art. 247 of Commercial act.

Mirolyub Pantchev Ivanov - member of the Managing Board of Chimimport AD:

<i>Company</i>	<i>UIC</i>	<i>Participation</i>
Chimimport AD	000627519	Member of the Management Board
Armeec Insurance Company	121076907	Member of the Management Board and Executive Director
National Stock Exchange AD	115223519	Member of the Board of Directors
Bulgarian Shipping Company AD	175389730	Member of the Board of Directors
CCB REAL ESTATE FUND REIT	131550406	Member of the Board of Directors and Executive Director
Exploration and Production of Oil and Gas AD	824033568	Member of the Management Board
Capital Invest EAD	121878333	Executive Director
"Invest Capital Asset Management" EAD	200775128	Executive Director
Pension Insurance Joint Stock Company CCB - Sila" AD	825240908	Member of the Supervisory Board
Omega Finance	181385114	Manager
Prime Lega Consult EOOD	130993620	Manager
TI AD	121483350	Member of the Board of Directors and Executive Director
Zarneni Hrani Bulgaria AD	175410085	Member of the Management Board
Project company 1AD	205105587	Member of the Board of Directors and Executive Director
Rubikon Project EOOD	202902446	Manager
Mutual Fund "High Capital Investment"	175860666	Manager
Energomat EOOD	131095780	Manager
Energoproekt AD	831367237	Member of the Supervisory Board
Consortium Technocapital	176018753	Manager

Does not hold directly more than 25 per cent of the capital of other commercial companies.

- Information regarding the Group's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders

There is no information regarding the Company's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders.

- Information regarding pending suits, administrative or arbitration proceedings, relating to issuer's liabilities or receivables amounting to a minimum of 10% from the owner's equity. If

GENERAL RISKS AND UNCERTAINTIES

the total amount of the liabilities or the receivables from all pending suits and proceedings exceed 10% of the owner's equity, the information is presented individually for each case.

The Group has not registered any pending court, administrative or arbitration proceedings, related to receivables or liabilities that together or apart exceed 10% of the owner's equity.

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	2019	2018
	BGN'000	BGN'000
Financial assets at fair value through profit or loss:		
- 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:		
- Quoted equity instruments	24 792	12 713
- Unquoted equity instruments	47 826	58 270
Debt instruments measured at fair value through other comprehensive income:		
- Bonds	123 984	75 865
- Government Securities	410 197	347 051
Debt instruments at amortized cost:		
- Loans	2 751 172	2 667 097
- Cession receivables	60 124	51 489
- Receivables under repurchase agreements	335 417	297 105
- Debt instruments at amortized cost	357 228	302 516
- Receivables from related parties	232 301	112 541
- Trade receivables	192 957	156 426
- Others	14 931	74 953
<i>Less: Impairment</i>	<i>(116 676)</i>	<i>(92 585)</i>
- Cash and cash equivalents	2 136 035	2 045 224
	8 496 708	7 793 743

GENERAL RISKS AND UNCERTAINTIES

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

The accounting policy for each category of financial instruments is detailed described into consolidated financial statement.

GENERAL RISK AND UCERTAINTIES

Financial instruments risk

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. The most significant financial risks to which the Group is exposed to are described below.

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.

GENERAL RISKS AND UNCERTAINTIES

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.

GENERAL RISKS AND UNCERTAINTIES

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
Measurement	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

GENERAL RISKS AND UNCERTAINTIES

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 evaluation 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.

GENERAL RISKS AND UNCERTAINTIES

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

GENERAL RISKS AND UNCERTAINTIES

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.

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

GENERAL RISKS AND UNCERTAINTIES

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.

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.

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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.

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-

GENERAL RISKS AND UNCERTAINTIES

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	Oher	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
Investments in subsidiaries	2 340 742	1 493 455	91 798	387 985	4 313 980
TOTAL ASSETS					
FINANCIAL LIABILITIES	10 006	14 041	658	1 407	26 112
Deposits from banks	-	-	-	162	162
Liabilities to other depositors	3 814 551	1 406 545	198 746	283 999	5 703 841
Issued bonds	-	-	-	778	778
Other attracted funds	-	25 424	-	-	25 424
TOTAL LIABILITIES	3 824 557	1 446 010	199 404	286 346	5 756 317
NET POSITION	(1 483 815)	47 445	(107 606)	101 639	(1 442 337)

GENERAL RISKS AND UNCERTAINTIES

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

	BGN	EURO	USD	Other	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 asset held-for-trading	161 431	2 113	-	34 896	198 440
Loans and advances to customers, net	1 506 890	743 638	3 784	163 205	2 417 517
Held-to-maturity financial assets	108 433	389 249	4 925	755	503 362
Available-for-sale financial assets	-	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 POSITION	(1 480 196)	142 507	(92 342)	33 094	(1 396 937)

Interest risk

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%.

GENERAL RISKS AND UNCERTAINTIES

	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)

GENERAL RISKS AND UNCERTAINTIES

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.

In the tables above, a portion of the borrowed funds on current accounts with no residual maturity of BGN 1 282 673 thousand as at 31 December 2018 and BGN 1 014 579 thousand at 31 December 2017 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 2018 and 2017.

Credit risk

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:

GENERAL RISKS AND UNCERTAINTIES

	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.

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.

GENERAL RISKS AND UNCERTAINTIES

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.

GENERAL RISKS AND UNCERTAINTIES

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.

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss - Loans and advances to banks at amortized cost				
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

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Receivables under repurchase agreements of securities				
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

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Loans and advances granted to customers at amortised cost				
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

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	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Impairment loss – Investments in debt securities at amortised cost				
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

	12-month			Total
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	
Impairment loss – Investments in debt securities at FVTOCI				
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

	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Impairment loss – Loan commitments				
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

	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Impairment loss – Financial guarantee contracts				
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.

	12-month			Total
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	
Carrying amount before impairment – Loans and advances granted to banks at amortised cost				
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

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	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount before impairment – Receivables under repurchase agreements of securities				
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

	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Loans and advances granted to customers at amortised cost				
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

	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount before impairment – Investments in debt securities at amortised cost				
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

	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount before impairment – Investments in debt securities at FVTOCI				
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)

GENERAL RISKS AND UNCERTAINTIES

Loan commitments	Stage 1	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	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	Stage 2	Stage 3	Total
	12-month			
	ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	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	2018
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)
	<u>(84,779)</u>	<u>(121,313)</u>

Loans and advances granted to customers	2019	Impairment loss	2018	Impairment loss
	Gross carrying amount		Gross carrying amount	
	BGN'000	BGN'000	BGN'000	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	<u>2 738 161</u>	<u>(79 787)</u>	<u>2 574 384</u>	<u>(114 934)</u>

	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	<u>2 658 374</u>	<u>2 459 450</u>

GENERAL RISKS AND UNCERTAINTIES

	31.12.2019			31.12.2018		
	Gross carrying amount BGN'000	ECL impairment BGN'000	Carrying amount BGN'000	Gross carrying amount BGN'000	ECL impairment BGN'000	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

	2019			2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	BGN'000	BGN'000	BGN'000	BGN'00	BGN'00
Placements with, and advances to, banks at amortised cost				0	0
<i>Category</i>	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

	2019			2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Receivables under repurchase agreements of securities					
<i>Category</i>	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

	2019			2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Placements with, and advances to customers at amortised cost					
<i>Category</i>	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

	2019			2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Investments in debt securities at amortised cost					
<i>Category</i>	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

GENERAL RISKS AND UNCERTAINTIES

Investments in debt securities at FVTOCI	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<i>Category</i>	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				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<i>Category</i>	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				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<i>Category</i>	58 073	43	-	58 116	52 651
Total gross carrying amount	58 073	43	-	58 116	52 651
Impairment loss	(15)	(2)	-	(17)	(21)

GENERAL RISKS AND UNCERTAINTIES

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	2018
	BGN'000	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	2018
	BGN'000	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	2018
	BGN'000	BGN'000
Concentration by sector		
Countries	308 066	262 611
Banks	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	2018	2017
	BGN'000	BGN'000
Concentration by sector		
Countries	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

GENERAL RISKS AND UNCERTAINTIES

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
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Concentration by sector

Retail banking:

Mortgage	1 131 713	995 429
Consumer	563 284	448 119
Credit cards	541 201	512 788
Other	24 549	25 256
	2 679	9 266

Corporate:

Agriculture and forestry	1 606 448	1 578 955
Industry	90 506	74 865
Construction	46 300	46 366
Commerce and finance	464 402	396 181
Transport and communications	747 574	795 279
Other	145 111	130 396
	112 555	135 868

Total	2 738 161	2 574 384
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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
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Concentration by sector

Retail banking:

Mortgage	53 562	53 011
Consumer	1 374	823
Credit cards	10 837	10 376
	41 351	41 812

Corporate:

Agriculture and forestry	185 531	127 204
Industry	14 437	3 684
Construction	910	1057
Commerce and finance	37 443	42 517
Transport and communications	123 641	73 500
Other	3 537	2 257
	5 563	4 189

Total	239 093	180 215
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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
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Concentration by sector

Retail banking:

Other	162	238
	162	238

Corporate:

Agriculture and forestry	57 954	52 413
	992	3 625

GENERAL RISKS AND UNCERTAINTIES

Financial guarantee contracts	2019	2018
	BGN'000	BGN'000
Concentration by sector		
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

The Group accepts as exposures with restructuring measures credit exposures under which the initial terms of the contract have been changed, caused by deterioration of the debtor's financial condition, leading to inability to repay the full amount of the debt on time and which the Group would not give discounts in other 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.
- Full or partial write-off of debt which leads to a reduction in the amount of the financial obligation;
- 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	Individuals
	BGN'000	BGN'000
Amount before impairment	112 411	1 959
Impairment	(38 551)	(639)
Amount after impairment	73 860	1 320
2018	Corporate customers	Individuals
	BGN'000	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

GENERAL RISKS AND UNCERTAINTIES

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	2018
	BGN'000	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.

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.

The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and sale of long-term financial assets. As at 31 December 2019 Group's liabilities (including interest payables where applicable) have contractual maturities summarized below.

GENERAL RISKS AND UNCERTAINTIES

	Current		Non-current	
	Within 12 months BGN'000	From 2 to 5 years BGN'000	Over 5 years 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 BGN'000	From 2 to 5 years BGN'000	Over 5 years 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.

GENERAL RISKS AND UNCERTAINTIES

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 LIABILITIES	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 LIABILITIES	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.

GENERAL RISKS AND UNCERTAINTIES

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.

- Fair value measurement

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.

GENERAL RISKS AND UNCERTAINTIES

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.

- Fair value measurement 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:

GENERAL RISKS AND UNCERTAINTIES

	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

- 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.

The consolidated corporate governance statement of the Group of Chimimport AD is prepared pursuant to the Bulgarian legislation requirements and principles of good corporate management, set out in the National Corporate Governance Code, the Commercial Act (CA), the Public Offering of Securities Act (POCA), the Accountancy Act (AA), the Independent Financial Audit Act (IFAA) and other laws and regulations and internationally recognized standards. The declaration of corporate management is prepared in accordance with the requirements of Article 39 of the Accountancy Act and Article 100n of POCA.

The Corporate governance statement of the Chimimport Group applies to public companies in the Group.

The Separate Corporate Governance Statements are integral part of the separate company activity reports for 2019 and have been published at 31 March 2019.

1. Information under Article 100m, paragraph 8, subparagraphs 1 and 2 of POCA

Implementation, enforcement and compliance, as appropriate, by Chimimport AD of the principles of the National Corporate Governance Code.

As at 18 January 2008, Chimimport AD embraced the National Corporate Governance Code and conducts its activity in accordance with the set principles and provisions.

In its activities Chimimport AD is governed by the national corporate governance principles recommended for application by the National Committee on Corporate Governance, reflecting the international standards of good corporate governance and best practices. The management of Chimimport AD aims at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and other stakeholders interested in the management and operations of the Company. The management of Chimimport AD considers that the effective application of the good corporate management practices, contribute to sustainable growth and reaching the long-term goals of the Company, and to establish transparent and honest relationships with all stakeholders.

Information on corporate governance practices applied by the issuer in addition to the corporate governance code approved by the Deputy Chairperson or any other corporate governance code

Chimimport AD does not apply other corporate management practices in addition of the National Corporate Governance Code.

Explanation by the issuer as to which parts of the corporate management code, approved by the Deputy Chairperson or any other corporate governance code the issuer does not comply with and to what was the ground for the non-compliance when the issuer opted not to refer to any of the rules of the corporate management code

The basic principle of the National Corporate Governance Code is the principle of “comply or explain”. The Company aims to comply with the recommendations of the Code and in case of deviation, the management provides explanations on the reasons for the non-compliance.

Chimimport AD presents the current information regarding compliance with the Code, and the same will be published on the website of the company.

INFORMATION REGARDING CORPORATE MANAGEMENT

Chimimport AD is a listed company with two-tier management system. All members of the Managing Board and the Supervisory Board comply with the legal requirements for their appointment.

The managing bodies of the Company comprise: General meeting of the shareholders, Supervisory Board and Managing Board.

Members of the Supervisory Board:

1. Invest Capital AD
2. CCB Group EAD;
3. Mariana Bazhdarova.

Members of the Managing Board:

1. Alexander Kerezov
2. Ivo Kamenov
3. Marin Mitev
4. Nikola Mishev
5. Miroljub Ivanov
6. Tsvetan Botev

Key functions, responsibilities, structure and competence

The Supervisory Board of Chimimport AD consists of three members. It conducts regular control over the Managing Board, concerning the management of the Company by ensuring that the actions of the MB increase the interest of shareholders and facilitate the application of good corporate governance principles within the Company. The Supervisory Board, if necessary, may take the necessary steps to facilitate their duties through consultations with experts. The Supervisory Board shall appoint and dismiss members of the Managing Board delimiting the powers delegated to them, the application of their powers and the frequency with which they are to report to the SB. The Supervisory Board assesses the overall performance the Company, paying special attention to the information received by the Managing Board and periodically reconciles and analyses the difference between the achievements and goals. The Supervisory Board monitors and controls the process of disclosing information by the Company.

The Supervisory Board has included restrictions in its internal rules on the maximum number of companies in which members of the Managing and the Supervisory Board of Chimimport AD can sit on the managing and supervisory bodies, participation in which is considered acceptable in view of the requirement for effective implementation of obligations as a member of the boards of the Company. The Supervisory Board has set criteria that distinguish participations in other companies, depending on the position held and the time that each of the positions requires for the relevant obligations.

Following the requirements of the POSA and the Statute of the Company, the Supervisory Board, if necessary, reassesses the structure of the Managing Board, the division of duties, powers and the remuneration of each member of the MB. In carrying out its activities, the Supervisory Board members are obliged to perform their duties with due diligence in a manner that reasonably believed is in the interest of all shareholders and by using only information that they reasonably believe is reliable and complete, and show loyalty to the Company under POSA.

The Supervisory Board of the Company is supported by the Audit Committee. The structure and functions of the Committee are set out in the Internal rules of operation of the Audit Committee of Chimimport AD.

The Managing Board of Chimimport AD consists of six members. The competence, rights and obligations of the Managing Board are conducted in accordance with the legal requirements, the requirements of the current Company's Statute and the rules for its operation as approved by the Supervisory Board. The Managing Board reports, on its activities, to the Supervisory Board at least quarterly. The Managing Board shall immediately notify the chairman of the Supervisory Board of any circumstances that are essential for the Company. The Managing Board provides to the Supervisory Board the Annual Financial Statements, the Annual Activity Report and the Independent Auditor's Report, together with proposal for profit distribution, which will be brought to the General Meeting of Shareholders.

The Managing Board governs in accordance with the established vision, goals and strategy of Chimimport AD.

The Board members are guided in their activities by the generally accepted principles of integrity and management and professional competence.

Appointment and dismissal of board members

Members of the Supervisory Board are appointed and dismissed by the General Meeting of the Shareholders, in accordance with the Company's Statute.

Members of the Managing Board are appointed by the Supervisory Board, which also determines their remuneration and can dismiss them at any point in time.

Remunerations of the Managing and Supervisory Boards

The General Meeting of the Shareholders has affirmed the remuneration policy of the Managing and Supervisory Boards of the Company, developed by the Supervisory Board.

The remuneration paid to the members of the Managing and Supervisory Boards of the Company, may be permanent (fixed) or variable in the form of premiums, bonuses, retirement benefits and other incentives, based on assessment criteria of the conducted activities. The proportion of the fixed remuneration in the total amount of the remuneration shall allow the implementation of flexible policy by the Company on the variable remuneration of the members of the Managing and Supervisory Boards of the Company. In 2017, the Company shall update the policy with the recommendation of the Code, namely the remuneration of the members of the SB to conform their activities and obligations and not be bound to the results of the Company operations and will present it to the General Meeting of the Shareholders for approval.

The remuneration policy observes the following principles and criteria:

- Consistency of the remunerations with the business goals and development strategy of the Company, the protection of the interests and promotion of the values of Chimimport AD;
- Providing remuneration that allows attraction, retention and motivation of board members with the necessary skills for successful management and development of the Company.
- Excluding discrimination, conflict of interest and unequal treatment of members of the Supervisory Board of the Company in setting and negotiating remunerations;
- Appreciation of the duties and input of each member of the Managing Board in the performance and results of the Company.

The Management discloses the remunerations of the Managing Board in accordance with the legal requirements and Company's policies regularly within the quarterly financial statements. Shareholders are provided easy access to information on remunerations.

Conflict of interest

The members of the Supervisory and Managing Boards avoid any real or potential conflict of interest. Procedures for preventing and detecting conflicts of interest are regulated by the statutes of the Company.

Committees

The Company has set Audit Committee in accordance with the requirements of the Independent Financial Audit Act of public interest companies.

In view of the change in the regulatory framework regarding requirements for Audit Committees, changes in the composition of the committee will be proposed at the next general meeting of the shareholders, as to comply with the new requirements of the IFAA. The Management of the Company will prepare and submit for approval to the General Meeting of Shareholders the statute of the Audit Committee regulating its structure, scope, tasks, operations and reporting procedures consistent with the new requirements of the legislation.

INFORMATION REGARDING CONDUCT OF AUDIT AND INTERNAL CONTROL

The Companies from the group have developed and implemented internal control system that ensures the proper identification of risks associated with the Company's operations and supports their effective management, and adequate operation of the reporting systems and disclosure of information.

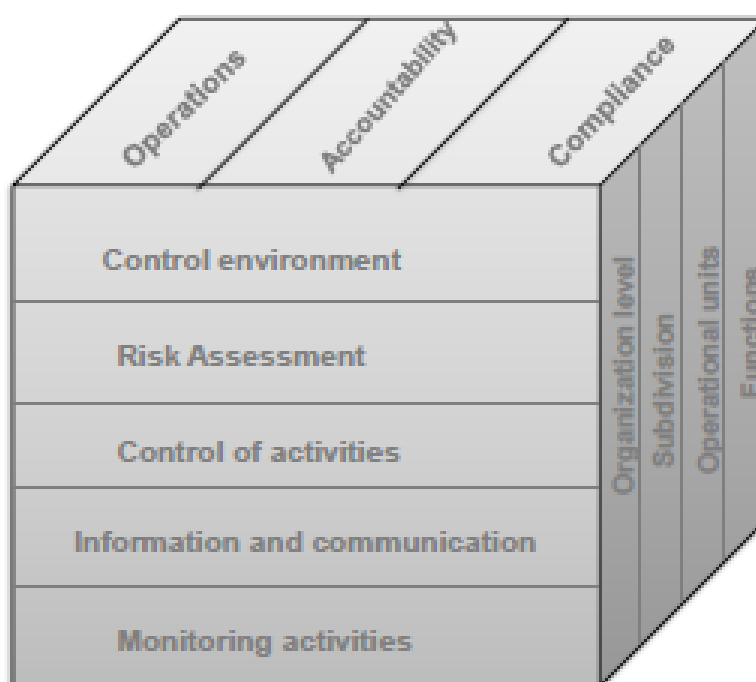
Internal control and risk management are dynamic and iterative processes carried out by management and supervisory bodies designed to provide a reasonable degree of certainty in terms of achieving the organization's objectives in terms of efficiency and effectiveness of operations; Reliability of financial statements; Compliance and enforcement of existing legal and regulatory frameworks.

The main components of internal control systems are:

- Control environment
- Risk Assessment
- Activity control
- Information and communication
- monitoring activities

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

These components are relevant to the overall organization and to its individual levels and subdivisions, or to individual operational units, functions or other structural elements thereof, and this relationship is represented by the “COSO” Cube¹



One of the main objectives of the internal control and risk management system is to assist the management of the companies and other stakeholders in assessing the reliability of the financial statements of the companies.

The Audit Committees apply the requirements of the Code of Ethics for Professional Accountants on the rotation of registered auditors when drafting proposals and recommendations for the selection of external auditors. They supervise internal audit activities and monitor the overall relationship with the external auditor, including the nature of the non-audit services provided by the auditor of the company.

Registered auditors are elected by the individual General Meetings of the Shareholders of the various companies to perform an independent financial audit of the annual financial statements of the companies for 2017 in accordance with the requirements of the Independent Financial Audit Act.

The independent financial audit covers procedures to achieve a reasonable level of security:

- compliance with the accounting principles according to the applicable accounting basis;
- whether the accounting policy of the audited entity is appropriate for its operations and is consistent with the applicable accounting and accounting policies used in the industry concerned;
- the consistency of the application of the disclosed accounting policy under the applicable accounting basis;
- the effectiveness of the internal control system limited to the achievement of the audit objectives;
- the process of accounting closure and preparation of the financial statements
- the reliability and user-friendliness of the information presented and disclosed in the financial statements according to the applicable accounting basis.

¹ The Committee of Sponsoring Organizations of the Treadway Commission (COSO) - Basic Concept of Internal Control

- the consistency between the information in the financial statements and that in the management report of the audited entity as well as any other information that the management of the entity provides with the audited financial statement

To ensure the effectiveness of the external auditors of Chimimport AD, the Managing Board implements measures to ensure effective implementation of the obligations of auditors of the Company based on the requirements of the Independent Financial Audit Act.

INFORMATION ON PROTECTION OF THE RIGHTS OF SHAREHOLDERS

The management of Chimimport AD guarantees equal treatment of all shareholders of the Company, including minority and international.

The Company applies established rules of the organization and conduct of regular and extraordinary General Meetings of Shareholders.

The protection of shareholders' rights is ensured through:

- facilitation of the shareholders' effective participation in the work of the General Meetings of shareholders through timely disclosure of all materials for the GMS, on the following websites: www.x3news.com, www.investor.bg and www.chimimport.bg.

- transparent procedures regarding organization and conduct of regular and extraordinary General Meetings of Shareholders;

- established procedures on representation of shareholders at the GMS, including templates of letter of attorney both in Bulgarian and English;

- providing opportunity for participation in the profit distributions to the Company, if the General Meeting of Shareholders adopts a specific resolution for dividend distribution;

- implementing a policy to assist shareholders in exercising their rights.

INFORMATION ON PROCEDURES FOR DISCLOSURE OF INFORMATION

The Company has adopted rules for internal personnel and internal information, that regulate the obligations, order and responsibility for the public disclosure of inside information for Chimimport AD, prohibit insider trading and market manipulation of financial instruments. The public information regarding the activities of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange - Sofia AD and the investing community, distributed through the information agency X3 NEWS - www.x3news.com.

Chimimport AD regularly updates its corporate website www.chimimport.bg both in Bulgarian and English, consistent in structure and volume with the information provided with the recommendations of the National Code and established good practices on systems of disclosure of information.

The website provides general information about the Company and the segments of operations of all companies within the economic group, current data on the financial and economic situation of the Company, including interim and annual financial statements of Chimimport AD on an individual and consolidated basis, as well as information on the Group structure, corporate governance and management of the company, corporate documents prepared and approved by the Managing Board of the Company and the securities issued. All shareholders, investors and interested parties can obtain information about upcoming and already held important corporate events, meetings of the General Meeting of Shareholders and the planned investment policy of the Company.

INFORMATION ABOUT INTERESTED PARTIES AND RECOGNITION OF THEIR RIGHTS AND INTERESTS

The Company has not developed its own rules on accounting for the interests of stakeholders, but for all matters that directly or indirectly affect them, coordination procedures are carried out.

Chimimport AD identifies as stakeholders with respect to its activities all persons who are not shareholders and who have an interest in the economic prosperity of the Company:

- bondholders,
- employees,
- clients,
- suppliers,
- bank – creditors;

- the public, in general.

Within its policy towards stakeholders, the Company complies with the legal requirements and principles of transparency, accountability and business ethics. The Stakeholders are provided with the necessary information about the company's current data of the financial situation and everything that would help correct their orientation and make an informed and reasoned decision.

2.Information under Article 100m, paragraph 8, subparagraph 3 of the POSA

Characteristics of the internal control and risk management systems

Internal control and risk management

The Managing Board is responsible for the internal control and risk management systems and monitors their effectiveness.

These systems are created to manage but cannot fully eliminate the risk from falling behind the set business objectives. They can only provide reasonable, but not absolute assurance on the lack of any substantial inaccuracies or errors. The Managing Board has established an ongoing process for identifying, evaluating and managing significant risks for the Company.

Internal control

Every year, the Company reviews and confirms the degree of compliance with the policies of the National Corporate Governance Code.

All major plans and programs of the Company require approval by the Managing Board.

There are limits to the authority to ensure that the appropriate approvals are obtained if the Board is not required to verify the segregation of duties.

Financial policies, controls and procedures are enforced within the Company and are reviewed and updated regularly.

The main activities comprised within the system of internal control of the Company are:

- Control over the functioning of the current reporting and documentation of the Company;
- Maintaining the high competence of personnel with financial and reporting functions;
- Control over the content, accuracy and timeliness of financial statements;
- Completeness of the range and reliability of the financial information system;
- Lawful implementation of tax and social security obligations;
- Protection and preservation of assets;
- Control over disposal of assets and resources.

A system of internal control and risk management operates to ensure the effective functioning of the reporting and disclosure of information. The internal control system is built and functions to identify inherent risks of the company and support their effective management.

The code of conduct of employees of Chimimport AD, determining the required levels of ethics and conduct, is communicated to all employees and any amendments to it are included in the employee training.

Management has overall responsibility of ensuring proper maintenance of accounting data and processes to ensure that financial information is relevant, reliable, consistent with applicable law and the financial statements and management reports are prepared and published by the Company in due course. The Company's management reviews and approves the financial statements to ensure that the financial position and results of the Company are presented fairly and correctly. The financial information published by the Company is subject for approval by the Supervisory Board.

Annual review of the internal control environment is carried out by the Managing Board, with the assistance of the Audit Committee.

Analysis and risk management

The Managing Board determines the main risks of the Company regularly and monitors throughout the year the measures to address those risks, including through internal control and monitoring. The risk analysis includes business and operational risks, health and safety of employees, financial, market and operational risks, reputation risks, which may affect the Company, as well as specific areas identified in the business plan and the budget process.

All significant plans relating to the acquisition of assets or realization of operating income include consideration of relevant risks and appropriate action plans.

Inherently the risk management is a set of processes to identify, assess and control the risks that ensure that the objectives of the Group of Chimimport AD are met and effective management is achieved. Risk management is systematic, structured and in due time and thus facilitates continuous improvement of the organization.

The risk management system comprises the following activities:

- identification of the different groups of risks (indicated in the reports on the activities of the group)
- evaluation and risk analysis (indicated in the reports on the activities of the group)
- monitoring and procedures that will be applied to prevent or reduce the effects of onset risks.

Risk management is part of the internal control system. The goal of management is to detect risks that cast doubt on the functioning of the company, to assess and reduce critical risks. Well-managed risk-taking is a prerequisite for sustainable improvement of the organization. The Company management seeks to develop an active risk management by introducing a risk management system and directing efforts to improve it in line with international best practices.

The risk management system defines the duties and responsibilities in the structural divisions of the Company, organization, and procedure for interaction in risk management, analysis, and evaluation of information related to risks, preparing periodic reporting on risk management.

The internal control system and the risk management system are continuously improved following the legislative requirements and best practices. Their goals may be summarized as follows: compliance with the strategies, plans, internal regulations and procedures for the implementation of the activities to ensure effective and efficient operations, reliable financial reporting, storage and protection of assets. Risk management in Chimimport AD is performed by employees at all levels of management and is an integral part of operations and the corporate governance of the Company.

Statement by the directors on the Annual Activity Report and the Financial Statements

Pursuant to the requirements of the Code, the directors confirm their responsibility for preparing the annual activity report and the annual financial statements and consider the Annual Activity Report is transparent, balanced and understandable and provides the necessary information to shareholders, to assess the Company's position and operations, its business model and strategy.

Responsibilities and interaction between the Supervisory Board, the Audit Committee and the external auditor of the Company

As a public company, according to the Independent Financial Audit Act and the National Corporate Governance Code, Chimimport AD has established an Audit Committee, which is responsible for monitoring of the financial reporting and the independent financial audit as well as the effectiveness of the internal audit function and control and risk management systems of the Company.

At the General Meeting of Shareholders held on 01 July 2013, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Dina Krasteva Paskova - Chairperson, Mariana Zarkova Parvanova and Zornitza Krasimirova Aleksova - members. The structure and functions of the Committee are defined under Article 108, Paragraph 1 of the Independent Financial Audit Act.

The Committee recommends the registered auditor to conduct an independent financial audit of the company and monitor its independence in accordance with the law and the Code of Ethics for Professional Accountants.

The mandate and the number of members of the Audit Committee shall be determined by the General Meeting of Shareholders.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

The functions and responsibilities of the Audit Committee are regulated by the Rules of the Audit Committee.

Committee members have unlimited access to the members of the Supervisory Board, the Managing Board and the senior management personnel directly responsible for the activities falling within the scope of the delegated competence of the Committee.

The Audit Committee reports its activity to the General Meeting of Shareholders annually.

The main functions of the Audit Committee include:

- to monitor the financial reporting processes;
- to monitor the effectiveness of internal control systems;
- to monitor the effectiveness of risk management systems;
- to monitor the independent financial audit on the Company;
- to oversee the independence of the registered auditor of the Company in accordance with the IFAA and monitor the provision of ancillary services by the auditor

3. Information in accordance with Article 10, paragraph 1, items “c”, “d”, “f”, “h”, and “i” of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004.

3.1 Information in accordance with Article 10, paragraph 1, item “c” of Directive 2004/25/EC on takeover bids regarding significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.

In 2018, no changes have been made relating to the acquisition or sale of shares of the Company that reach, exceed or fall below one of the thresholds of 10%, 20%, 1/3, 50% and 2/3 of the voting rights of the Company for the period as defined in Article 85 of Directive 2001/34/EC.

The share capital of the Company as of 31 December 2019 consists of 239,646,267 ordinary shares with par value of BGN 1 per share. The ordinary shares of the Company are dematerialized, registered and freely transferable and entitle to one (1) vote and liquidation share.

On 15 June 2016, all preferred shares of the Company issued on 12 June 2009, were mandatory converted into ordinary, per the prospectus for the issue.

The list of major shareholders holding more than 5% of the shares of the Company is as follows:

	Ordinary shares As at 31.12.2019	Ordinary shares As at 31.12.2019
Invest Capital AD	173 487 247	72.39%
Other legal entities and individuals not exceeding 5%	66 159 020	27.61%
	239 646 267	100.00%

3.2 Information in accordance with Article 10, paragraph 1, item “d” of Directive 2004/25/EC on takeover bids regarding the holders of any securities with special control rights and a description of those right

Chimimport AD has no shareholders with special control rights.

3.3 Information in accordance with Article 10, paragraph 1, item “f” of Directive 2004/25/EC on takeover bids regarding any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities;

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities

3.4 Information in accordance with Article 10, paragraph 1, item “h” of Directive 2004/25/EC on takeover bids regarding the rules governing the appointment and replacement of board members and the amendment of the articles of association;

The management bodies of the Company are:

- General Meeting of the Shareholders;
- Supervisory Board;
- Managing Board.

The General Meeting of the Shareholders elects and dismisses members of the Supervisory Board and determines their compensation and bonuses.

The members of the Managing board are appointed by the Supervisory Board, which can replace them at any time. One individual cannot be both a member of the Managing and Supervisory Board. Members of the Managing Board may be re-elected without limitation.

Members of the Managing Board of “Chimimport” AD are elected only if they meet the following legal requirements:

- be either individuals or legal entities;
- at the moment of election have not been convicted of crimes against property, economy or against the fiscal, tax and
- insurance authorities of the Republic of Bulgaria or abroad, unless rehabilitated;
- are not members of the managing or supervisory body of a company terminated due to bankruptcy in the past two years preceding the date of the declaration of insolvency, if any unsatisfied creditors remain;

Amendments to the Articles of Association of the Company are approved by General Meeting of the Shareholders.

3.5 Information in accordance with Article 10, paragraph 1, item “i” of Directive 2004/25/EC on takeover bids regarding the powers of board members, and in particular the power to issue or buy back shares;

The amount of capital may be amended in the manner provided by the law and the Statutes of the Company. The decision to amend shall contain all the details required by law.

The decision to increase the capital is taken by the General Meeting of the Shareholders or the Managing Board, within the mandate under Article 17 of the Statute of the Company.

If new shares are sold at a price higher than nominal, their issue price is determined with the decision to increase the capital.

Each shareholder is entitled to acquire part of the new shares, which corresponds to its share capital before the increase, unless that right is limited by law (Article 113, paragraph 2, subparagraph 2 of the Public Offering of Securities Act).

In the event of a capital increase through the capitalization of retained earnings and other assets by issuing new shares, the latter shall be acquired by the shareholders in proportion to shares already owned.

In its decision for capital increase under Article 17, the Managing Board sets the amount and purpose of the increase; the number and type of the new shares, their rights and privileges, deadline and conditions of transfer of rights under § 1, p. 3 of POSA issued against existing shares; the deadline and conditions for subscription of new shares; the amount of the issue price and terms and conditions for its payment; the investment intermediary entrusted with the implementation of the subscription; as well as determines any other terms and conditions provided for in the regulations or necessary to make the corresponding increase in equity.

Capital decrease

The capital reduction is carried out by decision of the General Meeting of Shareholders by decreasing the nominal value of shares or through cancellation of shares.

Cancellation of shares shall be allowed only through the purchase of company's own shares under the conditions and according to the Commercial Code.

4. Composition and functions of the administrative, management and supervisory bodies

The Supervisory Board of Chimimport consists of 3 members who are elected by the General Meeting of the Shareholders for a term of five years.

The Supervisory Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Supervisory Board.

The Managing Board of Chimimport AD consists of six members who are elected by the Supervisory Board for a term of five years.

The Managing Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Managing Board.

In carrying out their duties and responsibilities the members of the Managing and Supervisory Boards are governed by the legal requirements, by-laws of the Company and the standards of integrity and competence.

The Managing Board:

- governs and represents Chimimport AD;
- manages the operating activities of the Company;
- approves plans and programs for the Company's activities;
- approves the organizational and managerial structure of the Company;
- approves decisions that are not in the express competence of the General Meeting of the Shareholders and the Supervisory Board;
- decides on capital increase or decrease under the Articles of Association;

The Managing Board, with the approval of the Supervisory Board:

- approves and proposes for approval to the General Meeting of Shareholders the annual financial statements and the activity report of the Company;
- based on the financial performance of the Company at the end of the reporting year, makes a proposal on the appropriation of the profit

Members of the Managing Board are guided in their activities by the generally accepted principles of integrity and management and professional competence.

Members of the Supervisory and Managing Board apply the principle of avoidance and prevention of actual or potential conflict of interest. Any conflict of interest should be disclosed to the Supervisory Board. Members of the Managing Board should inform the Supervisory Board about whether directly, indirectly or on behalf of third parties have a significant interest in any transactions or matters that have a direct impact on the Company.

5. Description of the diversity policy

Chimimport AD, appoints and recommends for election by the Supervisory Board, candidates for members of the Management Board, taking into account the balance of professional knowledge and skills, the various qualifications and professional experience of the members of the board, necessary for the management of the Company.

NON-FINANCIAL DECLARATION

This Non-financial Statement of Chimimport AD is prepared in accordance with the requirements of Art. 48 of the Accountancy Act and is an integral part of the Annual Activity report of Chimimport AD for 2017.

The management of Chimimport AD declares its SOCIAL RESPONSIBILITY POLICY, which is documented, implemented, maintained, and communicated at all levels of the company structure.

Chimimport's Corporate Social Responsibility Policy is geared towards implementing strategic management activities that contribute to sustainable economic development, fair and ethical working relationships with employees, their families and society as a whole in order to improve the quality of life.

The management is committed to creating the necessary conditions for complying with the requirements of the Social Responsibility System and for the active assistance of the management and executive staff in its development.

Company's general principles on social responsibility include:

- compliance with applicable national legal and other requirements and respect for international instruments and their interpretation in the field of social responsibility;
- preventing child labour in contravention of labour law;
- non-participation or assistance in the use of forced or compulsory labour;
- preventing trafficking in human beings;
- ensuring healthy and safe working conditions for its employees;
- respect for human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- protecting common human values;
- developing and motivating staff;
- ensuring security of payments;
- maintaining adequate remuneration of labour with timely payment of salaries, taxes and types of social security contributions for employees and workers;
- ensuring that the policy is documented, implemented, maintained and disseminated in accessible and comprehensible form to all employees, including management, technical and executive staff as well as subcontractors and suppliers;

I. Business model

For its more than 70 years of existence, Chimimport AD has become a successful foreign trade company specializing in the trade in chemical products in a large-scale holding company that brings together nearly 70 subsidiaries and associated companies operating in different sectors of the Bulgarian economy.

The company's priority investments are concentrated in the following industries:

- Banking, Finance, Insurance and Pension Insurance;
- Oil and gas extraction;
- Manufacture and trade in petroleum and chemical products;
- Capacity building in the petroleum, biofuel and rubber industry;
- Production of vegetable oils, purchase, processing and marketing of cereals;
- Aviation transport and ground handling activities for the maintenance and repair of aircraft and aircraft engines;
- River and maritime transport, port infrastructure;
- Securitization of real estate and receivables;
- Commercial representation and mediation;
- Commissioning, logistics and warehousing.

The main strategy and investment policy of Chimimport AD are focused on positioning the group as a significant partner in servicing the traditional trade flows for the country and the region. In particular, this motivates the group to enter into sectors such as transport, agriculture, financial operations and real estate. The financial sector is another area where the group strives to offer a full range of services to its clients.

The business model of the group is built to implement the above-defined development strategy based on maintaining and expanding the company's leading role in the sectors identified as important for the Bulgarian economy.

Some of the more specific objectives set by the management of Chimimport AD are:

- maintaining high growth rates of the Group's assets and equity, which is related to ensuring stable long-term returns to shareholders
- validation of Chimimport AD as a holding with a strong presence in the economy of Bulgaria and Central and Eastern Europe
- maintaining a leading position among the public companies in Bulgaria and improving the international reputation of the band

II. Policy description

For Chimimport AD the highest priority is to adhere to high standards in all its business relationships. The company's procedures have mechanisms in place to ensure that senior management and all stakeholders have the adequate and effective functioning of internal control, risk management, accountability and transparency systems.

The company applies a clear and categorical policy as well as transparent procedures for assessment, selection and interaction with its partners, suppliers, customers and all stakeholders. In addition to providing reliable and high-quality products and services, Chimimport's employees aim to precisely serve the needs, rights and interests of our clients, seek mutual benefit, comply with the law and internal rules and operate in full confidentiality, according to the requirements of current legislation in the country.

Chimimport AD imposes serious resources and efforts to investigate, formulate and select the appropriate solutions to prevent the occurrence of any problem encountered in practice.

Ethics Business Code of Chimimport AD

In order to control the ethical aspects of the work of Chimimport AD employees, the Code of Conduct and Professional Ethics of the company has a system of rules that are systematically updated and supplemented.

The Code sets out the principles of honesty, loyalty and conscientiousness, as well as stringent requirements for employee behaviour regarding their personal and professional ethics. It contains rules and norms that guide employees in their day-to-day work and set the tone of their relationship both within the company and with third parties.

Anti-Corruption Policy

Chimimport AD does not tolerate any form of bribery or corruption. In particular, the company agrees to refrain from any action or conduct that might be perceived as active or passive bribery.

Employees are obliged to comply with the Money Laundering Act, the Implementing Regulations of the Money Laundering Act, the Act on Measures against the Financing of Terrorist Activity and the Internal Rules for the Control and Prevention of Money Laundering and Financing of Terrorist Activity.

Well-tested procedures are applied, and they guarantee the company's assets and prevent insider trading and potential employee abuse. Apart from customer care, business partners, authorities and the public, all employees of Chimimport AD are also committed to ensuring fair treatment of all their colleagues and to strictly adhere to the requirements of the Protection against Discrimination Act.

The management of the company is aware that his professional and life example has a greater impact on employees than spoken or written words. That is why each of them strives to be an example of imitation in terms of professional ethics and high moral qualities, and in his duties to be guided by values such as honesty, fairness, precision, loyalty, respect, and prudence. The management shares the belief that good corporate governance is not limited to covering the requirements set out in the legal framework, but above all is a matter of deep internal conviction. For Chimimport AD, good corporate management implies first and foremost respect for shareholders who have confided in MB, as well as awareness of the immediate and long-term benefits of management transparency.

Employee policy

Led by the challenges of today's market environment and responding to rising requirements, management believes that successful business and stable development are only possible through focusing on quality across the whole range of activities of Chimimport AD.

As one of the largest employers in the country, employing nearly 6 000 people, Chimimport is aware that the way it treats its employees and the social benefits it provides is among the main mechanisms by which the company can work for the public good.

Therefore, since its inception, the company has invested in the continuous improvement of its human resources by applying precise methods of selection, training, evaluation and rewarding of staff. These practices build on the leadership's belief that people are their most valuable asset and the prerequisite for future growth.

Chimimport AD and the group attach great importance to:

- Job candidates based on their personal qualities and merits, based on a careful assessment of the knowledge, competence, and professionalism of potential employees. It gives equal opportunity to all decent candidates to become part of their team regardless of their gender, ethnic origin, public position, beliefs, political views or any other factors unrelated to their professionalism and skills.
- Ensuring equal opportunities for training and career development for all employees, regardless of their current position.
- Creating a work environment that values, recognizes and rewards the efforts and achievements that are among the core values of the organization.

Developing the potential of employees

Chimimport AD seeks to direct its employees to business activities that would allow the full deployment of their potential and the realization of their personal and professional ambitions. Emphasis is also placed on the development of qualities that allow the continuous growth of employees and hence of the whole organization.

The staff development policy at Chimimport AD enables employees of all hierarchical levels who have proven their professional qualities to be promoted not only within the same management / branch but also to be re-appointed to other positions in the organization, possess the experience and professional qualities required for the new positions.

Last but not least, Chimimport AD is of the utmost importance to retain and develop its cadres and consistently makes efforts in this direction. Throughout the year, staff development programs are being set up to explore and improve the professional qualities of its staff and to fully exploit their potential.

Assessment of performance and development

The overall performance of a company undoubtedly depends on the individual performance and achievements of its employees. Therefore, it is extremely important for the company to objectively assess the contribution of each employee, which is done during the annual evaluation of performance and development. The annual evaluation aims to determine the remuneration of employees that corresponds to their performance and to help them to improve their skills constantly.

The annual evaluation procedure itself ensures transparency and objectivity. It allows staff to be assessed on the basis of the position they occupy and takes into account the different nature of the duties performed. The appraisal system does not only address the extent to which the objectives are met but also draws attention to the way the tasks are done. This promotes communication between evaluators and evaluates and encourages the professional and personal development of each employee.

Labour remuneration and social benefits

The pay and additional benefits policy has been developed to attract, hire and retain highly qualified staff. It is based on the following principles: internal balance, recognition of the personal qualities of each employee, remuneration consistent with performance and competitiveness.

Company`s values:

- fairness-equal opportunities for development.
- quality-we strive for perfection in every endeavour
- respect- to our colleagues, clients and fellow citizens
- teamwork - we succeed when we are together
- trust -it also makes the impossible achievable
- social responsibility - we work with public care
- effectiveness-we are looking for innovative ideas in our quest for improvement
- creativity - we always aim to achieve our goals.

III.Major risks related to environmental and social issues

The success of any business is inextricably linked to the well-being of the community within which it operates. That is why the daily operations of Chimimport AD are subject to the highest ethical principles and to the unwavering desire of the company to make a significant contribution to the development of Bulgarian society. Chimimport AD also welcomes new opportunities for initiatives that benefit local communities and increase civic awareness among its employees.

The policy of the company for environmental protection consists of:

1. Implement the activities in a way that guarantees the protection of the environment
2. Analysis and assessment of the impact on nature as a result of the activities of all the companies in the Group
3. Take precautionary measures against potential environmental pollution
4. Respect all laws and regulations as well as the internal regulations adopted by the company for environmental equilibrium.

The main environmental risks that are relevant to the company's activities are related to non-compliance with environmental standards and established rules.

The main social risk faced by the company is the risk of an increase in the average age of the staff. Other employee-related risks are the occupational risk and the low qualification of newly recruited personnel.

Future tasks to Chimimport AD are:

1. Getting new qualified staff and lowering the average age of staff.
2. Limiting turnover to a minimum by introducing incentives to achieve results and expanding the social agenda
- 3.Training of newly recruited personnel Chimimport adheres to all its environmental and social policies.

Chimimport adheres to all its accepted environmental and social policies.

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All current shareholders, interested persons/stakeholders and potential investors may receive the necessary information related to the activities of the company and its financial results at the following address:

2 "Stefan Karadja" Str., Sofia 1000, every Friday from 13.00 till 17.00.



FOR ADDITIONAL INFORMATION
PLEASE VISIT OUR WEBSITE

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Financial Supervision Commission
<http://www.fsc.bg/>

Bulgarian Stock Exchange
<http://www.bse-sofia.bg/>

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