

2020



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 2020 until 31 December 2020. 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 5 000 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" 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.



A handwritten signature in blue ink, appearing to read 'Ivo Kamenov', is written over a faint, light blue circular watermark or background.

IVO KAMENOV
CEO /Chief Executive Officer/

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 AD 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 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
<i>owned by subsidiaries</i>	<i>BGN (13 042) thousand</i>
Equit /consolidated/	BGN 1 482 730 thousand
Assets /consolidated/	BGN 10 723 443 thousand
Profit for the year attributable to the shareholders of Chimimport AD	BGN 32 003 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 UBS Switzerland AG - CI Approximately 210 legal entities and over 3 200 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 OF SUBSIDIARIES

Name of the subsidiary	Country of incorporation	Main activities	31.12.2020 Percentage of consolidation	31.12.2020 Nominal percentage	31.12.2019 Percentage of consolidation	31.12.2019 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	77.02%	77.02%	77.00%	77.00%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	67.28%	91.83%	67.26%	91.83%
AO Investment Cooperative 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	77.02%	100.00%	79.31%	100.00%
ZAD Armeec	Bulgaria	Finance	96.26%	96.26%	96.26%	96.26%
ZEAD CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	67.43%	67.43%	67.43%	67.43%
DPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.43%	100.00%
UPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.43%	100.00%
PPF CCB Sila	Bulgaria	Finance	67.43%	100.00%	67.43%	100.00%
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	53.48%	76.44%	49.93%	72.36%
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%	100.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.59%	100.00%	49.59%	100.00%
Zarneni Hrani Grain EOOD	Bulgaria	Production, Trade and Services	68.12%	100.00%	68.12%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	86.40%	90.00%	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%
Prime Lega Consult EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%	100.00%
AH GHG 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 Rečno 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%	69.16%	86.57%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	43.94%	55.00%	43.94%	55.00%

GENERAL INFORMATION

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%
Fly Lease EEOF	Bulgaria	Aviation Transport	100.00%	100.00%	-	-
Trans intercar EAD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Energoproekt AD	Bulgaria	Real Estate and engineering	98.69%	98.69%	98.69%	98.69%
Bulgaria Air Maintanance EAD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate and engineering	32.23%	65.00%	32.23%	65.00%
Sporten Complex Varna AD	Bulgaria	Real Estate and engineering	65.00%	65.00%	65.00%	65.00%
Sporten management EOOD	Bulgaria	Real Estate and engineering	65.00%	100.00%	65.00%	100.00%
TI AD	Bulgaria	Real Estate and engineering	87.66%	87.66%	87.66%	87.66%
Bulchimex GmbH	Germany	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Invest Capital Consult AD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Sitniakovo Project Estate EOOD	Bulgaria	Real Estate and engineering	49.59%	100.00%	49.59%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate and engineering	68.12%	100.00%	68.12%	100.00%

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

Name segment	Accumulated non controlling interest	
	2020	2019
	BGN'000	BGN'000
Finance sector	160 768	168 343
Production, trade and services	129 884	107 127
Transport	3 817	12 689
Real Estate	27 173	21 692
TOTAL	321 642	309 851

In 2020, no dividends were paid to non-controlling (2019: BGN 3 712).

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 2020 Share of the single segment in the Group's profit	6.27%	147.44%	(52.84%)	(0.88%)
31 December 2019 Share of the single segment in the Group's profit	5.00%	89.27%	6.62%	(0.90%)

The Finance segment has the largest share of the Group's net profit in 2020.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

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

Operating segments 31.12.2020	Production, trade and services BGN'000	Finance BGN'000	Transport BGN'000	Real estate and engineering BGN'000	Eliminations BGN'000	Consolidated BGN'000
Income from non-financial activities from external customers	66 786	31 601	177 819	14 215	218	290 639
Change in fair value of investment property	(87)	562	-	(14)	-	461
Gain from sale of non-current assets	4	(65)	2 245	614	-	2 798
Inter-segment income from non-financial activities	12 761	3 956	6 558	261	(23 536)	-
Total income from non-financial activities	79 464	36 054	186 622	15 076	(23 318)	293 898
Insurance income from external customers	-	371 445	-	-	-	371 445
Inter-segment insurance income	-	5 848	-	-	(5 848)	-
Total insurance income	-	377 293	-	-	(5 848)	371 445
Net result from insurance	-	50 342	-	-	(4 626)	45 716
Interest income	6 376	180 415	2 697	1 219	(11 336)	179 371
Interest expenses	(6 445)	(25 516)	(13 639)	(2 982)	11 336	(37 246)
Net interest income	(69)	154 899	(10 942)	(1 763)	-	142 125
Net result from transactions with financial instruments	2 590	55 308	3 556	500	5 979	67 933
Operating and administrative expenses	(78 883)	(238 397)	(205 998)	(13 826)	18 215	(518 889)
Net result from equity accounted investments in associates	26	-	(1 426)	-	-	(1 400)
Other financial income/(expenses)	(588)	30 701	7 164	(286)	7 401	44 392
Allocation of income to individual insurance accounts	-	(30 687)	-	-	-	(30 687)
Profit for the period before tax	2 540	58 220	(21 024)	(299)	3 651	43 088
Income tax expense	(287)	(5 270)	2 048	(16)	-	(3 525)
Net profit for the year	2 253	52 950	(18 976)	(315)	3 651	39 563
Assets of the segment	684 653	10 892 306	1 083 735	318 531	(2 280 035)	10 699 190
Equity accounted investments	363	-	22 150	2	1 738	24 253
Total consolidated assets	685 016	10 892 306	1 105 885	318 533	(2 278 297)	10 723 443
Liabilities of the segment	228 392	8 610 565	650 758	147 177	(717 794)	8 919 098
Total consolidated liabilities	228 392	8 610 565	650 758	147 177	(717 794)	8 919 098

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	2020 BGN '000	2019 BGN '000	Change
Income from the sale of plane tickets	106 595	261 143	(59.18%)
Income from sale of finished goods	52 154	77 108	(32.36%)
Income from services rendered	38 907	49 333	(21.13%)
Income from sale of trading goods	17 158	21 361	(19.68%)
Other	75 825	68 421	10.82%
Total	290 639	477 366	

Gain / (Loss) from change in fair value of investment property	2020 BGN '000	2019 BGN '000	Change
Gain on change in fair value of investment properties	1 717	2 501	(31.35%)
Loss from change in fair value of investment properties	(1 256)	(668)	88.02%
Net effect of changes in fair value of investment properties	461	1 833	

Interest income by types of sources:	2020 BGN '000	2019 BGN '000	Change
Legal entities	79 569	90 186	(11.77%)
Government securities	44 691	44 118	1.30%
Banks	2 870	7 395	(61.19%)
Individuals	50 094	49 457	1.29%
Other	2 147	2 857	(24.85%)
Total	179 371	194 013	

Interest expenses by depositors:	2020 BGN '000	2019 BGN '000	Change
Legal entities	(14 758)	(14 331)	2.98%
Individuals	(6 157)	(8 780)	(29.87%)
Banks	(6 605)	(8 828)	(25.18%)
Other	(9 726)	(9 373)	3.77%
Total	(37 246)	(41 312)	

Results from transactions with financial instruments	2020 BGN '000	2019 BGN '000	Change
Gains from transactions with securities and investments	698 267	416 562	67.63%
Dividend income	18 914	20 762	(8.90%)
Total	717 181	437 324	

Losses from transactions with securities and investments	2020 BGN '000	2019 BGN '000	Change
Losses from transactions with securities and investments	(649 248)	(345 923)	87.69%
Total	(649 248)	(345 923)	
	67 933	91 401	(25.68%)

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Operating and administrative expenses	2020	2019	Change
	BGN '000	BGN '000	
Hired services	(115 829)	(212 049)	(45.38%)
Cost of materials	(54 301)	(113 695)	(52.24%)
Cost of goods sold	(19 119)	(20 303)	(5.83%)
Employee benefits expense	(120 289)	(119 532)	0.63%
Depreciation and impairment of non-financial assets	(111 109)	(87 883)	26.43%
Changes in inventories of products and work in progress	1 130	351	221.94%
Impairment of receivables	(54 861)	(62 483)	(12.20%)
Other expenses	(44 511)	(57 776)	(22.96%)
	(518 889)	(673 370)	

Other financial income, net	2020	2019	Change
	BGN '000	BGN '000	
Revenue from fees and commissions, net	65 827	65 406	0.64%
Net result from foreign exchange differences	(22 986)	410	(5 706.34%)
Other finance expenses	1 551	(959)	(261.73%)
Total	44 392	64 857	

Revenue from fees and commissions	2020	2019	Change
	BGN '000	BGN '000	
Bank transfers in Bulgaria and abroad	27 522	29 399	(6.38%)
Maintenance fee on deposit accounts	17 438	16 594	5.09%
Servicing fee for loans	4 431	7 865	(43.6%)
Fee for commitments and contingencies	995	1 002	(0.70%)
Other fees and commissions income, different from banks	16 664	15 787	5.56%
Other income	13 455	10 573	27.26%
Revenue from fees and commissions	80 505	81 220	

Fees and commissions expenses	2020	2019	Change
	BGN '000	BGN '000	
Bank transfers in Bulgaria and abroad	(9 909)	(10 049)	(1.39%)
Account maintenance fees	(1 114)	(1 212)	(8.09%)
Release of precious parcels	(882)	(781)	12.93%
Transactions with securities	(202)	(52)	288.46%
Other fees and commissions expenses, different from banks	(1 226)	(2 191)	(44.04%)
Other expenses	(1 345)	(1 529)	(12.03%)
Total fees and commissions expenses	(14 678)	(15 814)	

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

🕒 Research and development

In 2020 the Group did 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	2020 BGN '000	2019 BGN '000
Short-term wages:		
- Salaries, including bonuses	(1 779)	(168)
- Social security costs	(24)	(24)
Total short-term benefits	(1 803)	(192)

Related party balances at year-end:	2020 BGN '000	2019 BGN '000
Non-current		
Receivables from:		
- owners	-	-
- associates	3 450	3 056
- other related parties under common control	49 296	33 351
Total non-current receivables from related parties	52 746	36 407

Current	2020 BGN '000	2019 BGN '000
Receivables from:		
- owners	21 820	29 438
- associates	961	1 072
- joint ventures	1 264	0
- other related parties under common control	95 677	165 384
Total current receivables from related parties	119 722	195 894

Non-current	2020 BGN '000	2019 BGN '000
Payables to:		
- owners	12	1
- associates	5 010	4 135
- joint ventures	236	312
- other related parties under common control	11 771	8 946
Total non-current payables to related parties	17 029	13 394

Current Payables to:	2020 BGN '000	2019 BGN '000
- owners	22 153	25 807
- associates	6 099	8 568
- joint ventures	295	226
- other related parties under common control	15 941	15 911
Total current payables to related parties	44 488	50 512

🕒 **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.**

State of emergency in Bulgaria from 13 March 2020 to 13 May 2020

During the reporting period, the Group's activities were affected by the global Covid-19 pandemic. In early 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the National Assembly decided to declare a state of emergency for a period of one month. On 24 March 2020, the Parliament adopted the "Law on Measures and Actions during the State of Emergency, declared by a decision of the National Assembly of 13 March 2020, and on overcoming the consequences." Subsequently, the state of emergency was extended for another month and remained in force until 13 May 2020.

Emergency epidemic situation in Bulgaria from 14 May 2020 to 30 April 2021

On 13 May 2020, the Council of Ministers declared an epidemic emergency situation, as of 14 May 2020, which was extended periodically before its expiration. As of the date of preparation of these financial statements, the emergency epidemic situation was extended by the government to 30 April 2021.

Covid-19 Impact over the Group's operations in 2020

The pandemic led to significant serious disruptions in the activities of many sectors and a sharp economic downturn in Bulgaria and worldwide. One of the sectors most affected by the economy was the transport sector, in particular the aviation industry, including ancillary and ancillary services provided in aviation. The COVID-19 pandemic is a major shock to the global and European economies. As with any crisis, it is usual that more cyclical sectors to feel tensions much faster and much more than non-cyclical ones. Some of the measures taken to limit the spread of the virus were related to travel bans, quarantine, social distancing and the closure of non-essential services. This caused significant disruption to businesses around the world, which led to an economic slowdown and had a direct negative effect on the activities of airlines, which limited flights to urgent ones or related to the delivery of cargo and mail.

Therefore, one of the most affected sectors turned out to be the transport sector and in particular the aviation industry, which is a significant segment for the Group, mainly through the subsidiary for the Group - Bulgaria Air AD, as well as a significant part of the associated and joint ventures of the Group. Inevitably, the deteriorating economic environment as a result of the pandemic has led to a deterioration in the performance of affiliated companies, which has led to declining revenues and cash flows, declining profits and, in some cases, generating negative financial results in 2020.

The impact of the epidemic is defined as the main risk for carrying out normal, normal activities, including the continuation of activities for all airlines. It is already having a significant negative economic impact, with aviation

being one of the most affected sectors. The pressure on aviation is unprecedented. It is facing a drastic reduction and even suspension of tourist and business travel. The International Air Transport Association (IATA) has reported a total 70% drop in air traffic in Europe by 2020, with a recovery expected to be slow and gradual over several years. According to experts, the sector has lost \$ 84 billion in 2020 due to the pandemic, with losses projected to reach a total of \$ 157 by the end of 2021.

The imposed and constantly changing requirements and restrictive measures, in connection with the restriction of the distribution of Covid-19, for entry into the countries to which Bulgaria Air operates flights have an extremely large and negative effect on passenger traffic and demand for air transportation. In general, the measures and conditions for entering a country change dynamically, a few days before each flight. The trend, which took shape in 2020, with a clear decline in business travel, the mass ban on tourist travel and the implementation of mainly ethnic and epidemiologically determined tourist passenger traffic continues to this day.

The effect of the pandemic is that virtually 100% of business traffic is missing, and this has affected the destinations used mainly for business travel before the pandemic.

In quantitative and qualitative terms, the effects on the Group's performance for 2020 can be summarized as follows:

- reduction of 50% of the airline's flight program for 2020 compared to 2019. For the summer season 2020 Bulgaria Air has fulfilled only 8% of the planned charter program.
- Decrease in revenues from charter flights by 90% compared to the same period last year.
- For 2020, the airline reported a 60% drop in sales from travel agencies, 45% of its online sales and 58% of the company's offices in the country and abroad. Revenues from flights in 2020 decreased by a total of 50% compared to 2019.
- For 2020, the airline reports a significantly higher percentage of passengers who did not show up for their flight - between 20-30 passengers per flight in 2020 compared to an average of 3-5 non-passengers in 2019.
- For most of the fixed costs in 2020 there were no mechanisms for their optimization or reduction, despite the reduced volume of activity / lease payments, maintenance, insurance, etc./
- Staff reduction was made and more than 80 airline employees were laid off in 2020 just because of the Covid-19 pandemic, but key staff remained. This led to the need to pay benefits under the labour insurance legislation.
- Delay in the implementation of the activities of the Technical Directorate related to the planned repairs and technical maintenance of the aircraft due to delays in the supply of materials and spare parts by suppliers, as well as those related to maintaining the continuing airworthiness of the aircraft. The lack of staff was cited as a reason for non-compliance with deadlines.
- Due to the restrictive measures taken by the subsidiaries, associates and joint ventures to ensure the availability of liquidity to meet urgent payments and to maintain the business until the return to normal or close to normal levels of activity, no dividends were distributed and paid to the company -mother in the levels of previous years.

Despite the challenges faced by this sector of the Group, the management, along with its key personnel, managed to optimize costs where possible, but also to ensure and ensure the safe operation in the conditions of Covid-19. Bulgaria Air was one of the few airlines in Europe that did not interrupt its operations, albeit to a different extent than normal. Some of the flights were merged due to the reduced number of passengers and in order to reduce costs, but it was still possible to travel during the pandemic. Some flights were combined (for example, from Sofia

to Frankfurt and from Sofia to Berlin on the Sofia-Frankfurt-Berlin-Sofia flight) to use one aircraft and one crew instead of two. With a small number of passengers, this proved to be an effective method of reserving two destinations and offering a service during the pandemic. Many European airlines have halted the entire operation pending a possible decision. This has led to a number of other difficulties, such as the expiration of permits and certificates for pilots and flight attendants, the payment of aircraft parking fees at airports and other costs related to compensation and indemnity for passengers.

During the summer holiday months, when travel restrictions were partially lifted, the partial resumption of flights failed to restore business volumes to a sufficient and even satisfactory extent compared to the same period last year. Despite the signs of a slight recovery from month to month, the realized revenues from flights performed during the autumn-winter season remained far lower compared to the same period of 2019.

In order to ensure the continuity of activities in the current environment, including the reduction of all possible negative effects, the Group's management promptly conducted a detailed analysis of all options for limiting losses and took the necessary measures and actions as follows:

- There is a plan for business continuity in crisis situations, which was activated after the declaration of the state of emergency, with efforts aimed at creating a safe environment for both passengers and staff and strict compliance with anti-epidemic measures;
- In accordance with the instructions of the authorities and other bodies (EASA), measures have been taken for the physical protection of personnel, including the cabin crew of aircraft and passengers, who are at direct risk of infection in compliance with the relevant instructions funds, limiting the accumulation of people to less than 2m. from each other, placing transparent safety screens at the points of contact, industrial disinfection of the premises, banning the access of outsiders, daily temperature measurement of employees, etc .;
- Negotiation of the conditions under the contracts for operational leasing of aircraft, as more favourable conditions were achieved under the contracts for aircraft lease, in the part of payment terms, release of accumulated maintenance reserves, etc .;
- The deadlines for the payment of overflight fees collected by Eurocontrol, as well as some of the air navigation fees with the help of the branch organizations in the sector have been extended;
- 4-hour working hours were introduced and respectively reduced remuneration for part of the staff for whom the fulfilment of responsibilities allowed this;
- Reduction of part of the staff, which in turn led to optimization of all internal processes, rules and procedures. The reduced volume of work allowed for a careful analysis of the advantages and disadvantages of the organizational structure, the various personnel evaluation systems and the procedures in the field of human resources management;
- In case of cancelled flights, it is possible for passengers who want to postpone their trip to be able to take advantage of various options offered by the airline;
- In order to maintain employment and support business, Bulgaria Air AD takes advantage of the financial incentives provided by the state. Since mid-2020, the Company has applied under "Measure 60/40" under the Council of Ministers № 151 of 03.07.2020 to assist employers to maintain the employment of employees in an emergency situation. Compensations from the state amount to 60% of the amount of insurance income and social security contributions at the expense of the employer. The company has been approved for a state aid grant under the Operational Program "Human Resources Development" 2014-2020, a project of the Employment Agency BG05M9OP001-1.104-001 "Short-term employment support in response to the Covid-19 pandemic", which aims to provide support to enterprises whose

economic activity is directly affected by the adverse impact of the state of emergency imposed in the country, to enterprises carrying out economic activities in the relevant sectors, one of which is transport;

- Revision of the annual plan and budget for 2021 and development of several scenarios with different degrees of probability for their manifestation depending on the possible development of the hitherto unknown situation;
- The short-term liabilities of the Group due to banks were rescheduled.

Management believes that based on the forecasts made for the future development of this sector by the Group and the measures taken, the sector will be able to continue its activities and repay its liabilities without the need to sell its own assets and without making significant changes in its activity. As a result of these analyses and judgments, management believes that the consolidated financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the continuing impact of the Covid-19 coronavirus pandemic.

Information regarding off-balance transactions

As at 31 December 2020 and 2019, 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:

	2020 BGN '000	2019 BGN '000
Bank guarantees in BGN	34 409	36 068
Bank guarantees in foreign currency	20 378	22 031
Irrevocable commitments	250 952	236 903
Total contingent liabilities	305 739	295 002

In accordance with the requirements of IFRS 9, the Group has recognized BGN 2 551 thousand of provisions for expected credit losses related to the contingent liabilities of the Group.

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

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

In 2021 a company of the Group is subject to audit by the Municipal Administration and on 6 April 2021 an audit report was issued, according to which liabilities in the amount of BGN 1,7 million have been established. The Group has taken procedural actions for objection against the obligations thus established as of the date of preparation of the consolidated financial statements.

The Group is a party to a bank guarantee issued by a commercial bank in the amount of BGN 100 thousand, EUR 85 thousand, as well as a letter of credit in the amount of USD 999 thousand. The bank guarantee was issued in connection with securing the Group's trade liabilities.

According to the concession agreement for a port for public transport of regional importance "Pritis" – public municipal property, which entered into force on 1 April 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 should maintain bank guarantee for good performance of the concession contract, amounting to BGN 100 thousand and validity until 1 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 for the seventh contract investment year amounting to BGN 103 thousand with a term of validity as of 31.10.2021;
- ⌚ a bank guarantee for the good performance of the obligations under the Concession Contract, amounting to BGN 455 thousand with a term of validity as of 27.09.2022.

According to the Concession Agreement for the Port Terminal Balchik, the Group has undertaken obligations to operate, maintain and make investments for the development of the terminal; to implement Annual Investment Programs, to maintain a certain average annual turnover, to maintain bank performance guarantees for the term of the contract and to apply a certain social program to the staff.

The Concessionaire undertakes to provide and maintain for each consecutive year of the validity of the Concession Agreement confirmed, unconditional, irrevocable bank guarantees for the term of the Concession, as follows:

- ⌚ Guarantee of EUR 220 thousand (BGN 430 thousand) for guaranteeing the implementation of the concession contract, including the obligations for payment of the concession fee, for cargo turnover, for payment of interest and penalties and others specified in the concession contract;

According to the Concession Agreement concerning the port of Lesport, the Group has undertaken obligations to operate, maintain and make investments for the development of the terminal; to implement Annual Investment Programs, to maintain a certain average annual turnover, to maintain bank performance guarantees for the term of the contract and to apply a certain social program to the staff.

The Concessionaire undertakes to provide and maintain for each consecutive year of the validity of the Concession Agreement confirmed, unconditional, irrevocable bank guarantees for the term of the Concession, as follows:

- ⌚ Guarantee for implementation of the Investment Program in the amount of 15 percent of the value of the planned investments for the respective year;

Guarantee in the amount of EUR 256 thousand (BGN 501 thousand) for the performance of the contract, including the performance of the contract, including the obligation to pay concession fees, cargo turnover, the obligation to pay interest and penalties specified in the contract.

- 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 Fly Lease EOOD

In 2020, the Group established a new subsidiary Fly Lease EOOD in order to optimize the leasing contracts of the Air Transport Sector. The subject of activity of the newly registered subsidiary is financial leasing, factoring, air transport, operation of aircraft and other related non-prohibited activities in the field of air transport. The registered capital amounted to BGN 2 million, divided into 20 000 shares of BGN 100 each. The capital is fully paid. The control participation of the Group is in the amount of nominal and consolidation percentage - 100%

Acquisition of non-controlling interest in Asenova Krepost AD

In 2020 the Group acquired an additional interest of 3.55% consolidation percentage and 4.08% (nominal percentage) in its subsidiary Asenova Krepost AD for the amount of BGN 3 065 thousand for the Group and BGN 1 755 thousand nominal price, thus increasing its controlling interest to 51.29% consolidation and 76.44% nominal.

The carrying amount of the newly acquired net assets of the subsidiary Asenova Krepost AD, recognized at the date of acquisition in the consolidated financial statements, amounted to BGN 3 491 thousand. The Group has recognized a decrease in the non-controlling interest in the amount of BGN 3 491 thousand and an increase of retained earnings in the amount of BGN 1 736 thousand.

	2020
	BGN'000
Total transferred remuneration	(1 755)
Additional acquired share in the net assets of Assenova Krepost AD	3 491
Increase in retained earnings	1 736

Acquisition on non-controlling interest in CCB AD

In 2020 the Group acquired an additional share of 0.02% in its subsidiary CCB AD for the amount of BGN 21 thousand, thus increasing its controlling interest to 77.02% (consolidation percentage).

The carrying amount of the newly acquired net assets of the subsidiary CCB AD, recognized as at the acquisition date in the consolidated financial statements amounted to BGN 112 thousand. The Group has recognized a decrease in the non-controlling interest in the amount of BGN 112 thousand and an increase of retained earnings in the amount of BGN 91 thousand.

	2020
	BGN'000
Total transferred remuneration	(21)
Additional acquired share in the net assets of CCB AD	112
Increase in retained earnings	91

- Investments accounted for using the equity method

Investments in associates

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

	2020	Share	2019	Share
	BGN '000	%	BGN '000	%
Lufthansa Technik Sofia OOD	8 558	24.90%	8 502	24.90%
Swissport Bulgaria AD	5 665	49.00%	5 829	49.00%
Silver Wings Bulgaria OOD	4 713	42.50%	4 678	42.50%
Amadeus Bulgaria OOD	3 694	41.00%	3 385	41.00%
VTC AD	626	35.00%	582	35.00%
Kavarna Gas OOD	263	44.99%	3 078	44.99%
Total	23 519		26 054	

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.

The Group has pledged as collateral for bank loans shares of its associates in the amount of TBGN 5 665.

The Group has pledged as collateral for trade loans shares of its associates with a carrying amount of TBGN 19 562.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

Summary of financial information about the significant associates of the Group is presented below. It reflects the amount presented in the financial statements of the associate concerned after adjustments in connection with the application of the equity method:

	2020	2019
	BGN '000	BGN '000
Non-current assets	195 118	211 908
Current assets	52 800	68 242
Total assets	247 918	280 150
Non-current liabilities	140 938	176 200
Current liabilities	44 074	41 656
Total liabilities	185 012	217 856
Net assets	62 906	62 294
Revenues	139 594	210 343
Profit for the period	4 668	10 398
Profit after taxes	4 147	9 325
Other comprehensive income/(loss)	212	(136)
Total comprehensive income for the year	4 359	9 189

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

	2020	2019
	BGN '000	BGN '000
Total net assets as of January 1	62 290	63 840
Profit for the year	4 147	9 321
Other comprehensive income/ (loss) for the year	212	(136)
Dividends paid	(3 743)	(10 735)
Total net assets as of December 31	62 906	62 290
Share participation of the Group (in thousand BGN)	20 798	20 652
Reputation	2 721	5 402
Carrying value of investment	23 519	26 054

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 1 342 thousand for 2020 and BGN 3 205 thousand for 2019, respectively.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

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

Joint ventures	2020 BGN '000	Share %	2019 BGN '000	Share %
Nuance BG AD	538	50%	2 674	50%
Consortium Bulgaria Air – Posoka	141	90%	132	90%
Consortium Bulgaria Air and Posoka	55	70%	54	70%
Varna ferry OOD	-	50%	-	50%
	<u>734</u>		<u>2 860</u>	

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:

	2020 BGN '000	2019 BGN '000
Non-current assets	8 447	10 685
Current assets	6 500	12 772
Total assets	<u>14 947</u>	<u>23 457</u>
Non-current liabilities	22	1 308
Current liabilities	16 968	18 779
Total liabilities	<u>16 990</u>	<u>20 087</u>
Net assets	<u>(2 043)</u>	<u>3 370</u>
Revenues	19 135	54 448
(Loss)/ profit for the period	(2 246)	1 074
(Loss)/ profit after taxes	(2 266)	718
Total comprehensive (loss)/ income for the year	<u>(2 266)</u>	<u>718</u>

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

	2020 BGN '000	2019 BGN '000
Total net assets as of January 1	3 371	4 560
Profit for the year	(2 266)	718
Dividends paid	(3 148)	(1 905)
Total net assets as of December 31	<u>(2 043)</u>	<u>3 373</u>
Share participation of the Group (in thousand BGN)	734	2 860
Carrying value of investment	<u>734</u>	<u>2 860</u>

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 1 574 thousand for 2020 and BGN 952 thousand for 2019, 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:

	2020	2019
Analysis by term and type of currency:	BGN'000	BGN'000
On-demand deposits		
in BGN	1 739 734	1 416 465
in foreign currency	304 296	289 513
	<u>2 044 030</u>	<u>1 705 978</u>
Term deposits		
in BGN	1 153 213	1 118 030
In foreign currency	1 271 347	1 101 956
	<u>2 424 560</u>	<u>2 219 986</u>
Savings accounts		
in BGN	1 133 292	1 254 135
in foreign currency	559 023	516 435
	<u>1 692 315</u>	<u>1 770 570</u>
Other deposits		
in BGN	7 697	6 409
in foreign currency	270	898
	<u>7 967</u>	<u>7 307</u>
Total liabilities to depositors	<u>6 168 872</u>	<u>5 703 841</u>

	2020	2019
Analysis by term and type of currency:	BGN'000	BGN'000
Individual deposits		
in BGN	2 841 485	2 769 882
in foreign currency	1 827 327	1 615 691
	<u>4 668 812</u>	<u>4 385 573</u>
Legal entities deposits		
in BGN	1 179 886	1 013 880
in foreign currency	304 648	290 683
	<u>1 484 534</u>	<u>1 304 563</u>
Deposits of other institutions		
in BGN	12 565	11 277
in foreign currency	2 961	2 428
	<u>15 526</u>	<u>13 705</u>
Total liabilities due to depositors	<u>6 168 872</u>	<u>5 703 841</u>

NON-BANKING ACTIVITY

	Current		Non-current	
	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000
Financial liabilities measured at fair value				
Derivatives held for sale	-	10 079	-	-
Financial liabilities measured at amortized cost:				
Bonds and debenture loan	3 000	2 417	37 451	40 004
Bank loans	49 514	63 109	127 069	108 417
Other borrowings and financing	23 040	7 120	6 161	14 090
Deposits from banks	66 092	19 415	-	-
Cession liabilities	20 746	15 786	33 180	33 156
Liabilities under repurchase agreements	15 449	13 160	-	-
Trade payables	97 347	87 871	1 114	18
Payables to related parties	44 488	50 512	17 029	13 394
Total carrying amount	319 676	269 469	222 004	209 079

Bonds and debenture loans

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

	Current		Non-current	
	2020 BGN '000	2019 BGN '000	2020 BGN '000	2019 BGN '000
Bonds and debenture loans	3 000	2 417	37 451	40 004

The carrying amount of the Group's debts on the aforementioned debenture loans at 31 December 2020 amounted to BGN 40 451 thousand (2019: BGN 42 421 thousand) and was calculated using the effective interest method.

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	
	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000
Bank loans	49 514	63 109	127 069	108 417

Non-current bank borrowings

	2020 BGN '000	2019 BGN '000
Revolving and investment bank loans	127 069	108 417

Investment loans

The Group has received the following investment loans:

- 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 2020 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, 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 loan matures on 30 September 2028. 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, parking and 2 checkpoints, specific receivables of the Group arising from lease agreements.
- The Group is party to a contract for an investment bank loan, signed on 11 August 2017, maturing on 31 December 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.
- The Group is a party to an investment bank loan agreement signed on 21 June 2013, maturing on 20 December 2029. The interest on the loan is 3M EURIBOR plus 3 percentage points, but not less than 6.5%. 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 for an amount of BGN 3 000 thousand 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%.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

- 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 has received three secured bank loans granted by a Bulgarian commercial bank. The loans are denominated in BGN and have an agreed amount of BGN 6 000 thousand, BGN 8 944 thousand and BGN 3 220 thousand, respectively. The interest rates on the loans are 3.3% and 4%, maturing in 2022.

To secure two of the loans, pledges of government securities of the Republic of Bulgaria with a nominal value of BGN 8 950 thousand and maturity in 2025 under one loan and a nominal value of BGN 11 300 thousand and maturities of the issues in 2021 have been established, 2025 and 2027. One of the loans is secured by a pledge on cash in the amount of BGN 714 thousand, which are blocked until its repayment and insurance "Financial risk" valid until February 2022.

- The Group is party to a 5 loan contracts for working capital with due dates on 31 October 2022, 31 January 2021 and 31 March 2022 and two loans with a term of 30.12.2021. The annual interest rate on the loans is 3 % and 4% of the loan agreement concluded in 2020 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%. Collateral - mortgage on grain depots in the town of Dobrich and the village of General Kolevo (lands, buildings and permanently attached machines and equipment), owned by the Group.
- 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 loan is secured by a pledge of some inventories and property, plant and equipment owned by the Group.
- On 14.08.2020 the Group entered into a bank loan agreement for working capital in the amount of BGN 250 thousand with an annual interest rate of BGN 2.5% plus a contractual credit risk margin of 1% or a total agreed rate of 3.5%. A grace period of principal until 19.03.2022 has been agreed. As of 20.03.2022 until 20.08.2023 (inclusive) the loan is repaid in seventeen equal monthly installments in the amount of BGN 13 500 and one last installment due on 20.08.2023 in the amount of BGN 20 500. To secure the loan, the Group has pledged assets from the group of properties, plant and equipment
- Bank loan-overdraft agreement concluded on 25.09.2020 for working capital with maturity on 20.09.2023. The annual interest rate is equal to the base interest rate of the bank plus a contractual margin of 1.3 points. The loan is secured by a Special Pledge Agreement on some current and future receivables on specific Group's accounts opened with the creditor bank.

Short-term bank loans

	2020 BGN'000	2019 BGN'000
Short-term revolving and investment bank credits	49 514	63 109

Revolving loans

- On 8 October 2019, the Group entered into a bank loan agreement for working capital in the amount of BGN 150 thousand with an annual interest rate of BGN 2.5% plus a contractual credit risk margin of 1% or a total agreed rate of 3.5%. A grace period of one year has been agreed until 19.10.2020. As of 20.10.2020 until 20.09.2021 (inclusive) the loan is repaid in twelve equal monthly instalments in the amount of BGN 12 500. To secure the received loan The Group has pledged some assets from the group of property, plant and equipment. As of 31.12.2020, the residual amount of the loan is BGN 113 thousand.

INFORMATION ACCORDING TO ORDINANCE №2 / 17.09.2003

- The Group is party to a loan contract for working capital, signed on 11 December 2019 with maturity date on 30 August 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%. The loan is secured by a mortgage on real estate in Sofia, owned by the Group, pledge of some receivables.
- 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 some receivables on some 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. The total value of the goods is up to BGN 220 thousand.
- 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.

Other borrowings and financing

	Current		Non-current	
	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000
Other borrowings and financing	23 040	7 120	6 161	14 090

Other non-current borrowings

	2020 BGN'000	2019 BGN'000
Non-current borrowings	5 820	13 437
Financing from State Agricultural Fund	341	653
	6 161	14 090

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

	2020 BGN'000	2019 BGN'000
Current borrowings	22 805	6 778
Operational program financing	235	342
Total	23 040	7 120

Other current borrowings are received under annual interest rates from 3% to 8% depending on the contracted period. The loans are classified according to their repayment deadline, which is 2021. 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	
	2020 BGN'000	2019 BGN'000
Demand deposits – local banks		
-in Bulgarian leva	24 196	7 205
-in foreign currency	7 688	5 182
Term deposits from Bulgarian banks in BGN	22 000	-
Demand deposits from foreign banks in foreign currency	9 204	4 630
Demand deposits from foreign banks in BGN	70	220
Term deposits from foreign banks in foreign currency	489	363
Term deposits from Bulgarian banks in foreign currency	2 445	1 814
	66 092	19 415

Liabilities under repurchase agreements

As at 31 December 2020, the Group has entered into agreements with a repurchase clause with Bulgarian companies totalling BGN 15 449 thousand. (2019: BGN 13 160 thousand), including accumulated interest payables on them. The maturity of these agreements is until the end of 2021.

🕒 **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

	2020 BGN'000	2019 BGN'000
Individuals:		
In BGN	933 845	897 185
In foreign currency	252 381	237 927
Legal entities:		
In BGN	945 346	796 857
In foreign currency	613 161	765 313
Impairment loss	(35 870)	(79 775)
Total loans and advances to bank clients	2 708 863	2 617 507

Loans and advances to customers as at 31 December 2020 include deposits with international financial institutions under marginal derivative transactions amounting to BGN 1 556 thousand (2019: BGN 14 149 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 of non-bank customers

	2020	2019
	BGN'000	BGN'000
Loans granted	138 487	133 665
Receivables under cession contracts	41 244	60 124
	179 731	193 789

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

	2020	2019
	BGN'000	BGN'000
Lease liabilities – non-current portion	199 228	143 168
Lease liabilities – current portion	50 212	47 505
Lease liabilities	249 440	190 673

Detailed information on the Group's right of use assets is presented in note **Error! Reference source not found.** of the Group's Annual Consolidated Financial statements for 2020.

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 2020 were as follows:

	Minimum lease payments due						Total BGN'000
	2021	2022	2023	2024	2025	>2025	
	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 2020							
Lease payments	59 565	55 237	40 155	29 935	28 015	78 871	291 778
Finance charges	(9 353)	(8 959)	(6 636)	(5 154)	(3 988)	(8 248)	(42 338)
Net present values	50 212	46 278	33 519	24 781	24 027	70 623	249 440

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 2020 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 2020 the Company has not published any forecasts of the financial result for the 2020. 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 manages to successfully manage its financial resources and service its obligations normally and in a timely manner, albeit in the context of the Covid crisis.

🕒 **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 29 April 2021 except the following non-adjusting events:

On January 14, 2021, a company part of the Group had issued a new bond, representing an issue of ordinary, freely transferable, registered, interest-bearing, unsecured bonds with a total nominal value of BGN 15,000 thousand and is committed to submit a prospectus to the FSC by at the end of the first half of 2021. The term of the bond is 7 years.

On March 2, 2021, the Group entered into a lease agreement for an Airbus 320-200 aircraft with a foreign lessor for a period of 11 years. The aircraft was delivered to Sofia Airport in March 2021. As of the date of preparation of these financial statements, the aircraft has not yet been put into operation, as preparatory actions are being carried out in connection with ensuring all necessary activities related to airworthiness.

At the beginning of 2021, as a result of the negotiations and the performed analytical work in 2020, the implementation of an investment project for the Varna sports complex was resumed.

In the State Gazette no. 19 of 2021, a Law amending the Social Security Code (CSR) was promulgated. It makes changes concerning the regulation of the so-called repayment phase from universal pension funds. The texts regulating the additional guarantees undertaken by the pension insurance companies regarding the payment of pensions by the SPIF are also regulated, including the guaranteed amount of the gross contributions, from which the amount of the pension is determined, if the accumulated amount on the person's insurance account before retirement is less than as well as determining the guaranteed amount of the lifetime pension by the Universal Pension Funds. There are flexible pre-retirement deadlines regarding the choice of individuals to continue to be insured in a universal fund and receive a supplementary pension or to transfer their funds to the Social Security Pensions Fund and receive only one pension from the Social Security with a non-reduced coefficient. The new conditions for decision-making by the persons for transfer of their funds to the Pension Fund of the Social Security Fund are: if they have not been granted a pension for length of service and age and reach the age required for them under Art. 68, para. 1 of CSR:

- from January 1, 2022 to December 31, 2025 - not later than one year before their age under Art. 68, para. 1 of CSR;
- from January 1, 2026 to December 31, 2030 - not later than two years before their age under Art. 68, para. 1 of CSR;
- from January 1, 2031 to December 31, 2035 - not later than three years before their age under Art. 68, para. 1 of CSR;
- from January 1, 2036 to December 31, 2037 - not later than 4 years before their age under Art. 68, para. 1 of CSR;

- after January 1, 2038 - not later than 5 years before their age under Art. 68, para. 1 of CSR.

For the persons insured in the Universal Pension Fund, three types of payments to pensioners are regulated:

- Supplementary lifetime old-age pension, which is a monthly payment of an amount due in the pension contract, due to the pensioner from a certain date until his death, the amount of which may not be less than 15 percent of the minimum pension for length of service and age under Art. 68, para. 1 of CSR as of the date of its determination. The types of lifelong pension that can be granted are:

- ✓ lifetime pension without additional conditions;
- ✓ lifetime pension with a period of guaranteed payment;
- ✓ lifetime pension, including deferred payment of part of the funds until reaching the age chosen by the pensioner.

- Deferred payment for a period determined by the person, if the accumulated amount on his insurance account is insufficient for granting a lifelong pension. The monthly amount of the deferred payment as of the date of its determination may not be higher than the minimum amount of the pension for insurance length of service and age under Art. 68, para. 1 of CSR as of the same date and less than 15 percent of its amount

- One-time payment - if the accumulated amount on the insurance account of the person is up to three minimum pensions.

With transitional and final provisions of the Law on the Budget of the State Social Security, promulgated in SG, issue 103 of 2020, changes are also adopted that directly affect the activity of the Company and the managed Universal Pension Fund (UPF):

§ 9. determines the following rights of the insured persons in UPF:

- The individuals who until June 30, 2021 inclusive remain less than 5 years until reaching the age under Art. 68, para. 1 of CSR and who have not been granted a pension for length of service and age, may once, within 30 June 2021, exercise the right to choose under Art. 4b of CSR for change of their insurance from universal pension fund to fund "Pensions", respectively fund "Pensions for the persons under art. 69" of the state social insurance by the order of the ordinance under art. 179, para. 3 of the Tax and Social Insurance Procedure Code.

- The individuals who have been granted a pension for insurance length of service and age with a starting date up to 31 December 2020 inclusive, with a reduced individual coefficient according to Art. 70, para. 10 of CSR, have the right until June 30, 2021 to request its recalculation without reduction of the individual coefficient, if they transfer the funds from their individual account in a universal pension fund to the Pension Fund, respectively the Pension Fund for persons under Art. 69 "of the state social insurance.

Texts regulating the procedure for exchange of information between the Companies and the NSSI in certifying the required insurance record of the insured persons from PPF, who wish to be granted an additional term pension from PPF for early retirement, were also adopted. Texts regulating more clearly the rights of the insured persons in the PPF, for which no term pension has been granted by the Fund, were also adopted:

An insured person in an occupational pension fund, who has not acquired or exercised his / her right to a term pension from the PPF, may upon granting a pension for insurance length of service and age from the Social Security Fund or upon reaching the age under Art. 68, para. 3 of the CSR to receive once or in installments the accumulated funds on the individual account or to transfer them to a universal pension fund or to a fund for additional voluntary pension insurance.

§ 109 of the Law on Social Insurance provides for a period until August 31, 2021, in which the pension insurance companies are obliged to bring their activities in compliance with the law and the acts on the application of the Code.

The texts regulating the additional guarantees undertaken by the pension insurance companies regarding the payment of pensions by the managed Funds are also settled.

The management of the Group will take the necessary actions to bring the activity of the Group and the managed pension funds in compliance with the new requirements of CSR and the by-laws related to it.

In connection with the continuing global pandemic of Covid-19, described in Note 2 to these consolidated financial statements, the decision of the Council of Ministers № 72 of 26.01.2021 extended the period of the emergency epidemic situation in Bulgaria until April 30, 2021.

In view of the actions taken by various governments, incl. Bulgarian, dynamic measures to curb some businesses and the resulting changes, directly affecting the development of economic sectors of the Republic of Bulgaria, EU countries and other trading partners of companies in the country, the Group's management is not able to assess the ongoing impact of the Covid-19 pandemic on the future financial condition and performance of the Group, including the Group's investments in the air transport sector, but considers that the impact could lead to market and price volatility related to financial and other assets of the Group and may have a negative effect on the results of the Company's activities and its investments. The Group expects the negative effects to subside after the lifting of restrictions on the movement of people, vehicles and goods, and economic activity is expected to be positively affected by the announced support measures and the allocated additional state and European funds, leading to additional public guarantees, receivables portfolios, additional interest-free financing of economic operators and direct aids for the affected companies and individuals. To the extent that these measures are supplemented and expanded on a daily basis, the Group's management is unable to assess the final effect on economic activity, which also depends on the currently unknown duration of the quarantine restrictions imposed.

🕒 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	24	211
Nikola Mishev	24	34

Tzvetan Botev	24	109
Miroljub Ivanov	24	636
Marin Mitev	24	138
Alexander Kerezov	24	195
Key management personnel – executive directors		
Ivo Kamenov	819	-
Marin Mitev	819	-

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 2020, 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:

Company	UIC	Participation
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:

Company	UIC	Participation
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 Investl Capital AD in the Board of Directors
Invest Capital Asset Management EAD	200775128	Representative who exercises the rights and obligations of the member 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
M Car OOD	115654640	Prosecutor
VIA Intercar – 2007 OOD	114682522	Prosecutor
M Car Varna OOD	103770587	Prosecutor
M Car Group AD	203384266	Prosecutor
M Car Pleven OOD	114074410	Prosecutor
M Car Sofia EOOD	203645296	Prosecutor
Does not hold directly more than 25 percent 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.

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
Spotren Comlex 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
Does not hold directly more than 25 percent of the capital of other commercial companies.		

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
Bulhimitread OOD	200477808	Manager
Pharma GBS	176397025	Manager
Consortium Chimimport-biofarm engineering DZZD	131071224	Manager
Does not hold directly more than 25 percent 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:

Company	UIC	Participation
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 Rechno Plavane AD	827183719	Member of the Management Board
Pension Insurance Joint Stock Company CCB - Sila" AD	825240908	Member of the Supervisory Board
Assenova 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
Alex AS EOOD	131105146	Manager and Owner
Does not hold directly more than 25 percent of the capital of other commercial companies.		

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

Company	UIC	Participation
Chimimport AD	000627519	Member of the Management Board
Zarneni Hrani Bulgaria AD	175410085	Member of the Management Board
Assenova Krepost AD	115012041	Member of the Management Board and Executive Director
Energoproekt AD	831367237	Member of the Supervisory Board
Expert snab OOD	131388356	Manager
Bulhimtrade OOD	200477808	Manager
Rubber Trade OOD	130430425	Manager
Chimeltex EOOD	130434434	Manager
Does not hold directly more than 25 percent 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:

Company	UIC	Participation
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 Preject 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
Central Vacum Systems EOOD	200631195	Manager
Krone Bulgaria AD	130517595	Member of the Management Board and Executive Director
Does not hold directly more than 25 percent 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.

GENERAL RISKS AND UNCERTAINTIES

- Ⓜ **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 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	2020	2019
	BGN'000	BGN'000
Financial assets at fair value through profit or loss:		
- Corporate shares, stocks and rights	1 162 656	998 288
- Bulgarian corporate bonds	232 178	208 117
- Medium-term Bulgarian government securities	53 222	66 150
- Long-term Bulgarian government securities	27 381	45 143
- Securities issued or guaranteed in other countries	547 016	608 694
- Derivatives held for trading	4 788	28
Equity instruments at fair value through other comprehensive income:		
- Quoted equity instruments	25 327	24 792
- Unquoted equity instruments	58 439	47 826
Debt instruments measured at fair value through other comprehensive income:		
- Bonds	210 804	123 984
- Government Securities	506 791	410 197
Debt instruments at amortized cost:		
- Loans	2 847 350	2 751 172
- Cession receivables	41 244	60 124
- Receivables under repurchase agreements	394 693	335 417
- Debt instruments at amortized cost	464 877	356 394
- Receivables from related parties	172 468	186 605
- Trade receivables	115 382	126 134
- Others	21 967	14 931
<i>Less: Impairment</i>	(20 381)	(41 738)
- Cash and cash equivalents	2 221 632	2 136 035
	9 087 834	8 458 293
Financial liabilities	2020	2019
	BGN'000	BGN'000
Financial liabilities measured at amortised cost:		
Liabilities to depositors	6 168 872	5 703 841
Borrowings	246 235	235 157
Bank deposits	66 092	19 415

GENERAL RISKS AND UNCERTAINTIES

Financial liabilities	2020	2019
	BGN'000	BGN'000
Cession payables	53 926	48 942
Obligations under repo agreements	15 449	13 160
Lease obligations	249 440	190 673
Trade and other payables	98 461	87 889
Related party payables	61 517	63 906
	6 959 992	6 362 983
Derivatives designated as hedging instruments in cash flow (at fair value):		
Derivatives	-	10 079
	6 959 992	6 373 062

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

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.

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.

GENERAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

GENERAL RISKS AND UNCERTAINTIES

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	2020 BGN'000	2019 BGN'000	2018 BGN'000	2017 BGN'000	2016 BGN'000	2015 BGN'000
At the end of the period	48 597	52 242	48 674	52 390	54 258	55 684
1 year later	-	25 848	32 826	30 964	30 330	31 750
2 years later	-	-	5 187	8 066	13 422	7 041
3 years later	-	-	-	4 180	5 838	9 876
4 years later	-	-	-	-	2 243	7 481
5 years later	-	-	-	-	-	4 085
Cumulative payments to date	48 597	78 090	86 687	95 600	106 091	115 917
Overall assessment of benefits	97 837	99 733	100 642	103 719	109 968	115 917
As of 31 December:						
Payments:						
Measurements	49 240	21 643	13 955	8 119	3 877	-
Real Reserves	40 408	21 905	21 557	18 493	22 611	20 405

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

With regard to the reserve for claimed but unpaid claims, the expertise of the liquidation experts is essential. They examine the damage in terms of the circumstances of the occurrence and the right to compensation. Based on a historically proven experience of the magnitude of such damage, it is assessed. This 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 2010-2020. 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. The Group uses a combination of chain-based method based on the

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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 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. The method has been approved for a method of calculating the insurance reserve as at 31.12.2020 by FSC Resolution No. 156 - CP from 29.03.2021.

For insurances in which the Group offers active reinsurance and has statistical data on the development of damages for a sufficiently long period, the reserve for incurred but unproven damages shall be calculated separately for direct business and active reinsurance. In active reinsurance, the claim for damages is significantly delayed over time compared to the development of claims under direct business, given that, with sufficient data to apply a statistical method, it is more reasonable to carry out the calculations separately.

No provision is made for any incurred but unforeseen damages for Illness Insurance, Rail Vehicles, 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 results as the value 0, and insurance "Illness", "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 dated 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.

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

	Equity BGN'000	Deviation BGN'000	Deviation %
Equity as of 31.12.2020	91 738	-	-
Increase of expected future claims payments by 10 %	91 028	(710)	(0.77%)
Decrease of expected future claims payments by 10 %	91 028	(710)	(0.77%)
Increase of reserve for unreported and unreported claims by 5%	83 280	(8 458)	(9.22%)
Decrease of reserve for unreported and unreported claims by 5%	100 196	8 458	9.22%

From reviewed scenarios most impact on the Group's equity is that one with a change in the amount of the reserve for upcoming payments. This scenario reflects the inherent uncertainty in the assessment of the reserve as it concerns a current assessment of the expected future claims payments. This uncertainty is most valid with regard to the reserve for incurred but unproven damages and to insurances characterised by a longer claims settlement process, such as Motor Third Party Liability insurance and other types liability insurances.

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

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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	2020	2020	2019	2019
	Damages quota, gross %	Damages, quota, net %	Damages quota, gross %	Damages quota, net %
Accident insurance	46%	38%	52%	50%
Including obligatory accident insurance of the passengers in the public transport	42%	44%	38%	25%
Disease	0%	0%	0%	0%
Casco	38%	37%	47%	47%
Rail vehicles	0%	0%	0%	0%
Casco Aircraft	-8%	187%	25%	-94%
Casco vessels	89%	81%	17%	35%
Freight transport	8%	6%	1%	-2%
Fire and natural disasters	26%	24%	18%	27%
Industrial fire	34%	27%	22%	25%
Fire and other hazards	13%	20%	8%	24%
Technical insurances	1%	2%	14%	-19%
Agricultural insurances	26%	26%	39%	39%
Property damage	-12%	-12%	28%	28%
Insurance theft, robbery, vandalism	0%	0%	0%	0%
Animal insurance	-12%	-12%	28%	28%
Third-party vehicle insurance	62%	126%	57%	48%
Third-party aviation insurance	-4%	-18%	32%	77%
Third party vessels insurance	12%	41%	26%	25%
General third-party insurance	182%	201%	21%	31%
Loans and leasing	-1%	-1%	0%	0%
Insurance of guarantees	0%	0%	0%	0%
Miscellaneous financial losses	0%	0%	0%	0%
Legal costs	0%	0%	0%	0%
Travel Assistance	37%	37%	63%	63%
Total:	44%	46%	47%	45%

Compared to the annual net allowances, for 2020 and 2019, there is a decrease in damages due mainly to a decrease in the frequency of events due to the traffic restrictions implemented in 2020 due to the COVID-19 pandemic.

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

Types of insurance	Number 2020	BGN	Average	Average	Average	Average
			indemnity 2020	indemnity 2019	indemnity 2018	indemnity 2017
Accident insurance	2 904	1 632 248	562	714	617	866
Casco	70 641	62 625 144	887	799	734	771
Casco of aircrafts	-	-	-	38 612	64 986	21 811
Casco of vessels	12	164 860	13 738	15 965	22 680	8 174
Cargo insurance during transportation	17	35 626	2 096	2 186	2 362	7 206
Fire and natural calamities insurance	1 847	4 443 860	2 406	3 272	2 762	1 582

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Types of insurance	Number 2020	BGN	Average indemnity 2020	Average indemnity 2019	Average indemnity 2018	Average indemnity 2017
Property damage insurance	5	7 590	1 518	1 671	-	984
Insurance associated with the ownership and usage of motor vehicles	6 257	24 502 030	3 916	4 606	4 353	3 151
Third-party aviation insurance	-	-	-	9 257	-	8 860
Third party vessels insurance	1	5 705	5 705	-	-	-
General third-party insurance	51	437 301	8 575	7 078	3 556	6 492
Travel assistance	2 227	1 570 532	705	612	550	538
Total:	83 962	95 424 898	1 137	1 124	1 121	984

The number of damages paid in 2020 decreased by 22% compared to 2019. The average loss paid in 2020 for the group as a whole is BGN 1 137 and compared to the same indicator in the previous year - BGN 1 124 has not material increase increased its size by 0.1%. The greatest damage is the average for non-pecuniary in insurance "Casco of vessels" - BGN 13 738, and the smallest Insurance "Accident insurance - BGN 562.

Foreign currency risk

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

Group's policy regarding other than banking activities

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

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

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

Group's policies regarding the banking activities

In the Republic of Bulgaria, the exchange rate of the Bulgarian lev to the euro is fixed by the Currency Board Act, which is why the Group's long position in euro does not pose a risk to the Group.

The risk-weighted net currency position as at 31 December 2020 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 development of the global pandemic has affected the economies of countries at the global level and, accordingly, has no pronounced effect on the currency of a particular individual country and hence the design of specific currency risk. As the Group's net exchange rate regarding the banking activities result in 2020 is a loss due mainly to currency revaluation, it is not possible to estimate what part of this result was due to the effects of the Covid-19 pandemic and what due to market and political factors related to the development of exchange rates.

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The process of economic recovery in different countries is happening at different speeds, influenced by their ability to organize a process of vaccinating their populations, and hence the currency of these countries will change its course from those in which the pandemic continues to rage. The EU and Bulgaria are in a slow process of dealing with the Covid-19 pandemic, but as the Bulgarian lev is pegged to the euro and the Group's exposure in other currencies (mainly US dollars) is not significant, the Group's currency risk has no direct effect. from the Covid-19 pandemic.

The currency structure of financial assets and liabilities at book value as of 31 December 2020 is as follows:

	BGN	EUR	USD	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL ASSETS					
Cash and cash balances with the Central Bank	1 765 953	76 037	8 902	61 851	1 912 743
Provided resources and advances to banks	159	20 632	77 964	89 313	188 068
Receivables under repurchase agreements	313 332	46 340	-	-	359 672
Financial assets at fair value through profit or loss	217 941	8 814	5 017	35 880	267 652
Loans and advances to customers	1 906 595	646 860	48	230 957	2 784 460
Financial assets measured at fair value in other comprehensive income	278 287	432 650	4 131	938	716 006
Financial assets at amortized cost	26 352	394 316	-	42 621	463 289
TOTAL ASSETS	4 508 619	1 625 649	96 062	461 560	6 691 890
FINANCIAL LIABILITIES					
Deposits from banks	46 266	16 347	1 341	2 098	66 052
Liabilities to other depositors	4 063 383	1 631 121	195 775	300 668	6 190 947
Issued bonds	-	25 451	-	-	25 451
Other attracted funds	34 994	11 510	-	-	46 504
TOTAL LIABILITIES	4 144 643	1 684 429	197 116	302 766	6 328 954
NET POSTION	363 976	(58 780)	(101 054)	158 794	362 936

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

	BGN	EUR	USD	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL ASSETS					
Provided resources and advances to banks	40 134	29 665	84 043	78 473	232 315
Receivables under repurchase agreements	302 250	980	-	-	303 230
Financial assets at fair value through profit or loss	180 517	11 984	25	44 275	236 801
Loans and advances to customers	1 645 242	753 341	209	218 715	2 617 507
Financial assets measured at fair value in other comprehensive income	146 308	412 701	7 521	1 043	567 573
Financial assets at amortized cost	26 291	284 784	-	45 479	356 554
TOTAL ASSETS	2 340 742	1 493 455	91 798	387 985	4 313 980
FINANCIAL LIABILITIES					
Deposits from banks	10 006	14 041	658	1 407	26 112
Received loans and other liabilities to banks	-	-	-	162	162
Liabilities to other depositors	3 814 551	1 406 545	198 746	283 999	5 703 841
Other attracted funds	-	-	-	778	778
Issued bonds	-	25,424	-	-	25 424
TOTAL LIABILITIES	3 824 557	1 446 010	199 404	286 346	5 756 317
NET POSITION	(1 483 815)	47 445	(107 606)	101 639	(1 442 337)

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 2020, 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 2020 is negative, amounting to BGN 1 831 732 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 37.97%.

Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000

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INTEREST-BEARING ASSETS						
Provided resources and advances to banks	185 150	-	-	-	2 918	188 068
Receivables under repurchase agreements	122 659	120 456	116 557	-	-	359 672
Loans and advances to customers	33 819	36 013	296 599	1 435 795	982 234	2 784 460
Financial assets measured at fair value in other comprehensive income	-	34 106	22 879	300 272	344 476	701 733
Financial assets at amortized cost	9 280	12 634	46 527	127 321	267 527	463 289
TOTAL INTEREST-BEARING ASSETS	350 908	203 209	482 562	1 863 388	1 597 155	4 497 222
INTEREST-BEARING LIABILITIES						
Deposits from banks	66 052	-	-	-	-	66 052
Liabilities to other depositors	2 894 855	414 560	1 132 674	1 747 894	964	6 190 947
Issued bonds	-	-	-	-	25 451	25 451
Liabilities under leasing contracts	1 003	1 823	7 105	24 167	12 406	46 504
TOTAL INTEREST-BEARING LIABILITIES	2 961 910	416 383	1 139 779	1 772 061	38 821	6 328 954
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 611 002)	(213 174)	(657 217)	91 327	1 558 334	(1 831 732)

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2019 is negative, amounting to BGN 1 700 711 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%.

In connection with the reform in the way of formation and use of interest rate indices (IBOR), in the Group such are not actively used, the main interest rate indices, which are introduced in the interest rates of the parent bank and the subsidiary bank are synthetic, with sources from the bank interest rate statistics (BNB / NBRSM) and in this sense the effect of the reform is insignificant on the value of the Group's cash flows.

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	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	229 396	-	-	-	2 919	232 315
Receivables under repurchase agreements	97 242	155 624	50 364	-	-	303 230
Loans and advances to customers	62 643	77 237	298 627	1 297 609	922 258	2 658 374
Financial assets measured at fair value in other comprehensive income	1 991	-	877	232 389	316 021	551 278
Financial assets at amortized cost	17 063	4 068	24 348	96 990	214 085	356 554
TOTAL INTEREST-BEARING ASSETS	408 335	236 929	374 216	1 626 988	1 455 283	4 101 751
INTEREST-BEARING LIABILITIES						
Deposits from banks	26 112	-	-	-	-	26 112
Received loans and other liabilities to banks	-	162	-	-	-	162
Liabilities to other depositors	2 621 551	367 766	1 156 301	1 554 003	5 049	5 704 670
Other attracted funds	-	778	-	-	-	778
Issued bonds	-	-	-	25 424	-	25 424
Liabilities under leasing contracts	786	1 565	7 489	19 854	15 682	45 376
TOTAL INTEREST-BEARING LIABILITIES	2 648 449	370 271	1 163 790	1 599 281	20 731	5 802 522
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 240 114)	(133 342)	(789 574)	27 707	1 434 552	(1 700 771)

In the tables above, part of the attracted funds on current accounts without residual maturity in the amount of BGN 1 665 762 thousand as of 31 December 2020 and BGN 1 538 187 thousand as of 31 December 2019 is presented in the range from 1 year to 5 years, as the Group considers this availability to be a reliable long-term resource based on the average daily availability on these accounts for 2020 and 2019.

The actions taken by governments and central banks to address the effects of the global coronavirus pandemic, and in the EU in particular, are leading to a continuation of the policy of quantitative easing and monetary action to expand the money supply. Given the high degree of uncertainty as to when all effects will subside and the recovery period will occur, and with it inflation rising to the ECB's target level, interest rates are maintained at extremely low values and in particular an effect on interest rate risk for the Group, due to the Covid -19 pandemic, did not occur.

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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:

	2020	2019
	BGN'000	BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	2 027 241	1 926 420
Equity instruments at fair value through other comprehensive income	83 766	72 618
Debt instruments measured at fair value through other comprehensive income	717 595	534 181
Debt instruments at amortized cost	6 259 232	5 963 489
Carrying amount	9 087 834	8 496 708

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

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

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

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

Group's policies regarding the banking activities

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

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

GENERAL RISKS AND UNCERTAINTIES

Cash, cash equivalents and cash balances in Central bank amounting to BGN 1 912 743 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 188 068 thousand are primarily deposits with international and Bulgarian financial institutions with a maturity of up to 7 days. These financial assets carry a credit risk with a maximum exposure of 20%, 50% and 100% according to the policy of the Group, the percentage being determined by the quality characteristics of the financial institution.

Claims under repurchase agreements amounting to BGN 359 672 thousand carry a credit risk for the Group, depending on the risk of the collateral being provided. Part of the receivables amounting to BGN 71 050 thousand is secured by government securities issued by the Republic of Bulgaria and bear 0% risk. The remaining receivables amounting to BGN 288 622 thousand are secured by corporate securities and carry respectively: BGN 280 464 thousand - 100% risk and BGN 8 158 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 267 652 thousand are equity instruments - shares in financial and non-financial corporations amounting to BGN 115 992 thousand, units in contractual funds amounting to BGN 143 101, debt instruments amounting to BGN 3 771 thousand and derivatives amounting to BGN 4 788 thousand. These financial instruments are credit risk holders whose maximum exposure is respectively BGN 237 284 thousand - 100% risk and BGN 30 368 thousand - 250% risk.

Equity securities measured at fair value in other comprehensive income of BGN 14 273 thousand represent shares in financial and non-financial corporations carrying credit risk with a maximum exposure of 100% or BGN 14 273 thousand in absolute amount.

Debt securities measured at fair value through other comprehensive income and issued by the Republic of Bulgaria in the amount of BGN 326 501 thousand bear 0% credit risk for the Group. Debt securities measured at fair value through other comprehensive income and issued by other countries in the amount of BGN 164 427 thousand carry credit risk for the Group depending on the credit risk of the issuing country.

Debt securities measured at fair value through other comprehensive income and issued by domestic and foreign companies in the amount of BGN 210 804 thousand carry credit risk for the Group, whose maximum percentage exposure is 100% or BGN 210 804 thousand in absolute amount.

Debt securities valued at amortized cost and issued by the Republic of Bulgaria have a carrying amount of BGN 213 466 thousand and carry 0% risk. Debt securities reported at amortized cost and issued by other countries and central banks have a carrying amount of BGN 214 415 thousand and carry credit risk for the Group depending on the credit rating of the issuing country.

Debt securities measured at amortized cost and issued by domestic and foreign companies with a carrying amount of BGN 35 408 thousand carry credit risk for the Group, whose maximum exposure in percentage is 100% or BGN 35 408 thousand in absolute amount.

Loans and advances to customers with a carrying amount of BGN 2 784 460 thousand carry credit risk for the Group. To determine the amount of the Group's exposure to this risk, an analysis of the individual risk for the Group arising from each specific exposure is performed, the Group applying the criteria for assessment and classification of risk exposures set out in the banking legislation of the Republic of Bulgaria and IFRS. According to these criteria and the performed analysis, the maximum exposure of the Credit Risk Group amounts to BGN 2 014 842 thousand.

As of 31 December 2020, the amount of the provisions formed by the Group to cover expected credit losses on loans and advances is BGN 35 881 thousand.

GENERAL RISKS AND UNCERTAINTIES

During the reporting period, the Group's activities were affected by the spread of a new coronavirus (Covid-19), and in early 2020, worldwide, there were difficulties in the business and economic activities of a number of enterprises and entire economic sectors.

In Bulgaria, the effects of this virus began to manifest themselves from the beginning of March 2020, and on 13 March 2020 the National Assembly decided to declare a state of emergency for a period of one month. On 24 March 2020, the Parliament adopted the Law on Measures and Actions during the State of Emergency, announced by a decision of the National Assembly of 13 March 2020, and on overcoming the consequences (Title, SG No. 44 of 2020, effective 14.05.2020) ". Subsequently, the state of emergency was extended for another month and remained in force until 13 May 2020.

After that date, on 13 May 2020, the Council of Ministers declared an epidemic emergency situation, as of 14 May 2020, which was extended periodically before its expiration. As of the date of preparation of these financial statements, the emergency epidemic situation is extended by the Government until 31 May 2021.

As the Group operates in a specific sector - the financial sector, where supply chain disruptions, traffic disruptions and quarantine measures are not directly affected, its activities were affected rather indirectly - through the effect on its customers and volatility in the prices of financial instruments owned by the Group.

In 2020, as well as as of the date of preparation of these financial statements, travel bans, quarantine measures and restrictions are in force. Businesses have to deal with challenges related to reduced revenues and disrupted supply chains. With the development of the second and third waves of the pandemic and the slow process of vaccination and extension of measures in EU countries (including Bulgaria) in the second quarter of 2021, there are objective obstacles to the activities of companies in individual economic sectors and a large dose uncertainty about when revenues and normal operations will be restored.

The Group's exposure to the most affected sectors, such as restaurant business and tourism services, is extremely insignificant, and the exposures to hotel business and transport are also with a low share in the portfolio and, as the financial condition of these clients is monitored in great detail. the credit risk for the entire life of the instruments, incl. there is also a positive effect of incentives at the government level and the proposed compensation schemes. The expected recovery after mid-2021, supported by vaccination and the introduction of vaccination passports, is expected to support the hotel business and related transport of tourists during the summer season in Bulgaria and the Republic of Northern Macedonia.

Throughout 2020, there was a high degree of uncertainty in assessing the impact of the coronavirus pandemic on the macroeconomic development of individual economies. Estimates ranged from catastrophic declines to near-forecast levels. Individual countries, depending on their approaches to dealing with the pandemic and the introduced closures ("lockdowns"), registered different elasticity of change of the individual macroeconomic indicators compared to the baseline forecasts made since the beginning of the year. Also of great importance were the support measures introduced in the various countries, which sought to largely support the income of employees in closed companies and to prevent rising unemployment and a collapse in consumption. To the extent that these measures varied in intensity, volume and success from country to country, the effect was different in terms of macroeconomic parameters. In relation to the listed factors influencing the assessment of the actual effects on the value and the assessments of the macroeconomic indicators, the macroeconomic scenarios used by the Group have not changed as a result of the pandemic.

In this situation, various governments, including the Bulgarian and the Republic of Northern Macedonia, have announced measures to provide both direct financial and non-financial assistance to the sectors and business organizations concerned. In a similar way, the various regulators - ECB, EBA, BNB - supported and stimulated the economy and the economic entities.

GENERAL RISKS AND UNCERTAINTIES

The Group introduced a moratorium on payments, according to the "Procedure for deferral and settlement of receivables from banks and their subsidiaries - financial institutions in connection with the actions taken by the authorities of the Republic of Bulgaria to limit the Covid-19 pandemic and their consequences."

The banking regulator in the Republic of Northern Macedonia applies a debt moratorium, allowing for the deferral of debts of clients whose activities have been affected by the coronavirus pandemic, without affecting the classification of loans in terms of their restructuring. This moratorium applies automatically to all banks and customers (those who explicitly wish to be excluded should declare this to the banks) and is valid for 6 months and provides an opportunity for bank customers who have serviced their obligations (overdue until 90 days) as of 29.02.2020 to use a grace period for loan payments, which increases the final maturity of the instruments.

Deferred payments under this procedure shall not be treated as a "restructuring measure" within the meaning of Article 47b of Regulation (EU) № 575/2013, nor as compulsory restructuring under Article 178 (3) of that Regulation. Where, in the course of monitoring exposures with a moratorium on payments, an indication of the likelihood of non-payment is identified, those exposures shall be classified at a higher stage in accordance with the applicable regulatory framework. The exposures in respect of which a moratorium on payments has been applied are identified in the information system of the Group, incl. Applied Deferral mechanism that facilitates tracking and monitoring of exposures.

With regard to the modifications accepted for relief of borrowers affected by the Covid-19 pandemic - in 2020 the Group implemented the current "Policy for classification, restructuring and reporting of exposures, credit risk holders". For the purposes of assessing the probability of non-payment - for customers for whom no moratorium on payments has been applied, the Group applies its internal policies for assessing the probability of non-payment. In the context of the Covid-19 pandemic and the measures taken to limit it, leading to sudden changes in the short-term economic outlook and lack of available and reliable information, as well as the unrepresentation of financial information in assessing the likelihood of default, Article 178 of Regulation (EU) № 575/2013, the Group shall take into account the information that is expected to have an impact for the entire duration of the exposures.

The Group's credit loss assessment models have not been modified in connection with the global Covid-19 pandemic, as their accuracy and adequacy depend on the risk parameters used to calculate the amount of expected credit losses.

In 2020, the quality of the Group's exposure portfolio remains very good and there is no increase in the share of non-performing exposures, the credit loss models used have adequately assessed the size of the ECL.

According to the current "Rules for acceptance, evaluation and management of collateral for credit transactions", collateral evaluations, incl. commercial real estate is updated every 12 months, and residential real estate - every three years. If necessary, it may also require more frequent updates, e.g. in case of a change in the parameters of a credit transaction or when the information at its disposal shows that their value has decreased significantly compared to the total market prices. Real estate appraisals are performed by independent certified appraisers. In the current pandemic environment affected by Covid-19, no dynamic adverse fluctuations in real estate prices have been observed, requiring a change in the policies for valuation of collateral accepted by the Group.

In connection with strategic and business planning, the Group's Management is intensively adapting its actions in 2020, and in accordance with the EBA Guidelines for the Management of Non-Serviced and Restructured Exposures, the Group is free in 2020 of historical non-performing exposures portfolios. thus reduce their share below the reference threshold of 5% on business lines and sub-portfolios and prepare for potential future deterioration of the quality of exposures and their classification into higher phases and a corresponding increase in impairments for credit losses. In the process of credit risk management, the level

GENERAL RISKS AND UNCERTAINTIES

of moratorium loans is monitored in great detail, as well as the assessment of the significant increase in credit risk for the entire term of the instruments, taking preventive actions to manage them, respectively classification and provisioning.

Assets quality

In the tables below, the Group presents the structure and the change in the adjustment for expected credit losses arising from the initial introduction of the expected credit loss model as of 01.01.2020 and 01.01.2019 and the change in the adjustment until the end of the financial period.

Impairment loss - Loans and advances to banks at amortized cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss on 1 January 2020	45	-	-	45
Change in impairment loss	(15)	-	-	(15)
Accrued for the period	28	-	-	28
Derecognised for the period	(43)	-	-	(43)
Write-off of impairment	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Impairment loss on 31 December 2020	30	-	-	30

Impairment loss - Loans and advances to banks at amortized cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss on 1 January 2019	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)
Write-off of impairment	-	-	(3 918)	(3 918)
Foreign exchange and other movements	-	-	24	24
Impairment loss on 31 December 2019	45	-	-	45

Impairment loss – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss on 1 January 2020	1 094	-	-	1 094
Change in impairment loss	151	-	-	151
Accrued for the period	1 245	-	-	1 245
Derecognised for the period	(1 094)	-	-	(1 094)
Impairment loss on 31 December 2020	1 245	-	-	1 245

Impairment loss – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss on 1 January 2019	208	-	-	208
Change in impairment loss	886	-	-	886
Accrued for the period	1 094	-	-	1 094
Derecognised for the period	(208)	-	-	(208)
Impairment loss on 31 December 2019	1 094	-	-	1 094

Impairment loss – Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss on 1 January 2020	11 046	801	67 940	79 787
Change in impairment loss recognised in Profit and loss	1 305	7	5 636	6 948
– Transfer to Stage 1	264	(81)	(183)	-
– Transfer to Stage 2	(32)	119	(86)	1
– Transfer to Stage 3	(11)	(26)	37	-
– Increase due to change in credit risk	-	106	932	1 038

GENERAL RISKS AND UNCERTAINTIES

– Decrease due to change in credit risk	(1 726)	(489)	(1 293)	(3 508)
– Increase due to originated or purchased assets	2 309	381	411	3 101
– Change in risk parameters	501	(3)	5 818	6 316
– Decrease due to derecognition for uncollectibility	-	-	(1 492)	(1 492)
– Decrease due to derecognition for transfer	-	-	(49 374)	(49 374)
– Interest income adjustment	-	-	(4)	(4)
– Currency differences and other adjustments	(1)	1	16	16
Impairment loss on 31 December 2020	12 350	809	22 722	35 881

	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 on 1 January 2019	13 120	1 889	99 925	114 934
Change in impairment loss recognised in Profit and loss	(2 074)	(1 088)	8 494	5 332
– 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)	8 059	5 294
– 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	-	-	348	348
Impairment loss on 31 December 2019	11 046	801	67 940	79 787

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Investments in debt securities at amortised cost				
Impairment loss on 1 January 2020	674	-	-	674
Change in impairment loss	(474)	-	-	(474)
Accrued for the period	85	-	-	85
Derecognised for the period	(559)	-	-	(559)
Impairment loss on 31 December 2020	200	-	-	200

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Investments in debt securities at amortised cost				
Impairment loss on 1 January 2019	411	-	-	411
Change in impairment loss	263	-	-	263
Accrued for the period	335	-	-	335
Derecognised for the period	(72)	-	-	(72)
Impairment loss on 31 December 2019	674	-	-	674

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Investments in debt securities at FVTOCI				
Impairment loss on 1 January 2020	3 179	-	-	3 179
Change in impairment loss	(445)	-	-	(445)
Accrued for the period	1 096	-	-	1 096
Derecognised for the period	(1 541)	-	-	(1 541)
Impairment loss on 31 December 2020	2 734	-	-	2 734

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Investments in debt securities at FVTOCI				
Impairment loss on 1 January 2019	1 616	-	-	1 616
Change in impairment loss	1 563	-	-	1 563
Accrued for the period	1 869	-	-	1 869
Derecognised for the period	(306)	-	-	(306)
Impairment loss on 31 December 2019	3 179	-	-	3 179

GENERAL RISKS AND UNCERTAINTIES

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Loan commitments				
Impairment loss on 1 January 2020	1 035	4	46	1 085
Change in impairment loss	(142)	-	34	(108)
Accrued for the period	675	27	104	806
Derecognised for the period	(817)	(27)	(70)	(914)
Currency and other movements	54	3	(57)	-
Impairment loss on 31 December 2020	947	7	23	977

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Loan commitments				
Impairment loss on 1 January 2019	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 on 31 December 2019	1 035	4	46	1 085

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Financial guarantee contracts				
Impairment loss on 1 January 2020	15	2	-	17
Change in impairment loss	12	(2)	-	10
Accrued for the period	25	2	-	27
Derecognised for the period	(13)	(4)	-	(17)
Impairment loss on 31 December 2020	27	-	-	27

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Impairment loss – Financial guarantee contracts				
Impairment loss on 1 January 2019	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 on 31 December 2019	15	2	-	17

In the tables below, the Group presents the structure and the change in the gross values of the asset categories as of 01.01.2020 and 01.01.2019 and their change 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
Carrying amount before impairment – Loans and advances granted to banks at amortised cost				
Gross carrying amount at 1 January 2020	232 360	-	-	232 360
Change in the gross carrying amount	(44 223)	-	-	(44 223)
Increase for the period	315 828	-	-	315 828
Decrease for the period	(360 051)	-	-	(360 051)
Wright-off	-	-	-	-
Other changes	(39)	-	-	(39)
Gross carrying amount at December 31 December 2020	188 098	-	-	188 098
Impairment loss at 31 December 2020	(30)	-	-	(30)
Carrying amount at 31 December 2020	188 068	-	-	188 068

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Carrying amount before impairment – Loans and advances granted to banks at amortised cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount at 1 January 2019	228 882	-	3 890	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	-	23	76
Gross carrying amount at December 31 December 2019	232 360	-	-	232 360
Impairment loss at 31 December 2019	(45)	-	-	(45)
Carrying amount at 31 December 2019	232 315	-	-	232 315

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount at 1 January 2020	304 324	-	-	304 324
Change in the gross carrying amount	56 593	-	-	56 593
Increase for the period	360 917	-	-	360 917
Decrease for the period	(304 324)	-	-	(304 324)
Gross carrying amount at December 31 December 2020	360 917	-	-	360 917
Impairment loss at 31 December 2020	(1 245)	-	-	(1 245)
Carrying amount at 31 December 2020	359 672	-	-	359 672

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount at 1 January 2019	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 December 31 December 2019	304 324	-	-	304 324
Impairment loss at 31 December 2019	(1 094)	-	-	(1 094)
Carrying amount at 31 December 2019	303 230	-	-	303 230

Loans and advances granted to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount at 1 January 2020	2 499 258	32 951	205 952	2 738 161
Change in the gross carrying amount	215 871	(5 551)	(37 452)	172 868
– Transfer to Stage 1	5 203	(3 793)	(1 410)	-
– Transfer to Stage 2	(7 448)	7 739	(291)	-
– Transfer to Stage 3	(2 628)	(1 590)	4 218	-
– Increase due to change in credit risk	22	88	53	163
– Decrease due to change in credit risk	(265 700)	(9 097)	(41 181)	(315 978)
– Increase due to originated or purchased assets	556 272	2 866	464	559 602
– Change in risk parameters	(69 850)	(1 764)	695	(70 919)
– Decrease due to write-off for uncollectibility	-	-	(1 492)	(1 492)
– Decrease due to write-off for transfer	-	-	(88 457)	(88 457)
– Interest income adjustment	-	-	(4)	(4)
– Currency differences and other adjustments	(694)	(37)	(4)	(735)
Gross carrying amount at 31 December 2020	2 714 435	27 363	78 543	2 820 341
Impairment loss at 31 December 2020	(12 350)	(809)	(22 722)	(35 881)
Carrying amount at 31 December 2020	2 702 085	26 554	55 821	2 784 460

Loans and advances granted to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount at 1 January 2019	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	-

GENERAL RISKS AND UNCERTAINTIES

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Loans and advances granted to customers at amortised cost				
– 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 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Carrying amount before impairment – Investments in debt securities at amortised cost				
Gross carrying amount at 1 January 2020	357 228	-	-	357 228
Change in the gross carrying amount	106 261	-	-	106 261
Increase for the period	307 727	-	-	307 727
Decrease for the period	(201 466)	-	-	(201 466)
Gross carrying amount at 31 December 2020	463 489	-	-	463 489
Impairment loss at 31 December 2020	(200)	-	-	(200)
Carrying amount at 31 December 2020	463 289	-	-	463 289

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Carrying amount before impairment – Investments in debt securities at amortised cost				
Gross carrying amount at 1 January 2019	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 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Carrying amount before impairment – Investments in debt securities at FVTOCI				
Gross carrying amount at 1 January 2020	567 573	-	-	567 573
Change in the gross carrying amount	148 433	-	-	148 433
Increase for the period	258 580	-	-	258 580
Decrease for the period	(110 147)	-	-	(110 147)
Gross carrying amount at 31 December 2020	716 006	-	-	716 006
Impairment loss at 31 December 2020	(2 734)	-	-	(2 734)

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Carrying amount before impairment – Investments in debt securities at FVTOCI				
Gross carrying amount at 1 January 2019	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)

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

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Total amount of loan commitments at 1 January 2020	238 300	339	453	239 092
Change in the amount of loan commitments	13 058	36	(227)	12 867
Increase for the period	60 804	187	77	61 068
Decrease for the period	(47 746)	(151)	(304)	(48 201)
Other movements	(248)	60	157	(31)
Total amount of loan commitments at 31 December 2020	251 110	435	383	251 928
ECL allowance at 31 December 2020	(947)	(7)	(23)	(977)

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Loan commitments				
Total amount of loan commitments at 1 January 2019	179 390	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	238 300	339	453	239 092
ECL allowance at 31 December 2019	(1 035)	(4)	(46)	(1 086)

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Financial guarantee contracts				
Total amount of guarantees at 1 January 2020	58 073	43	-	58 116
Change in the gross carrying amount	(3 258)	(43)	-	(3 301)
Increase for the period	12 999	-	-	12 999
Decrease for the period	(16 257)	(43)	-	(16 300)
Total amount of guarantees at 31 December 2020	54 815	-	-	54 815
ECL allowance at 31 December 2020	(28)	-	-	(28)

	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Financial guarantee contracts				
Total amount of guarantees at 1 January 2019	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	2020 BGN'000	2019 BGN'000
Loans and advances granted to banks at amortised cost	(30)	(45)
Receivables under repurchase agreements of securities	(1 245)	(1 094)
Loans and advances granted to customers at amortised cost	(35 881)	(79 787)
Investments in debt securities at amortised cost	(200)	(674)
Investments in debt securities at FVTOCI	(2 734)	(3 179)
	(40 090)	(84 779)

	2020		2019	
Loans and advances granted to customers	Gross carrying amount BGN'000	Impairment loss BGN'000	Gross carrying amount BGN'000	Impairment loss BGN'000
0-29 days	2 735 767	(13 659)	2 445 050	(11 651)
30-59 days	6 591	(441)	107 773	(738)
60-89 days	2 555	(67)	3 949	(143)
90-180 days	1 841	(424)	9 965	(948)
Over 181 days	73 587	(21 290)	171 424	(66 307)
Total	2 820 341	(35 881)	2 738 161	(79 787)

	2020 BGN'000	2019 BGN'000
Loans and advances granted to customers at amortised cost	2 820 341	2 738 161
Less impairment for uncollectibility	(35 881)	(79 787)
Total loans and advances granted to customers	2 784 460	2 658 374

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	31.12.2020			31.12.2019		
	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
Mortgages	616 209	(473)	615 736	563 284	(1 731)	561 553
Consumer loans	544 375	(6 400)	537 975	541 201	(9 796)	531 405
Credit cards	19 946	(984)	18 962	24 549	(2 043)	22 506
Other	2 304	(2 304)	-	2 679	(2 267)	412
Total retail banking	1 182 834	(10 161)	1 172 673	1 131 713	(15 837)	1 115 876
Corporate lending	1 637 507	(25 720)	1 611 787	1 606 448	(63 950)	1 542 498
Total	2 820 341	(35 881)	2 784 460	2 738 161	(79 787)	2 658 374

	2020			
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Placements with, and advances to, banks at amortised cost				
<i>Category</i>	188 098	-	-	188 098
Total gross carrying amount	188 098	-	-	188 098
Impairment loss	(30)	-	-	(30)
Carrying amount	188 068	-	-	188 068

	2019			
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	Total BGN'000
Placements with, and advances to, banks at amortised cost				
<i>Category</i>	232 360	-	-	232 360
Total gross carrying amount	232 360	-	-	232 360
Impairment loss	(45)	-	-	(45)
Carrying amount	232 315	-	-	232 315

GENERAL RISKS AND UNCERTAINTIES

Receivables under repurchase agreements of securities	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	360 917	-	-	360 917
Total gross carrying amount	360 917	-	-	360 917
Impairment loss	(1 245)	-	-	(1 245)
Carrying amount	359 672	-	-	359 672

Receivables under repurchase agreements of securities	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	304 324	-	-	304 324
Total gross carrying amount	304 324	-	-	304 324
Impairment loss	(1 094)	-	-	(1 094)
Carrying amount	303 230	-	-	303 230

Loans and advances to customers at amortized cost	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	2 714 435	27 363	78 543	2 820 341
Total gross carrying amount	2 714 435	27 363	78 543	2 820 341
Impairment loss	(12 350)	(809)	(22 722)	(35 881)
Carrying amount	2 702 085	26 554	55 821	2 784 460

Loans and advances to customers at amortized cost	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	2 499 258	32 951	205 952	2 738 161
Total gross carrying amount	2 499 258	32 951	205 952	2 738 161
Impairment loss	(11 046)	(801)	(67 940)	(79 787)
Carrying amount	2 488 212	32 150	138 012	2 658 374

Investments in debt securities at amortised cost	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	463 489	-	-	463 489
Total gross carrying amount	463 489	-	-	463 489
Impairment loss	(200)	-	-	(200)
Carrying amount	463 289	-	-	463 289

Investments in debt securities at amortised cost	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
<i>Category</i>	357 229	-	-	357 229
Total gross carrying amount	357 229	-	-	357 229
Impairment loss	(675)	-	-	(675)
Carrying amount	356 554	-	-	356 554

GENERAL RISKS AND UNCERTAINTIES

	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Investments in debt securities at FVTOCI				
<i>Category</i>	716 006	-	-	716 006
Total gross carrying amount	716 006	-	-	716 006
Impairment loss	(2 737)	-	-	(2 737)
	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Investments in debt securities at FVTOCI				
<i>Category</i>	567 573	-	-	567 573
Total gross carrying amount	567 573	-	-	567 573
Impairment loss	(3 179)	-	-	(3 179)
	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Loan commitments				
<i>Category</i>	251 110	435	383	251 928
Total gross carrying amount	251 110	435	383	251 928
Impairment loss	(947)	(7)	(23)	(977)
	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Loan commitments				
<i>Category</i>	238 301	339	453	239 093
Total gross carrying amount	238 301	339	453	239 093
Impairment loss	(1 035)	(4)	(46)	(1 085)
	2020			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Financial guarantee contracts				
<i>Category</i>	54 815	-	-	54 815
Total gross carrying amount	54 815	-	-	54 815
Impairment loss	(27)	-	-	(27)
	2019			Total BGN'000
	Stage 1 12-month ECL BGN'000	Stage 2 Lifetime ECL BGN'000	Stage 3 Lifetime ECL BGN'000	
Financial guarantee contracts				
<i>Category</i>	58 073	43	-	58 116
Total gross carrying amount	58 073	43	-	58 116
Impairment loss	(15)	(2)	-	(17)

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	2020	2019
	BGN'000	BGN'000
Concentration by sector		
Central banks	5 499	2 180
Bulgarian commercial banks	76 822	57 598
Foreign commercial banks	105 777	172 582
Total	188 098	232 360
Concentration by region		
Europe	178 404	228 493
America	3 132	406
Asia	6 562	3 461
Total	188 098	232 360
Receivables under repurchase agreements of securities	2020	2019
	BGN'000	BGN'000
Corporate:		
Construction	86 923	38 188
Commerce and finance	198 689	202 874
Transport and communications	20 827	20 571
Other	54 478	42 691
Total	360 917	304 324
Concentration by region		
Europe	360 917	304 324
Total	360 917	304 324
Investments in debt securities at amortised cost	2020	2019
	BGN'000	BGN'000
Concentration by sector		
States	421 552	319 454
Bank	31 040	26 879
Corporate:		
Commerce and finance	10 897	10 896
Total	463 489	357 229
Concentration by region		
Europe	453 828	347 579
Asia	9 661	9 650
Total	463 489	357 229
Investments in debt securities at FVTOCI	2020	2019
	BGN'000	BGN'000
Concentration by sector		
States	490 928	449 076
Corporate:		
Construction	53 372	10 118
Industry	30 578	16 772
Commerce and finance	115 276	63 225
Other	11 579	12 087
Total	701 733	551 278
Concentration by region		
Europe	701 733	551 278
Total	701 733	551 278
Loans and advances at amortised cost granted to customers	2020	2019
	BGN'000	BGN'000
Concentration by sector		
Retail banking:	1 182 834	1 131 713

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Mortgage	616 209	563 284
Consumer	544 375	541 201
Credit cards	19 946	24 549
Other	2 304	2 679
Corporate:	1 637 507	1 606 448
Agriculture and forestry	104 454	90 506
Industry	58 366	46 300
Construction	509 851	464 402
Commerce and finance	726 178	747 574
Transport and communications	126 429	145 111
Other	112 229	112 555
Total	2 820 341	2 738 161
Concentration by region		
Europe	2 820 189	2 738 092
America	5	5
Middle East and Africa	147	64
Total	2 820 341	2 738 161
Credit commitments	2020	2019
	BGN'000	BGN'000
Concentration by sector		
Retail banking:	54 446	53 562
Mortgage	1 239	1 374
Consumer	11 742	10 837
Credit cards	41 465	41 351
Corporate:	197 482	185 531
Agriculture and forestry	3 724	14 437
Industry	26 425	910
Construction	44 868	37 443
Commerce and finance	114 695	123 641
Transport and communications	4 161	3 537
Other	3 609	5 563
Total	251 928	239 093
Concentration by region		
Europe	251 895	239 059
America	29	34
Middle East and Africa	4	-
Total	251 928	239 093
Financial guarantee contracts	2020	2019
	BGN'000	BGN'000
Concentration by sector		
Retail banking:	146	162
Other	146	162
Corporate:	54 669	57 954
Agriculture and forestry	987	992
Industry	10 988	10 640
Construction	6 703	8 932
Commerce and finance	23 010	24 100
Transport and communications	8 140	7 918
Other	4 841	5 372
Total	54 815	58 116
Concentration by regions		
Europe	54 815	58 116
Total	54 815	58 116

Credit exposures with restructuring measures

As exposures with restructuring measures the Group accepts credit exposures that have modified the original terms of the contract caused by a deterioration in the financial condition of the debtor leading to the inability to repay the full amount of the debt in due time and which discounts the Group would not circumstances.

Amendments to the original terms of the contract in connection with the implementation of the restructuring measures may include:

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- 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;
- Partial or total debt write-off, which write-off leads to a reduction in the amount of the financial liability;
- 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:

2020	Corporate customers BGN'000	Individuals BGN'000
Amount before impairment	41 457	1 949
Impairment	(6 101)	(433)
Amount after impairment	35 356	1 516
2019	Corporate customers BGN'000	Individuals BGN'000
Amount before impairment	112 411	1 959
Impairment	(38 551)	(639)
Amount after impairment	73 860	1 320

Collaterals on loans granted

Housing mortgage loans to individuals

The table below presents the carrying amount of reported housing mortgage loans to individuals based on loan-to-value ratio. The ratio is calculated as a correlation of the gross amount of loan exposure to the collateral value. Collateral value on housing mortgage loans is determined upon loan granting and is updated in case of significant changes in the prices of real estate market.

Loan-to-value	2020 BGN'000	2019 BGN'000
Below 50%	148 095	121 631
From 50% to 75%	250 819	215 708
From 75% to 90%	146 350	161 425
From 90% to 100%	7 620	7 253
Above 100%	6 159	3 403
Total	559 043	509 420

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.

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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 holds cash to meet its liquidity needs for periods of up to 30 days. Funds for long-term liquidity needs are provided through loans in the appropriate amount and sale of long-term financial assets. As at 31 December 2020, the maturities of the Group's contractual obligations (containing interest payments, where applicable) are summarized as follows.

	Current	Non-current	
	Within 12 months	From 2 to 5 years	Over 5 years
	BGN'000	BGN'000	BGN'000
Bank and other loans	52 514	147 929	16 591
Related party payables	44 488	17 029	-
Lease liabilities	50 212	128 605	70 623
Liabilities to other depositors	4 426 091	1 741 817	964
Deposits from banks	66 092	-	-
Obligations under repo agreements	15 449	-	-
Liabilities under cession agreements	20 746	33 180	-
Trade and other payables	97 347	1 114	-
Total	4 772 939	2 069 674	88 178

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As at 31 December 2019 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	72 646	159 015	3 496
Related party payables	50 512	13 394	-
Lease liabilities	47 505	112 629	30 539
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	4 457 620	1 876 358	39 084

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.

Group's policies regarding the banking activities

The liquidity risk arises from the discrepancy between the maturity structure of assets and liabilities and the lack of sufficient funds, with which the Group has to meet payments on current financial liabilities, as well as to provide financing for the increase of financial assets, and possible claims on off-balance sheet liabilities.

Adequate liquidity is achieved when the Group is able to provide sufficient funds for these purposes, by increasing liabilities or converting assets as quickly as possible at relatively low cost, by selling liquid assets or attracting additional funds from the money, capital or foreign exchange markets. The preventive function in liquidity risk management is to maintain an acceptable level of liquidity to provide protection against possible losses in case of unforeseen sale of assets. The specialized collective body for liquidity management in the Group is the Assets and Liabilities Management Committee. The Committee implements the liquidity risk management policy adopted by the Group's management.

Quantitative measure of the liquidity risk according to the regulations of the BNB and EBA is the Liquid Coverage Ratio - the LCR indicator. This ratio represents the excess of the liquidity buffer (liquid assets) of the Group over net outflows.

The Group's liquidity coverage ratio as at 31.12.2020 amounted to 382.82% (31.12.2019: 494.14%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2020 based on their residual maturity is as follows:

	Up to 1 month BGN'000	1 to 3 months BGN'000	3 months to 1 year BGN'000	1 to 5 years BGN'000	Over 5 years BGN'000	Total BGN'000
FINANCIAL ASSETS						
Cash and cash balances with the Central Bank	1 912 743	-	-	-	-	1 912 743
Placements with, and advances to banks	185 150	-	-	-	2 918	188 068
Receivables under repurchase agreements	122 659	120 456	116 557	-	-	359 672
Financial assets at fair value through profit or loss	17 053	-	245 927	-	4 672	267 652
Loans and advances to customers, net	33 819	36 013	296 599	1 435 795	982 234	2 784 460
Financial assets measured at fair value in other comprehensive income	753	34 106	22 879	313 792	344 476	716 006
Financial assets at amortized cost	9 280	12 634	46 527	127 321	267 527	463 289

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TOTAL FINANCIAL ASSETS	2 281 457	203 209	728 489	1 876 908	1 601 827	6 691 890
FINANCIAL LIABILITIES						
Deposits from banks	66 052	-	-	-	-	66 052
Liabilities to other depositors	2 894 855	414 560	1 132 674	1 747 894	964	6 190 947
Issued bonds	-	-	-	-	25 451	25 451
Provisions for liabilities	-	-	1 003	-	-	1 003
Other liabilities	11 167	2 314	9 693	24 167	13 819	61 160
TOTAL FINANCIAL ASSETS	2 972 074	416 874	1 143 370	1 772 061	40 234	6 344 613

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 months to 1 year	1 to 5 years	Over 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
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	1 297 609	922 258	2 658 374
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	1 642 528	1 455 283	6 148 907
FINANCIAL LIABILITIES						
Deposits from banks	26 112	-	-	-	-	26 112
Received loans and other liabilities to banks	-	162	-	-	-	162
Liabilities to other depositors	2 621 551	367 766	1 156 301	1 554 003	5 049	5 704 670
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	2 671 018	370 265	1 164 419	1 599 503	20 911	5 826 116

In the tables above a part of the attracted funds on current accounts with no residual maturity amounting to BGN 1 665 762 thousand as at 31 December 2020 (2019: BGN 1 538 187 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 2020 and 2019.

The global pandemic of Covid-19 coronavirus has no direct effect on the Group's liquidity in banking, as the liquidity position measured by liquidity coverage is several times above the regulatory requirement. There are no outflows of funds from clients, whereas, the funds attracted from other depositors increase their annual growth to 9%.

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:

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- 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 2020	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	1 571 955	7 696	447 590	2 027 241
Equity instruments at fair value through other comprehensive income	24 573	754	58 439	83 766
Debt instruments measured at fair value through other comprehensive income	661 489	-	56 106	717 595
Total assets	2 258 017	8 450	562 135	2 828 602
Liabilities				
Derivatives	-	-	-	-
Total liabilities	-	-	-	-
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

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 securities and bonds

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).

d) loans in BGN

The fair value of loans is determined using valuation techniques.

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:

31 December 2020	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
Land, building and machines and equipment	-	-	440 485	440 485
31 December 2019	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
Land, building and machines and equipment	-	-	421 263	421 263

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 2020.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

**Investment property
BGN'000**

GENERAL RISKS AND UNCERTAINTIES

Balance at 1 January 2020	421 263
Gains or losses recognised in profit or loss	
- change in fair value of investment property	1 717
Loss from change in the fair value of investment property	(1 256)
Acquisitions and reclassifications	18 821
Disposals and reclassifications	(60)
Balance as at 31 December 2020	440 485
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	461

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:

	2020	2019
	BGN'000	BGN'000
Shareholders' equity	1 804 345	1 714 904
Equity	1 804 345	1 714 904
Debt	8 919 098	8 231 067
- Cash and cash equivalents	(2 221 632)	(2 136 035)
Net debt	6 697 466	6 095 032
Capital to net debt	1:3.71	1:3.55

In 2020 the change in the ratio is minimal. The Group has complied with its contractual obligations including the maintenance of certain capital ratios.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

The consolidated corporate governance statement of the Group of Chimimport AD is prepared pursuant 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 2020 and have been published at 31 March 2021.

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 of 18 January 2008, Chimimport AD embraced the National Corporate Governance Code and conducts its activity in accordance with the set principles and provisions. All public companies in the Group comply with the National Corporate Governance Code.

In its activities the Group of 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

The Group of 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 companies in the group 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.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

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.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

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 2021, 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.

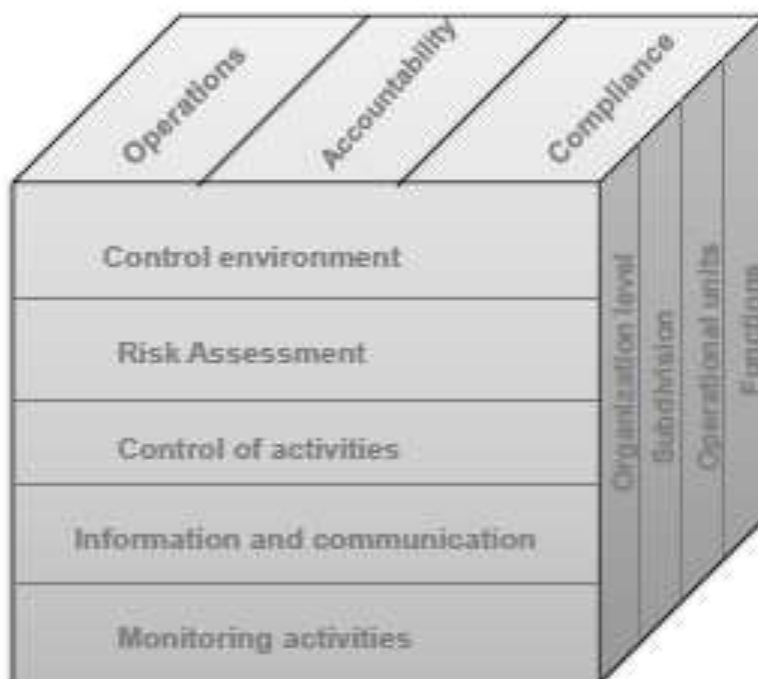
The main components of internal control systems are:

- Control environment
- Risk Assessment
- Activity control

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

- Information and communication
- monitoring activities

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 2020 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;

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

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

- 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.
- 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,

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

- 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

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

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 30 September 2020, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Petar Krasimirov Terziev (Chairman), Veselina Petrova Stefanova and Elena Milcheva Karakasheva under Article 107, Paragraph 1 of the Independent Financial Audit Act. (promulgated SG, issue 95 of 29.11.2016)

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.

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

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

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 2020, 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 2020 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.

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

	Ordinary shares As a t 31.12.2020 number	Ordinary shares As a t 31.12.2020 %
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.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

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 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 2020.

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;

NON-FINANCIAL DECLARATION

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.

NON-FINANCIAL DECLARATION

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.

Employees are required to comply with the Anti-Money Laundering Measures Act, the Regulations for the Implementation of the Anti-Money Laundering Measures Act, the Anti-Terrorist Financing Measures Act and the internal rules for control and prevention of money laundering and terrorist financing

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 of 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 have 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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www.x3news.com

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

www.chimimport.bg



USEFUL LINKS

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

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

Central Depository
<http://www.csd-bg.bg/>

Bulgarian National Bank
<http://www.bnb.bg/>

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