Consolidated Financial Statements
Consolidated Management Report
Consolidated Non-financial Declaration
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Independent Auditor’s Report

CHIMIMPORT AD

31 December 2022

CHIMIMPORT
PUBLIC HOLDING COMPANY

Contents

Consolidated statement of financial position as at 31 December

Assets	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Property, plant and equipment	9	324 835	356 785
Right of use assets	10	405 602	417 952
Investment property	11	546 637	524 884
Goodwill	12	23 737	23 774
Other intangible assets	13	108 048	124 562
Deferred tax assets	14	18 922	10 845
Investments accounted for using the equity method	7	26 476	26 772
Loans and advances to bank customers	15	3 188 328	3 049 092
Financial assets at fair value through profit or loss	16	2 181 356	2 042 970
Debt instruments at fair value through other comprehensive income	17	559 445	859 441
Equity instruments at fair value through other comprehensive income	18	93 684	70 426
Other financial assets carried at amortized cost	19	2 034 612	1 557 996
Receivables from insurance and reinsurance contracts	21	58 894	49 999
Reinsurance assets	30	73 905	69 054
Tax receivables	20	3 083	1 780
Other receivables	22	29 417	25 566
Inventories	23	61 331	54 300
Cash and cash equivalents	24	2 180 578	2 380 922
Total assets		**11 918 890**	**11 647 120**

The consolidated financial statements are approved for issue by decision of the Managing Board on 02.08.2023.

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With auditor's report:

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Mariy Apostolov
Registered auditor responsible for the audit
Managing Partner
Grant Thornton OOD, audit firm, registered number 032

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

Equity and liabilities	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Equity			
Share capital	25.1	226 463	226 463
Premium reserve	25.2	246 309	246 309
Other reserves	25.3	294 171	300 696
Retained earnings		567 873	711 351
Profit for the year		37 246	35 293
Equity attributable to the shareholders of Chimimport AD		**1 372 062**	**1 520 112**
Non-controlling interest	6.1	314 349	330 655
Total equity		**1 686 411**	**1 850 767**
Liabilities			
Liabilities to depositors	26	7 315 692	6 917 880
Other financial liabilities	27	461 471	522 103
Payables to insured individuals	28	1 757 026	1 708 674
Pension and other employee obligations	29.2	18 411	17 648
Deferred tax liabilities	14	29 117	37 638
Insurance reserves	30	254 889	238 896
Liabilities under insurance and reinsurance contracts	31	31 698	25 986
Lease liabilities	32	305 454	280 979
Tax liabilities	33	6 106	6 514
Other liabilities	34	52 615	40 035
Total liabilities		**10 232 479**	**9 796 353**
Total equity and liabilities		**11 918 890**	**11 647 120**

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

	Note	2022 BGN'000	2021 BGN'000
Revenue from non-financial activities	35	408 854	349 062
Change in fair value of investment property	11	4 995	2 624
Gain on sale of non-current assets	36	29 007	58
Total revenue from non-financial activities		**442 856**	**351 744**
Insurance income	37	228 421	219 508
Insurance expense	38	(178 421)	(153 395)
Net result from insurance		**50 000**	**66 113**
Interest income	39	186 847	169 089
Interest expense	40	(40 143)	(37 942)
Net interest income		**146 704**	**131 147**
Net result from operations with financial instruments	41	(40 276)	80 756
Operating and administrative expenses	42	(641 807)	(564 006)
Gain from investments accounted for using the equity method	7	5 497	4 315
Other financial income	43	79 201	79 671
Income from allocation to social security accounts		16 256	(98 663)
Profit before tax		**58 431**	**51 077**
Income tax expense	44	(8 594)	(5 898)
Net profit for the year		**49 837**	**45 179**
Other comprehensive loss:			
Revaluation of financial assets, net of taxes		(30 558)	(4 667)
Remeasurement of defined benefit plan liability, net of taxes		353	(105)
Other comprehensive loss, net of taxes		**(30 205)**	**(4 772)**
Total comprehensive income for the year		**19 632**	**40 407**
Net profit for the year attributable to:			
The shareholders of Chimimport AD		37 246	35 293
Non-controlling interest		12 591	9 886
Total comprehensive income attributable to:			
The shareholders of Chimimport AD		12 213	31 618
Non-controlling interest		7 419	8 789
Earnings per share in BGN	45	0.16	0.15

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

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2022	**226 463**	**246 309**	**300 696**	**746 644**	**1 520 112**	**330 655**	**1 850 767**
Effect of change in accounting policy (Note 5)	-	-	-	(169 623)	(169 623)	-	**(169 623)**
Balance at 1 January 2022	**226 463**	**246 309**	**300 696**	**577 021**	**1 350 489**	**330 655**	**1 681 144**
Business combinations	-	-	(12 884)	22 244	9 360	(23 725)	**(14 365)**
Transactions with owners	**-**	**-**	**(12 884)**	**22 244**	**9 360**	**(23 725)**	**(14 365)**
Profit for the year	-	-	-	37 246	37 246	12 591	**49 837**
Other comprehensive loss	-	-	(25 033)	-	(25 033)	(5 172)	**(30 205)**
Total comprehensive income for the year	**-**	**-**	**(25 033)**	**37 246**	**12 213**	**7 419**	**19 632**
Transfer of retained earnings to other reserves	-	-	31 246	(31 246)	-	-	**-**
Change in specialized reserves	-	-	146	(146)	-	-	**-**
Balance at 31 December 2022	**226 463**	**246 309**	**294 171**	**605 119**	**1 372 062**	**314 349**	**1 686 411**

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

All amounts are presented in BGN'000	**Equity attributable to the shareholders of Chimimport AD Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2021	**226 604**	**246 462**	**287 583**	**722 081**	**1 482 730**	**321 615**	**1 804 345**
Decrease in share capital and reserves resulting from change in own shares held by subsidiaries	(141)	(153)	-	-	(294)	-	**(294)**
Business combinations	-	-	1 138	6 028	7 166	769	**7 935**
Transactions with owners	**(141)**	**(153)**	**1 138**	**6 028**	**6 872**	**769**	**7 641**
Profit for the year	-	-	-	35 293	35 293	9 886	**45 179**
Other comprehensive income	-	-	(3 675)	-	(3 675)	(1 097)	**(4 772)**
Total comprehensive income for the year	**-**	**-**	(3 675)	35 293	31 618	8 789	**40 407**
Transfer of retained earnings to other reserves	-	-	16 394	(16 394)	-	-	**-**
Change in specialized reserves	-	-	(744)	744	-	-	**-**
Other changes	-	-	-	(1 108)	(1 108)	(518)	**(1 626)**
Balance at 31 December 2021	**226 463**	**246 309**	**300 696**	**746 644**	**1 520 112**	**330 655**	**1 850 767**

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Consolidated statement of cash flows for the year ended 31 December

	Note	2022	2021
Operating activities		**BGN'000**	**BGN'000**
Proceeds from short-term loans		173 928	66 485
Payments for short-term loans		(160 162)	(55 043)
Proceeds from sale of short-term financial assets		318 517	450 394
Purchase of short-term financial assets		(581 819)	(419 927)
Cash receipt from customers		427 153	247 817
Cash paid to suppliers		(328 455)	(230 348)
Proceeds from insured persons		194 330	186 106
Payments to insured persons		(109 064)	(123 625)
Payments to employees and social security institutions		(118 378)	(120 074)
Cash receipts from bank operations		74 666 494	61 220 020
Cash paid for bank operations		(74 306 880)	(60 782 527)
Cash receipts from insurance operations		193 094	179 971
Cash paid for insurance operations		(141 462)	(133 412)
Income taxes paid		(2 686)	(1 012)
Other cash inflows/(outflows)		4 472	(5 280)
Net cash flow from operating activities		**229 082**	**479 545**
Investing activities			
Sale/(purchase) of subsidiaries		2 200	(100)
Dividends from financial assets received		19 210	30 805
Sale of property, plant and equipment		60 883	1 084
Purchase of property, plant and equipment		(77 790)	(22 297)
Purchase of intangible assets		(495)	(5 174)
Sale of investment property		2 029	1 544
Purchase of investment property		(10 759)	(7 215)
Sale of non-current financial assets		508 582	396 109
Purchase of non-current financial assets		(895 842)	(756 352)
Interest payments received		39 579	22 664
Proceeds from loans granted		56 444	11 481
Payments for loans granted		(63 515)	(2 207)
Other cash inflows		6 626	1 121
Net cash flow from investing activities		**(352 848)**	**(328 537)**
Financing activities			
Purchase of own shares		-	(126)
Proceeds from loans received	49	7 340	55 692
Payments for loans received	49	(34 110)	(30 383)
Interest paid	49	(5 246)	(4 808)
Payments for lease contracts		(47 929)	(15 844)
Other cash outflow		(1 369)	(864)
Net cash flow from financing activities		**(81 314)**	**3 667**
Net change in cash and cash equivalents		(205 080)	154 675
Cash and cash equivalents, beginning of year		**2 380 922**	**2 221 632**
Exchange gain on cash and cash equivalents		4 736	4 615
Cash and cash equivalents, end of year	24	**2 180 578**	**2 380 922**

The consolidated financial statements are approved for issue by decision of the Managing Board on 02.08.2023.

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Managing Partner

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Notes to the consolidated financial statements

1. Nature of operations

Chimimport AD (the Group) includes the parent company and all subsidiaries, presented in note 6.1. Information about the names, country of incorporation and percent of the shares of the subsidiaries, included in the consolidation, is provided in note 6.1.

The main activities of the Group include the following sectors:

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

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990 with UIC 000627519 and no term limit. The registered office of the Company is 2 St. Karadzha Str., Sofia, Bulgaria. The address of the Company is 2 St. Karadzha Str., Sofia, Bulgaria. The Company is registered on the Bulgarian Stock Exchange on 30 October 2006 with emission numbers 6C4 for ordinary shares.

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

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

- Invest Capital AD
- CCB Group EAD
- Mariana Bazhdarova

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

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

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

The number of employees of the Group as at 31 December 2022 is 4 534.

During the current and the comparative period, there is no change in the company name of the parent.

2. Basis for the preparation of the consolidated financial statements

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

The parent company Chimimport AD issued audited separate financial statements on 15 June 2023.

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

All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2021) unless otherwise stated.

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

2.1. Macroeconomic framework, Covid-19 and the military conflict in Ukraine

The economic environment in 2022 has been shaped by the recovery from the Covid-19 pandemic, the military conflict in Ukraine, the sharp rise in prices and the reversal of the interest rate cycle. Due to the recovery from the Covid-19 pandemic and the military conflict in Ukraine, oil and commodity prices have risen. The military conflict in Ukraine on a global scale caused new interruptions and restrictions on the supply of goods, food and raw materials, which caused further price increases.

Inflation with subsequent monetary tightening and the energy crisis are the basis of the economic slowdown in the European Union in the last quarter. Price pressures intensified and widened in 2022, with inflation hitting record highs in recent decades.

The Bulgarian economy slows down the growth after mid-2022 and the annual growth decreases quarter by quarter with the following values: 3.7%, 4.3%, 3.1% and 2.1%. Under the influence of external demand, the recovery of the Bulgarian economy in the first half of 2022 exceeded expectations. At the end of 2022, the share of government debt to GDP is 22.9% (2021: -23.4%), and according to preliminary data, the budget deficit on an accrued basis is 2.9%. The labour market in our country is stable with a low unemployment rate of 4.7%.

In 2022, the Covid-19 pandemic has gradually subsided, and its economic consequences are being overcome.

The conflict between Russia and Ukraine has had a significant impact on the global economy in various ways, mainly related to the prices of energy resources. Rising prices and inflation in the global economy are likely to have a wide-ranging impact on the Group related to its business model, supply chain, legal and contractual issues, employees, consumers and working capital.

The Group has reviewed the exposure to increased credit risk in relation to counterparties operating in the affected territories, including and from the imposed sanctions. The Group's management analyses all facts and circumstances regarding the current activity and operations with these counterparties. During the period, an expected credit loss was recognized in accordance with the Group's accounting policy.

Rising prices and inflation in the global economy are likely to have a wide-ranging impact on the Group related to its business model, supply chain, legal and contractual issues, consumers and working capital. The Group expects an increase in operating expenses, which may lead to an indexation of the holding fees it collects from subsidiaries. In 2022, interest rates on bank loans have not been changed.

2.2. Going concern principle

The consolidated financial statement is prepared under the going concern principle.

In 2022, a gradual recovery began of the activity levels of the companies from the aviation sector, owned by the subsidiary Bulgarian Airways Group EAD, which were among the most affected by the Covid-19 pandemic as operating in the aviation industry and providing services accompanying this sector. This process took place with the commencement of hostilities in Ukraine, which led to restrictions on activities related to bans on the entry of aircraft from Russia and the suspension of travel to and from Russia. In addition to geopolitical uncertainty, there has also been a deterioration in the overall macroeconomic environment, with prices of energy, raw materials, goods and services rising significantly. All these factors have an impact on the rate of recovery of aviation activity, accompanying services and related cash flows and accordingly affect the companies operating in the sector of aviation and its accompanying services.

The Group's management will continue to monitor the potential effects on all economic sectors and other countries in the region, and in particular those related to the activity of its investments, taking all necessary measures to limit potential future negative effects on the financial position and the results of its operations in 2023. The change in the business environment as a result of the negative effects in the aviation sector and its accompanying services could lead to a potential negative change in the balance sheet values of the assets and liabilities, and the results of the Company's operations and its investments , which in the individual financial statement are estimated after making a number of judgments and assumptions by the management, taking into account the most reliable information available at the date of the estimates.

In these conditions, the Group's management made an analysis and assessment of the Group's ability to continue its activity as a going concern based on the available information for the foreseeable future. Management expects that the Group has sufficient financial resources to continue its operations for the foreseeable future and continues to apply the going concern principle in the preparation of the consolidated financial statements.

3. Changes in accounting policy

3.1. New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2022

Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU

- IFRS 3 Business Combinations – Update on references to the Conceptual Framework with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.
- IAS 16 Property, Plant and Equipment – „Proceeds before Intended Use“ amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Group recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements 2018-2020 effective from 1 January 2022 adopted by the EU

- IFRS 1 First-time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- IFRS 9 Financial Instruments - The amendment clarifies which fees the Group includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An Group includes only fees paid or received between the Group (the borrower) and the lender, including fees paid or received by either the Group or the lender on the other’s behalf.
- IFRS 16 Leases - The amendment to IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

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

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

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

IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU
IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:

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

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income.
The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by the EU
The Group is required to disclose its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of an Group's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU
The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.
The amendments will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 adopted by the EU
An Company applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023 adopted by the EU
The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective not earlier than 1 January 2024 not yet adopted by the EU
The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the consolidated statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether the Group will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU
Amendments to IFRS 16 requires a Group seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not adopted by the EU
IFRS 14, “Regulatory deferral accounts” permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

4. Summary of accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of consolidated financial statements

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

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

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

In 2022, one comparative period is presented, as no restatements to the presentation of the elements of the consolidated financial statements and the corresponding comparative information. In case there are adjustments to the classification of the elements of the consolidated financial statements, relevant comparative information has also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The consolidated financial statements of the Group have consolidated the financial statements of the parent and subsidiary companies as of 31 December 2022. Subsidiaries are all entities that are under the control of the parent. There is control when a parent is exposed to, or has rights over, the variable return on its participation in the investee and has the potential to impact on that return by virtue of its powers over the investee. All subsidiaries have a reporting period ending on 31 December.

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

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

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

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

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

4.4. Climate-related matters

The Group takes into account the importance of environmental issues and climate risk, striving to carry out its activities in a way that guarantees the protection of the environment and to comply with all laws and regulations aimed at ecological balance. Legislators, regulators and users of non-financial information are currently paying a lot of attention to climate change. The EU has adopted the European Green Deal to transition to a more sustainable economic and financial system, and in the coming years detailed climate change reporting requirements will become applicable as part of European sustainability reporting standards under the upcoming Corporate Reporting Directive.

Risks induced by climate changes may have future adverse effects on the Group's business activities. These risks include transition risks (e.g., regulatory changes and reputational risks) and physical risks. How the subsidiaries and associated companies of the Group operate their businesses may be affected by new regulatory constraints on the CO2 emissions it generates. Some of the subsidiaries and associated companies are engaged in purchasing emission allowances according to Directive 2003/87/EC, ETS Directive - last amended by Directive (EU) 2018/410, thereby making a significant contribution to reducing the risks of carbon displacement emissions and are stimulating decarbonisation, through the inclusion of benchmarks for free allocation of emissions based on the performance of the best performing enterprises in a given sector. This aims to encourage efficient operators to improve their performance while rewarding those who achieve good results.

The main activity of the Group is aimed at qualitative and quantitative increase in the volume of projects in all sectors in which the companies of its Group operate, development of modern, management strategies and their immediate implementation through its subsidiaries. At the moment, most companies in the group of the most vulnerable segments have established and detailed measures to overcome changes of a climatic nature, as well as ways to reach the NetZero level of carbon emissions.

The activity of the Group is in accordance with the minimum limits under Art. 18 of Regulation/EU/2020/852 of the EP and of the Council and respects the principle "of not causing significant damage".

The effects of climate change can be in the context of two perspectives - the impact that a business can have through its activity on the climate, and the impact that climate change can have on its economic activity.

In the event of climate change actions in the future directly affecting the business, Group undertakes to analyse the impact on the climate and reduce its carbon emissions, if any, by 50% by 2030 and to be carbon neutral no later than 2050.

Consistent with the prior year, as at 31 December 2022, the Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management of the Group continuously assesses the impact of climate-related matters on the different segments.

Assumptions could change in the future in response to forthcoming environmental regulations, new commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Group's future cash flows, financial performance and financial position.

The Group's subsidiaries in the banking sector will set targets for exposures in the main business segments that meet the requirements for "green" lending. As of the end of 2022, an analysis of the customers and the corporate credit portfolio is underway, with the Bank examining and classifying customers with economic activity that meets the requirements of "contributing significantly to the mitigation of climate change or to adaptation to climate change" according to Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council.

As of December 31, 2022, the Group discloses the data in accordance with the requirements of Art. 10 (3) of Delegated Regulation (EU) 2021/2178 on Taxonomy Eligible Economic Activities in its Non-Financial Declaration.

Undoubtedly, dealing with the risks arising from climate change and environmental degradation and achieving goals for a sustainable economy will be among the main challenges for the Group in the coming years in the context of a changing regulatory framework that has placed even greater emphasis on the topic of climate risk and sustainable reporting requirements.

In 2023, the Group will continue its work on developing and adapting its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. In this way, compliance of the taxonomy with the main economic activities and directions of development will be achieved, so that the Group can prepare in a timely manner and adequately for the increased reporting and disclosure requirements that will come into force in 2024.

4.5. Business combinations

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

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IFRS 9 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

4.6. Transactions with non-controlling interest

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

4.7. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

4.8. Foreign currency transactions

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

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

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

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

The Bulgarian lev is pegged to the euro in the ratio of 1 EUR = 1.95583 BGN.

4.9. Segment reporting

The Group operates in the following operating segments:

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

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

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

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

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

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

4.10. Revenue

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

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

Any promise to transfer goods and / or services that are identifiable (on their own and in the context of the contract) is reported as a performance obligation.

The Group recognizes revenue for each separate performance obligation for an individual contract with a client by analysing the type, term and conditions of each particular contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if their grouping in a portfolio would not have a materially different effect on the financial statements. Typically, contracts with clients of the Group include one performance obligation.

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

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

Measurement

Revenue is measured based on the transaction price specified for each contract.

When determining the transaction price, the Group considers the terms of the contract and its usual business practices.

The transaction price is the amount of the consideration the Group expects to be entitled to in exchange for the transfer of the promised goods or services to the buyer, except for amounts collected on behalf of third parties (e.g., VAT). The price specified in the contract with the buyer may include fixed amounts, variable amounts, or both.

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

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

Principal or agent

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

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

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

Trade receivables and contract assets

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

Contract asset is the Group’s right to receive remuneration in exchange for the goods or services it has transferred to the client, but which is unconditional (charge for the receivable). If, through the transfer of the goods and / or the providing of the services, the Group fulfils its obligation before the client pays the relevant consideration and / or before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

Contract liabilities

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

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

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

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

4.10.1. Revenue recognized over time

Rendering of services

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

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

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

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

Revenue from aviation

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

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

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

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

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

4.10.2. Revenue recognized at a point in time

Sale of goods and production

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

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

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

4.10.3. Other revenue of the Group

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

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

The recognition and reporting are as follow:

Bank activity

Interest income and interest expenses

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

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

- Interest from financial assets and liabilities at amortized cost calculated on the basis of the effective interest rate;
- Interest from financial assets, at fair value through other comprehensive income (FVTOCI), calculated on the basis of an effective interest rate
- Interest from financial assets at fair value through profit or loss.

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

Fees and commissions

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

Fees and commissions consist mainly of bank transfer fees in the country and abroad, account maintenance fees, credit exposures, off-balance sheet and other revenue.

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

Revenue from insurance activities

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

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

Revenue from government grants

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

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

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

4.11. Operating expenses

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

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

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

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

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

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

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

Cost of insurance activity

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

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

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

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

4.12. Interest expenses and borrowing costs

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

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

4.13. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 4.4 for information on how goodwill is initially determined. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.17 for a description of impairment testing procedures.

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

4.14. Intangible assets

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

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

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

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

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

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

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

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

4.15. Property, plant and equipment and right of use assets

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

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

Subsequent measurement of assets of a group of aircraft, including use-owned assets belonging to the same group, is subsequently measured at revalued amount, which is equal to the fair value at the date of revaluation, less any subsequent accumulated depreciation and amortization and impairment losses. Revaluations are presented in the statement of other comprehensive income and are reported at the expense of equity as a revaluation reserve, if not preceded by previously accrued expenses. Upon sale or write-off of the revalued asset, the remaining revaluation reserve is recorded at the expense of retained earnings.

The revaluation value of a group of aircraft is determined on the basis of reports prepared by independent licensed appraisers and is determined every 3 years. When fair values change significantly over a shorter period, revaluations may be made more frequently.

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

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

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

Right of use assets related to lease agreements for aircraft and spare engines are divided into key components based on their value and technical characteristics. The useful lives of the key components of the asset are determined depending on the state of maintenance of those components of the aircraft and continue until the relevant component of the aircraft meets the return conditions set out in the lease. The useful life of components that are not related to the state of maintenance of the underlying assets is the lease term.

Accounting for maintenance costs of aircrafts:

Amounts related to aircraft maintenance (maintenance reserves) are recognized either as current expenses for the period or as part of the value of the respective asset depending on the nature of the repair or maintenance.

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

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

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

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

4.16. Leases

4.16.1. Leased assets

The Group as a lessee

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

The Group as a lessor

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

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

4.17. Impairment testing of assets

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

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

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

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

4.18. Investment property

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

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

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

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

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

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

Rental income and operating expenses related to investment property are presented in the consolidated statement of profit or loss and other comprehensive income in the line “Income from non-financial activities” and the line “Operating and administrative expenses”, respectively, and are recognized as described. in note 4.10 and note 4.11.

4.19. Assets from exploration and evaluation of mineral resources

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

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

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

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

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

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

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

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

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

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

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

4.20. Financial instruments

4.20.1. Recognition and derecognition

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

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

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

4.20.2. Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

4.20.3. Subsequent measurement of financial assets

Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

The financial assets at FVOCI include:

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

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

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

4.20.4. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Trade and other receivables, contract assets and finance lease receivables

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

Financial assets at fair value through other comprehensive income

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

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

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

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

4.20.5. Reclassification of financial instruments

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

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

4.20.6. Gain or loss on financial instruments

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

a) it is part of a hedging relationship

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

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

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

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

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

4.20.7. Modification of contractual cash flows of a financial asset

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

4.20.8. Classification and measurement of financial liabilities

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

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

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

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

4.20.9. Derecognition of financial instruments

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

4.21. Derivative financial instruments

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

4.22. Receivables and liabilities under repurchase agreements

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

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

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

4.23. Provisions for credit related contingent liabilities

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

4.24. Inventory

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

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

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

4.25. Income taxes

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

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

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

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.38.1.

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

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

4.26. Cash and cash equivalents

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

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

4.27. Equity, reserves and dividend payments

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

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

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

Revaluation reserve of non-financial assets includes unrealized gains or losses from revaluation of non-financial assets.

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

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

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

4.28. Social security and pension contracts

The pension insurance company of the Group manages and represents five pension funds for supplementary pension insurance – Voluntary, Professional, Universal, Lifetime Pension and Deferred Payments.

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

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

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

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

The insurance payments are based on:

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

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

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

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

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

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

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

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

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

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

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

The insurance contract is terminated in the following cases:

- Upon death of the insured;
- When withdraw all accumulated amounts in the individual batch of the insured person after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code, if not become entitled to vocational pension under the terms of SSC;
- In case of a transfer of funds of the insured person to a professional pension fund, managed by another insurance company and the insured person has signed a valid insurance contract with a pension fund managed by another pension insurance company for which the change of participation procedure has not been terminated.
- One-time choice of the insured person under the provisions of Art. 4c of SSC to change its insurance in a pension fund to the fund “Pensions” of Government social fund if no contributory-service and retirement-age pension or early-retirement occupational pension has been granted to them.

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

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

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

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

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

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

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

Lifetime Pension Fund (LPF): In case of entitlement to a personal supplementary old-age pension, the Company pays from LPF CCP-SILA an additional lifetime old-age pension against transfer to the Fund of the accumulated funds on the individual account of the insured person. in the Universal Pension Fund CCB-SILA or the supplemented amount of the following types of pensions:

- additional lifelong old-age pension without additional conditions;
- additional lifelong old-age pension with a guaranteed payment period, which can be from 2 to 10 years, depending on the person's choice;

- supplementary lifetime old-age pension, including deferred payment of funds until reaching the age chosen by the pensioner, the term and amount of deferred payment and the amount of lifetime pension are determined depending on the choice of the insured person in compliance with CSR requirements.

The granting of a supplementary lifelong old-age pension is made on the basis of a written application form submitted to the Company personally by the insured person or by a person authorized by him, to whom relevant documents are attached. In case the necessary documents have been attached and the legal requirements for granting a supplementary lifelong pension have been met, CCB-SILA AD concludes a pension contract with the person.

Deferred Payments Fund (DPF): Upon acquiring the right to a personal supplementary lifelong old-age pension, in cases where the funds accumulated in the individual account of the insured person in the CCB-SILA Universal Pension Fund are insufficient for the granting of additional lifelong old-age pension in the amount of art. 167, para 3 CSR, but exceeds three times the amount of the minimum pension for insurance length of service and age under art. 68, para 1 of CSR as of the date of determining the value of the funds on the account, the funds shall be transferred to DPF CCB-SILA. The Company pays from the Fund in instalments the amount accumulated in the individual account for a certain period of time.

The granting of deferred payments by the Fund is based on a written application form submitted to the Company personally by the insured person or by a person authorized by him, to whom the relevant documents are attached. In case the necessary documents are attached and the legal requirements for granting deferred payment are met, CCB-SILA AD concludes a contract for deferred payment with the person.

The contract, among other obligatory requisites, shall specify the order and the manner and the term for making the payments.

The monthly amount of the deferred payment by the Fund as of the date of its determination may not be higher than the minimum amount of the pension for length of service and age under Article 68, paragraph 1 of the Social Security Code and less than 15 percent of its size.

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

4.29. Special reserves for pension insurance activity

In accordance with the provisions of SSC the Group cumulate pension reserves in order to guarantee minimal pay-out from the activity of the supplementary obligator pension insurance. The pension reserves cumulated up 31 December 2022 represent 0.78% of the assets of the funds (31 December 2021: 0.80%).

4.30. Pension reserves

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

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

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

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

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

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

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

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

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

4.32. Insurance transactions

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

4.33. Insurance contracts

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

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

4.34. Reinsurance contracts

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

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

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

4.35. Insurance reserves

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

4.36. Adequacy test of insurance reserves

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

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

4.37. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4.38. Significant management judgement in applying accounting policy

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements. Critical estimation uncertainties are described in note 4.39.

4.38.1. Deferred tax assets

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

4.38.2. Transferred control over subsidiaries

In cases in which the parent company owns, directly or indirectly, through its subsidiaries more than half of the voting rights in an entity but is not exposed to, or does not have rights over, the variable return on its participation in the investee and has not the potential to impact on that return by virtue of its powers over the investee and/or contractual agreement according to which the Group does not control the entity exists, then the investment in shares of that entity is reclassified as financial asset under IFRS 9.

4.38.3. Revenue from sale of air tickets with expired validity

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

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

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

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

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

Due to the bilateral agreement between the airlines for the use of FIM, the practice remained, after receiving the FIM invoice, the receiving airline (performing the flight) within four months from the date of issuance of the invoice according to the rules of Chapter A10, item 4.1. of RAM to redebit based on the prorate value. Upon receipt of the redebit invoice, the incurred settlement is closed. After the expiration of the four-month period for objections / redebites /, the unsubmitted amounts are recognized as income.

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

For both the current 2022 and the previous period, approximately 5% of the value of issued FIMs is recognized as other income, and the remaining value is reported as an expected liability.

4.38.5. Greenhouse gas emissions trading quotes

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

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

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

Greenhouse gas emission allowances (CO2 emissions) received free of charge from the state are not recognized in the statement of financial position but are recognized as contingent assets and liabilities. Where annual emissions exceed available and gratuitously allocated allowances, the excess obligation shall be measured at the fair value of the greenhouse gas emissions at the end of the reporting period for which they are due, and a provision shall be charged.

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

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

4.38.6. Lease term

In determining the lease term, management takes into account all the facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods after termination options) are included in the lease term only if it is reasonably certain that the lease is extended (or not terminated).

Most options for extending office and vehicle contracts are not included in the lease obligations because the Group can replace the assets without significant cost or business change.

For leasing of airplane the following factors are usually most appropriate:

- Significant penalties for termination (or non-renewal), usually the Group is certain that it will prolong (or will not terminate).
- If leasehold improvements are expected to have significant residual value, a reasonable security Group will typically extend the contract (or will not terminate).
- In other cases, the Group reviews other factors, including the historical length of the lease and the costs and changes in business required to replace the leased asset.

The lease term is reassessed if the option is actually exercised (or not exercised) or the Group is obliged to exercise it (or not exercise it). The assessment of reasonable certainty is only reviewed if a significant event or significant change in the circumstances affecting that assessment occurs and is under the control of the lessee. In the current financial year, the financial effect of the revision of the lease terms.

4.39. Estimation uncertainty

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

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

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

4.39.1. Impairment of non-financial assets and goodwill

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.17). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

Towards the end of the reporting period, the Group companies performed an annual test to determine whether the recoverable amount of the intangible assets exceeded their book value, taking into account factors such as the slowing pace in the aviation sector due to the ongoing covid pandemic, inflationary pressures, rising interest rates, forecasts for slowdown in economic growth and even recession. In addition, the geopolitical uncertainty resulting from the war in Ukraine, the bans imposed on the entry of aircraft from Russia, and the suspension of travel to and from Russia had a direct impact on the activities of companies in the aviation sector, as part of the revenue was generated from flights, passengers, service of such arriving and departing from/to the Russian Federation.

The results of the tests show that the recoverable amount of the non-financial assets exceeds their carrying amount and therefore no impairment losses were recognized during the reporting period. The management's conclusions regarding intangible assets are also supported by valuations of an independent external appraiser based on the method of estimated cash flows at a discount factor of 13.90%. In determining the applicable discount factor, an adjustment has been made in relation to market risk, the uncertain business environment and risk factors that are specific to individual enterprises - units generating cash flows.

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

The Group has incurred an impairment loss of BGN 37 thousand (2021: BGN 292 thousand), in order to reduce the carrying amount of goodwill to its recoverable amount (see note 12).

4.39.2. Measurement of expected credit losses for financial assets

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

4.39.3. Fair value measurements

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 53.1).

4.39.4. Useful life of depreciable assets

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

At 31 December 2022 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 13 and 9. Actual results, however, may vary due to technical obsolescence.

4.39.5. Inventory

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets BGN 61 331 thousand (2021: BGN 54 300 thousand) is affected by the future service providing and market realization of inventories, note 23.

4.39.6. Defined benefit liabilities

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

4.39.7. Provisions

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

4.39.8. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill. Details of acquired assets and liabilities are given in note 6.

5. Effect of change in accounting policy

In 2022, the Group adopted a new amended accounting policy regarding its financial assets regarding the application of IFRS 9 Financial Instruments. The implemented changes in the accounting policy are related to the global macroeconomic developments that have occurred, caused by the intense changes in the global geopolitical and geostrategic indicators, influenced by the military conflict between Russia and Ukraine, as well as changes in the regulations concerning the financial institutions in the Group of Chimimport AD. The new accounting policy regarding financial assets contains changes in the parameters of the models used.

The Company estimates that it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for the prior periods presented, therefore the Group applies the new accounting policy in relation to the carrying amounts of the financial assets at the beginning of the earliest period, for which retrospective application is practicable, which is 1 January 2022. Regarding the disclosures of the effects of the new accounting policy, the Group has applied the guidance of paragraph 24 and 26 of IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors.

Consolidated statement of financial position

	01.01.2022	Effect of change in accounting policy	01.01.2022
	BGN'000	BGN'000	BGN'000
Assets			
Property, plant and equipment	356 785	-	356 785
Right of use assets	417 952	-	417 952
Investment property	524 884	-	524 884
Goodwill	23 774	-	23 774
Other intangible assets	124 562	-	124 562
Deferred tax assets	10 845	18 847	29 692
Investments accounted for using the equity method	26 772	-	26 772
Loans and advances to bank customers	3 049 092	-	3 049 092
Financial assets at fair value through profit or loss	2 042 970	-	2 042 970
Debt instruments at fair value through other comprehensive income	859 441	-	859 441
Equity instruments at fair value through other comprehensive income	70 426	-	70 426
Other financial assets carried at amortized cost	1 557 996	(188 470)	1 369 526
Receivables from insurance and reinsurance contracts	49 999	-	49 999
Reinsurance assets	69 054	-	69 054
Tax receivables	1 780	-	1 780
Other receivables	25 566	-	25 566
Inventories	54 300	-	54 300
Cash and cash equivalents	2 380 922	-	2 380 922
Total assets	**11 647 120**	**(169 623)**	**11 477 497**

	01.01.2022	Effect of change in accounting policy	01.01.2022
Equity and liabilities	**BGN'000**	**BGN'000**	**BGN'000**
Equity			
Share capital	226 463	-	226 463
Premium reserve	246 309	-	246 309
Other reserves	300 696	-	300 696
Retained earnings	711 351	(169 623)	541 728
Profit for the period	35 293	-	35 293
Equity attributable to the shareholders of Chimimport AD	1 520 112	(169 623)	1 350 489
Non-controlling interest	330 655	-	330 655
Total equity	**1 850 767**	(169 623)	**1 681 144**
Liabilities			
Liabilities to depositors	6 917 880	-	6 917 880
Other financial liabilities	522 103	-	522 103
Payables to insured individuals	1 708 674	-	1 708 674
Pension and other employee obligations	17 648	-	17 648
Deferred tax liabilities	37 638		37 638
Insurance reserves	238 896	-	238 896
Liabilities under insurance and reinsurance contracts	25 986	-	-
Lease liabilities	280 979	-	280 979
Tax liabilities	6 514	-	6 514
Other liabilities	40 035	-	40 035
Total liabilities	**9 796 353**	-	**9 796 353**
Total equity and liabilities	**11 647 120**	**(169 623)**	**11 477 497**

The total effect as at 1 January 2022 over Group's retained earnings is presented as follows:

	Retained earnings
	BGN'000
Ending balance as at 31 December 2021	**746 644**
Adjustments from changes in accounting policy:	
Increase in expected credit losses of financial assets	(188 470)
Increase in deferred tax assets related to recognized impairment losses	18 847
	(169 623)
Beginning balance as at 1 January 2022	**577 021**

6. Basis for consolidation

6.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage	31.12.2021 Percentage of consolidation	31.12.2021 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	77.13%	77.13%	77.13%	77.13%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	71.85%	91.83%	71.85%	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	77.13%	100.00%	77.13%	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	92.25%	92.25%	67.43%	67.43%
DPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
UPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
PPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	67.98%	67.98%	68.12%	68.12%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	49.89%	66.25%	49.63%	65.92%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	50.66%	68.31%	50.74%	68.31%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	34.92%	70.00%	34.74%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.87%	66.00%	44.96%	66.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.79%	60.00%	40.87%	60.00%
Chimceltex EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Zarneni Hrani Grain EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	90.00%	90.00%	86.40%	90.00%
Dobrich Fair AD	Bulgaria	Production, Trade and Services	40.77%	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 HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	96.00%	96.00%	96.00%	96.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	80.75%	80.75%	80.67%	80.67%
Port Balchik AD	Bulgaria	Sea and River Transport	78.55%	100.00%	78.64%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage	31.12.2021 Percentage of consolidation	31.12.2021 Nominal percentage
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	69.91%	86.57%	69.84%	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	44.41%	55.00%	44.37%	55.00%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Port Bimas EOOD	Bulgaria	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Interlihter Slovakia	Slovakia	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Blue Sea Horizon Corp	Seychelles	Sea and River Transport	80.75%	100.00%	80.67%	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 EOOD	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%
Energoproekt Utilities OOD in liquidation	Bulgaria	Real Estate and engineering	50.33%	51.00%	50.33%	51.00%
Bulgaria Air Maintenance EAD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate and engineering	32.43%	65.00%	32.26%	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	49.89%	100.00%	49.63%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate and engineering	67.98%	100.00%	68.12%	100.00%
Imoti Bimas EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	-	-
Imoti BRP EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	-	-

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

Segment	Accumulated non-controlling interests 2022 BGN'000	2021 BGN'000
Financial sector	171 773	167 959
Production, trade and services	117 983	132 108
Transport	3 880	3 028
Real estate and engineering	20 713	27 560
	314 349	**330 655**

In 2022 and 2021, there are no dividends paid to non-controlling interest. Summary of financial information of the assets and liabilities before intragroup eliminations is disclosed in note 8 Segment reporting.

6.2. Establishment of Imoti Bimas EOOD

In 2022, the Group established a new subsidiary, Imoti Bimas EOOD, through the contribution of real estate in order to optimize the activity in the "Sea and River Transport" Sector, by separating activities other than the main activity and transferring them to the "Real Estate and engineering”. The subject of activity of the newly registered subsidiary is carrying out real estate transactions, management and leasing of real estate, purchase and sale of real estate. The registered capital is worth BGN 9,001 thousand, divided into 900 100 shares of BGN 10 each. The capital is fully paid up. The Group's controlling interest is in the amount of a nominal percentage of 100% and a consolidation percentage of 80.75%.

6.3. Establishment of Imoti BRP EOOD

In 2022, the Group established a new subsidiary, Imoti BRP EOOD, through the contribution of real estate in order to optimize the activity in the "Sea and River Transport" Sector, by separating activities other than the main activity and transferring them to the "Real Estate and engineering”. The subject of activity of the newly registered subsidiary is carrying out real estate transactions, management and leasing of real estate, purchase and sale of real estate. The registered capital is worth BGN 12,185 thousand, divided into 1 218 522 shares of BGN 10 each. The capital is fully paid up. The Group's controlling interest is in the amount of a nominal percentage of 100% and a consolidation percentage of 80.75%.

6.4. Acquisition on non-controlling interest in POAD CCB Sila AD

In 2022, the Group acquired an additional shareholding of 24.82% in its subsidiary POAD CCB Sila for an amount of BGN 28 536 thousand, thus increasing its controlling interest to 92.25% (consolidated and nominal).

The carrying amount of the newly acquired net assets of the subsidiary POAD CCB Sila AD, recognized at the acquisition date in the consolidated financial statements, amounts to BGN 16 234 thousand. The Group has recognized a decrease in non-controlling interest of BGN 16 234 thousand and a decrease in retained earnings in the amount of BGN 12 302 thousand.

	2022 BGN'000
Total transferred remuneration	(28 536)
Additional acquired share in the net assets of POAD CCB Sila AD	16 234
Increase in retained earnings	**(12 302)**

6.5. Acquisition on non-controlling interest in Parahodstvo Bulgarsko Rechno Plavane AD

In 2022, the Group acquired an additional shareholding of 0.08% in its subsidiary Parahodstvo Bulgarsko Rechno Plavane AD for an amount of BGN 17 thousand, thus increasing its controlling interest to 80.75% (consolidated).

The carrying amount of newly acquired net assets of the subsidiary Parahodstvo Bulgarsko Rechno Plavane AD recognized at the date of acquisition in the consolidated financial statements amounts to BGN 59 thousand. The Group has recognized a decrease in non-controlling interest of BGN 59 thousand and an increase in retained earnings in the amount of BGN 42 thousand.

	2022 BGN'000
Total transferred remuneration	(17)
Additional acquired share in the net assets of PBRP AD	59
Increase in retained earnings	**42**

6.6. Acquisition on non-controlling interest in Oil and Gas Exploration and Production AD

In 2022, the Group acquired an additional shareholding of 0.26% consolidated and 0.33% nominal in its subsidiary Oil and Gas Exploration and Production AD for an amount of BGN 192 thousand consolidated and BGN 282 thousand nominal, thus increasing its controlling interest to 49.89% (consolidated) and 66.25% nominal.

The carrying amount of newly acquired net assets of the subsidiary Oil and Gas Exploration and Production AD recognized at the date of acquisition in the consolidated financial statements amounts to BGN 53 thousand. The Group has recognized a decrease in non-controlling interest of BGN 53 thousand and an increase in retained earnings in the amount of BGN 138 thousand.

	2022 BGN'000
Total transferred remuneration	(192)
Additional acquired share in the net assets of Oil and Gas Exploration and Production AD	53
Decrease in retained earnings	**(139)**

6.7. Sale of non-controlling interest in Zarneni Hrani Bulgaria AD

In 2022 the Group has sold shareholding of 0.14% consolidation and nominal in its subsidiary Zarneni Hrani Bulgaria AD for an amount of BGN 48 thousand for the Group, thus decreasing its controlling interest to 67.98% consolidated и nominal.

The carrying amount of net assets of the subsidiary Zarneni Hrani Bulgaria AD recognized at the date of the sale in the consolidated financial statements amounts to BGN 481 thousand. The Group has recognized an increase in retained earnings in the amount of BGN 432 thousand.

	2022 BGN'000
Remuneration received	49
Sold share in the net assets of Zarneni Hrani Bulgaria AD	(481)
Increase in retained earnings	**432**

6.8. Sale of non-controlling interest in Fly Lease EOOD

In 2022, the Group sold its 100% consolidated and nominal shareholding in its subsidiary Fly Lease OOD for an amount of BGN 2 200 thousand for the Group, thereby realizing a profit of BGN 200 thousand.

7. Investments accounted for using the equity method

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

	Note	2022 BGN'000	2021 BGN'000
Investments in associates	7.1	24 077	25 743
Investments in joint ventures	7.2	2 399	1 029
Total investments accounted for using the equity method		**26 476**	**26 772**
Gains from investments under equity method	7.1, 7.2	**5 497**	**4 315**

7.1. Investments in associates

Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December. The carrying amount of the Group's investments and percentage of participation in the voting rights and equity of associates may be presented as follows:

Name of the associate	Country of incorporation and principal place of business	Main activities	2022 BGN'000	Share %	2021 BGN'000	Share %
Lufthansa Technik Sofia OOD	Bulgaria	Aircraft repair activity	9 211	24.90%	8 944	24.90%
Swissport Bulgaria AD	Bulgaria	Ground handling services	6 155	49.00%	6 886	49.00%
Silver Wings Bulgaria OOD	Bulgaria	Catering services	3 569	42.50%	5 225	42.50%
VTC AD	Bulgaria	Maritime and port services	4 094	41.00%	3 764	41.00%
Kavarna Gas OOD	Bulgaria	Gas transmission services	684	35.00%	689	35.00%
Amadeus Bulgaria OOD	Bulgaria	Reservation services	364	44.99%	235	44.99%
			24 077		**25 743**	

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:

	2022 BGN '000	2021 BGN '000
Non-current assets	170 378	179 301
Current assets	73 559	71 319
Total assets	**243 937**	**250 620**
Non-current liabilities	138 453	151 714
Current liabilities	38 263	30 410
Total liabilities	**176 716**	**182 124**
Net assets	**67 221**	**68 496**
Revenues	209 742	144 018
Profit for the year	14 292	10 842
Profit after taxes	12 250	9 714
Other comprehensive income/(loss)	687	(82)
Total comprehensive income for the year	**12 937**	**9 632**

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

	2022 BGN '000	2021 BGN '000
Total net assets as of January 1	68 496	62 906
Profit for the year	12 250	9 714
Other comprehensive income/ (loss) for the year	687	(82)
Dividends paid	(14 212)	(4 042)
Total net assets as of December 31	**67 221**	**68 496**
Share of the Group (in thousand BGN)	21 873	23 038
Goodwill	2 204	2 705
Carrying value of investment	**24 077**	**25 743**

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 6 002 thousand for 2022 and BGN 2 037 thousand for 2021, respectively.

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

7.2. Investments in joint ventures

Investments in joint ventures are accounted using the equity method. Joint ventures have a reporting date as at 31 December. The carrying amount of the Group's investments and percentage of participation in the voting rights and equity of joint ventures may be presented as follows:

Name of the joint venture	Country of incorporation and principal place of business	Main activities	2022 BGN '000	Share %	2021 BGN '000	Share %
Nuance BG AD	Bulgaria	Duty free trade	2 083	50%	833	50%
Consortium Bulgaria Air - Direction	Bulgaria	Sale of airline tickets and hotel accommodation	167	90%	141	90%
Consortium Bulgaria Air and Direction	Bulgaria	Sale of airline tickets and hotel accommodation	65	70%	55	70%
Varnaferry	Bulgaria	Transport services	-	50%	-	50%
Senshi Academy DZZD	Bulgaria	Sports activity	84	70%	-	-
			2 399		**1 029**	

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:

	2022 BGN '000	2021 BGN '000
Non-current assets	5 226	15 488
Current assets	10 568	6 978
Total assets	**15 794**	**22 466**
Current liabilities	23 904	18 694
Total liabilities	**23 904**	**18 694**
Net assets	**8 110**	**3 772**
Revenues	42 017	18 810
Loss for the year	(2 426)	(3 394)
Loss after taxes	(2 750)	(3 317)
Total comprehensive loss for the year	**(2 750)**	**(3 317)**

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

	2022 BGN '000	2021 BGN '000
Total net assets as of January 1	(5 360)	(2 043)
Loss for the year	(2 750)	(3 317)
Total net assets as of December 31	**(8 110)**	**(5 360)**
Share of the Group (in thousand BGN)	2 399	1 029
Carrying value of investment	**2 399**	**1 029**

All transfers of cash to the Group, e.g. payment of dividends shall be made after the approval of the joint ventures. In 2022 and 2021 no dividend was received.

8. Segment reporting

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

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

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

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

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

The Group's operating segments are summarized as follows:

Operating segments **31.12.2022**	**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	87 958	28 439	277 369	14 272	816	408 854
Change in fair value of investment property	(63)	5 070	-	(12)	-	4 995
Gain/(loss) from sale of non-current assets	(93)	122	28 978	-	-	29 007
Inter-segment income from non-financial activities	25 497	1 704	6 544	**848**	(34 593)	-
Total income from non-financial activities	**113 299**	**35 335**	**312 891**	**15 108**	**(33 777)**	**442 856**
Insurance income from external customers	-	228 421	-	-	-	228 421
Inter-segment insurance income	-	10 082	-	-	(10 082)	-
Total insurance income	**-**	**238 503**	**-**	**-**	**(10 082)**	**228 421**
Net result from insurance	**-**	**59 558**	**-**	**-**	**(9 558)**	**50 000**
Interest income	6 408	186 834	2 717	660	(9 772)	186 847
Interest expenses	(5 789)	(19 102)	(22 061)	(2 963)	9 772	(40 143)
Net interest income	**619**	**167 732**	**(19 344)**	**(2 303)**	**-**	**146 704**
Net result from transactions with financial instruments	**1 548**	**(30 432)**	**635**	**(371)**	**(11 656)**	**(40 276)**
Operating and administrative expenses	(108 978)	(256 515)	(278 732)	(14 489)	16 907	(641 807)
Net result from equity accounted investments	(5)	-	5 502	-	-	5 497
Other financial income/(expenses)	(486)	93 457	(13 174)	1 638	(2 234)	79 201
Allocation of income to individual insurance accounts	-	16 256	-	-	-	16 256
Profit/(loss) for the year before tax	**5 972**	**85 391**	**7 778**	**(417)**	**(40 293)**	**58 431**
Income tax expense	(880)	(7 043)	(642)	(29)	-	(8 594)
Net profit/(loss) for the year	**5 092**	**78 348**	**7 136**	**(446)**	**(40 293)**	**49 837**
Assets of the segment	651 722	12 207 828	1 199 716	330 084	(2 496 936)	11 892 414
Equity accounted investments	363	-	21 100	2	5 011	26 476
Total consolidated assets	**652 085**	**12 207 828**	**1 220 816**	**330 086**	**(2 491 925)**	**11 918 890**
Liabilities of the segment	211 067	9 968 817	786 096	137 612	(871 113)	10 232 479
Total consolidated liabilities	**211 067**	**9 968 817**	**786 096**	**137 612**	**(871 113)**	**10 232 479**

Operating segments **31.12.2021**	**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	75 625	29 428	228 463	15 317	229	349 062
Change in fair value of investment property	(130)	1 092	-	36	1 626	2 624
Gain/(loss) from sale of non-current assets	-	93	3	(38)	-	58
Inter-segment income from non-financial activities	15 387	2 341	8 328	712	(26 768)	-
Total income from non-financial activities	**90 882**	**32 954**	**236 794**	**16 027**	**(24 913)**	**351 744**
Insurance income from external customers	-	220 901	-	-	(1 393)	219 508
Inter-segment insurance income	-	5 848	-	-	(5 848)	-
Total insurance income	**-**	**226 749**	**-**	**-**	**(7 241)**	**219 508**
Net result from insurance	**-**	**71 656**	**-**	**-**	**(5 543)**	**66 113**
Interest income	6 609	168 043	4 917	1 206	(11 686)	169 089
Interest expenses	(6 455)	(23 395)	(16 794)	(2 984)	11 686	(37 942)
Net interest income	**154**	**144 648**	**(11 877)**	**(1 778)**	**-**	**131 147**
Net result from transactions with financial instruments	**2 394**	**82 037**	**2 019**	**4 281**	**(9 975)**	**80 756**
Operating and administrative expenses	(96 672)	(260 510)	(230 448)	(14 857)	38 481	(564 006)
Net result from equity accounted investments	26	-	4 289	-	-	4 315
Other financial income/(expenses)	5 396	95 944	(13 624)	(419)	(7 626)	79 671
Allocation of income to individual insurance accounts	-	(98 663)	-	-	-	(98 663)
Profit/(loss) for the year before tax	**2 180**	**68 066**	**(12 847)**	**3 254**	**(9 576)**	**51 077**
Income tax expense/(income)	(285)	(6 767)	1 308	(154)	-	(5 898)
Net profit/(loss) for the year	**1 895**	**61 299**	**(11 539)**	**3 100**	**(9 576)**	**45 179**
Assets of the segment	719 556	11 791 032	1 236 736	312 354	(2 439 330)	11 620 348
Equity accounted investments	363	-	22 150	2	4 257	26 772
Total consolidated assets	**719 919**	**11 791 032**	**1 258 886**	**312 356**	**(2 435 073)**	**11 647 120**
Liabilities of the segment	284 702	9 451 604	819 427	140 158	(899 538)	9 796 353
Total consolidated liabilities	**284 702**	**9 451 604**	**819 427**	**140 158**	**(899 538)**	**9 796 353**

9. Property, plant and equipment

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

2022	Land BGN'000	Building BGN'000	Machines and equipment BGN'000	Facilities and spare parts BGN'000	Vehicles BGN'000	Repairs of rented assets BGN'000	Other BGN'000	Assets in process of acquisition BGN'000	Total BGN'000
Balance at 1 January 2022	52 615	126 098	163 957	30 491	124 651	24 547	83 162	112 059	**717 580**
Additions:									
- business combinations	-	303	-	2 237	-	-	845	-	**3 385**
- separately acquired	67	2 009	27 460	1 423	99 067	332	419	(57 418)	**73 359**
Disposals									
- separately disposed	-	(2 559)	(18 157)	(579)	(72 366)	(216)	(14)	(600)	**(94 491)**
Reclassification of investment property	(1 017)	(2 222)	-	-	-	-	-	(102)	**(3 341)**
Reclassification of intangible assets	-	-	-	-	-	3 438	-	-	**3 438**
Reclassification of right of use assets	-	-	22 615	-	-	-	-	-	**22 615**
Balance at 31 December 2022	**51 665**	**123 629**	**195 875**	**33 572**	**151 352**	**28 101**	**84 412**	**53 939**	**722 545**
Depreciation									
Balance at 1 January 2022	-	(37 557)	(133 880)	(26 986)	(88 075)	(23 576)	(50 721)	-	**(360 795)**
Additions from business combinations	-	(8)	(45)	(154)	(21)	-	-	-	**(228)**
Depreciation of disposed assets:									
- separately disposed	-	1	5 865	493	5 077	59	21	-	**11 516**
Reclassification of intangible assets	-	-	-	-	-	(377)	-	-	**(377)**
Reclassification of right of use assets	-	-	(11 584)	-	-	-	-	-	**(11 584)**
Depreciation	-	(4 153)	(9 126)	(1 173)	(18 820)	(468)	(2 502)	-	**(36 242)**
Balance at 31 December 2022	**-**	**(41 717)**	**(148 770)**	**(27 820)**	**(101 839)**	**(24 362)**	**(53 202)**	**-**	**(397 710)**
Carrying amount at 31 December 2022	**51 665**	**81 912**	**47 105**	**5 752**	**49 513**	**3 739**	**31 210**	**53 939**	**324 835**

- for the period ending 31 December 2021:

2021	Land	Building	Machines and equipment	Facilities and spare parts	Vehicles	Repairs of rented assets	Other	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2021	52 150	136 508	167 209	85 920	123 188	23 373	82 715	45 910	**716 973**
Additions:									
- separately acquired	465	4 154	3 241	809	1 731	1 177	820	79 588	**91 985**
Disposals									
- separately disposed	-	(25)	(565)	(549)	(268)	(3)	(344)	(13 439)	**(15 193)**
- transfers	-	-	55 689	(55 689)	-	-	-	-	**-**
- reclassification of investment property	-	(14 539)	(61 617)	-	-	-	(29)	-	**(76 185)**
Balance at 31 December 2021	**52 615**	**126 098**	**163 957**	**30 491**	**124 651**	**24 547**	**83 162**	**112 059**	**717 580**
Depreciation									
Balance at 1 January 2021	-	(35 325)	(127 520)	(36 765)	(74 839)	(23 373)	(47 592)	-	**(345 414)**
Depreciation of disposed assets:									
- transfers	-	-	(10 714)	10 714	-	-	-	-	**-**
- reclassification of investment property	-	1 899	9 912	-	-	-	21	-	**11 832**
- separately disposed	-	20	508	549	258	3	59	-	**1 397**
Depreciation	-	(4 151)	(6 066)	(1 484)	(13 494)	(206)	(3 209)	-	**(28 610)**
Balance at 31 December 2021	**-**	**(37 557)**	**(133 880)**	**(26 986)**	**(88 075)**	**(23 576)**	**(50 721)**	**-**	**(360 795)**
Carrying amount at 31 December 2021	**52 615**	**88 541**	**30 077**	**3 505**	**36 576**	**971**	**32 441**	**112 059**	**356 785**

All depreciation and impairment charges are included in consolidated statement of profit or loss and other comprehensive income within "Operating and administrative expenses". The carrying amount of the Group's property, plant and equipment pledged as security on borrowings as at 31 December is presented as follows:

	Land	Building	Machines plant and equipment	Vehicles	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount as at 31 December 2022	1 173	3 308	3 266	127	1 993	9 867
Carrying amount as at 31 December 2021	509	15 740	34 468	-	-	50 717

10. Right of use assets

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

	Aircrafts	Improvements to leased aircrafts	Vehicles	Buildings	Machinery and equipment	Total Right-of-use assets
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount						
Balance at 1 January 2022	398 938	56 394	5 367	89 064	23 322	573 085
Additions	68 386	27 527	59	15 675	294	111 941
Disposals	(75 963)	(41 197)	(56)	(5 933)	-	(123 149)
Business combinations	-	-	(1 231)	(178)	-	(1 409)
Reclassified to property, plant and equipment	-	-	-	-	(22 615)	(22 615)
Value adjustments during the period	-	-	-	73	-	73
Balance at 31 December 2022	**391 361**	**42 724**	**4 139**	**98 701**	**1 001**	**537 926**
Depreciation						
Balance at 1 January 2022	(83 255)	(29 823)	(2 491)	(27 937)	(11 627)	(155 133)
Depreciation	(38 661)	(9 077)	(1 243)	(15 114)	(929)	(65 024)
Disposals	50 660	18 837	19	4 081	-	73 597
Business combinations	-	-	1 147	1 505	-	2 652
Reclassified to property, plant and equipment	-	-	-	-	11 584	11 584
Balance at 31 December 2022	**(71 256)**	**(20 063)**	**(2 568)**	**(37 465)**	**(972)**	**(132 324)**
Carrying amount at 31 December 2022	**320 105**	**22 661**	**1 571**	**61 236**	**29**	**405 602**

	Aircrafts	Improvements to leased aircrafts	Vehicles	Buildings	Machinery and equipment	Total Right-of-use assets
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount						
Balance at 1 January 2021	367 193	68 872	4 711	77 843	23 273	541 892
Additions	53 520	82 125	1 720	22 669	49	160 083
Disposals	(21 775)	(94 603)	(1 057)	(10 815)	-	(128 250)
Revaluation	-	-	(7)	(633)	-	(640)
Balance at 31 December 2021	**398 938**	**56 394**	**5 367**	**89 064**	**23 322**	**573 085**
Depreciation						
Balance at 1 January 2021	(65 848)	(27 796)	(2 505)	(18 283)	(10 361)	(124 793)
Depreciation	(39 154)	(29 063)	(1 026)	(18 160)	(1 117)	(88 520)
Disposals	21 747	27 036	1 039	7 654	(149)	57 327
Impairment loss	-	-	1	852	-	853
Balance at 31 December 2021	**(83 255)**	**(29 823)**	**(2 491)**	**(27 937)**	**(11 627)**	**(155 133)**
Carrying amount at 31 December 2021	**315 683**	**26 571**	**2 876**	**61 127**	**11 695**	**417 952**

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

Pursuant to a pledge agreement, the option to acquire the three aircraft was granted as security for the Group's obligations to the owner.

In 2022 the Group has acquired 3 Embraer aircraft under lease agreements, classified as a aircrafts.

As at 31 December 2022, the Group has commitments to purchase 7 Airbus, 220 aircraft under finance lease agreements with a purchase option at the end of the lease term, as four of the aircraft to be delivered in 2023 and the other three in 2024. The Group has transferred deposits for these aircraft to the lessor totalling USD 3 150 thousand.

The Group has contractual obligations to purchase one Airbus, A-320 aircraft under an operating lease with an option to purchase the aircraft at the end of the contract term.

All depreciation expense is included in the statement of profit or loss and other comprehensive income on the line "Operating and administrative expense".

Information about the determination of the fair value of the Right of use assets is presented in Note 53.2.

Lease obligations corresponding to right-of-use assets are presented in Note 32 Lease liabilities.

11. Investment property

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

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

	Investment property BGN ‘000
Carrying amount at 1 January 2021	**440 485**
Additions:	
- through acquisition costs	5 184
- separately acquired	23 985
- reclassification of property, plant and equipment	64 353
Gain from change of the fair value of investment property	3 248
Loss from change of fair value of investment property	(624)
Change in the fair value of investment property	**2 624**
Disposals	(11 747)
Carrying amount at 31 December 2021	**524 884**
Additions:	
- through acquisition costs	8 320
- separately acquired	439
- reclassification of property, plant and equipment	3 341
Other changes	4 772
Gain from change of the fair value of investment property	5 621
Loss from change of fair value of investment property	(626)
Change in the fair value of investment property	**4 995**
Disposals	
- separately disposed	(114)
Carrying amount at 31 December 2022	**546 637**

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

Investment properties that are pledged as collateral are at the amount of BGN 172 054 thousand (2021: BGN 243 791 thousand).

Revenue from investment properties for the year 2022 amounted to BGN 22 621 thousand (2021: BGN 15 549 thousand) and are included in the consolidated statement of profit or loss and other comprehensive income within "Income from non-financial activities". Direct operating expenses in the amount of BGN 3 232 thousand are recognized as "Operating and administrative expenses" (2021: BGN 2 065 thousand).

12. Goodwill

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

	Goodwill BGN‘000
2021	
Carrying amount at 1 January	24 066
Impairment loss recognized for the period	(292)
Carrying amount at 31 December	**23 774**
2022	
Carrying amount at 1 January	23 774
Impairment loss recognized for the period	(37)
Carrying amount at 31 December	**23 737**

For the purpose of annual impairment testing in 2022 the carrying amount of goodwill is allocated to the following cash-generating units:

	2022 BGN‘000	2021 BGN‘000
Segment "Finance"	15 559	15 559
Segment "Production, trade and services "	7 440	7 477
Segment "Transport"	566	566
Segment "Real estate and engineering"	172	172
	23 737	**23 774**

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

In 2022 impairment of goodwill was carried off segment “Production, trade and services” BGN 39 thousand (2021: BGN 292 thousand.)

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

13. Other intangible assets

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

2022	Trade-marks BGN'000	Licenses and patents BGN'000	Software products BGN'000	Customer relationships BGN'000	Research and development activities BGN'000	Property rights BGN'000	Other BGN'000	Total BGN'000
Gross carrying amount								
Balance at 1 January 2022	49 096	10 995	13 475	10 184	1 138	5 788	124 791	**215 467**
Additions:								**-**
- separately acquired	2	784	981	-	-	-	166	**1 933**
Disposals								
- separately disposed	(8 280)	(3)	-	-	-	(5 788)	(260)	**(14 331)**
- reclassified to property, plant and equipment	-	-	-	-	-	-	(3 438)	**(3 438)**
Balance at 31 December 2022	**40 818**	**11 776**	**14 456**	**10 184**	**1 138**	**-**	**121 259**	**199 631**
Amortization								
Balance at 1 January 2022	(35 963)	(8 298)	(12 556)	(7 386)	(45)	-	(26 657)	**(90 905)**
Reclassified to property, plant and equipment	-	-	-	-	-	-	377	**377**
Business combinations			(83)					**(83)**
Disposals	6 763	3	-	-	-	-	22	**6 788**
Amortization	(812)	(608)	(1 502)	(413)	-	-	(4 425)	**(7 760)**
Balance at 31 December 2022	(30 012)	(8 903)	(14 141)	(7 799)	(45)	-	(30 683)	**(91 583)**
Carrying amount at 31 December 2022	**10 806**	**2 873**	**315**	**2 385**	**1 093**	**-**	**90 576**	**108 048**

- For the period ended 31 December 2021:

2021	Trade-marks	Licenses and patents	Software products	Customer relationships	Research and development activities	Exploration and evaluation expenditures	Other	Total
	BGN‘000	BGN‘000	BGN‘000	BGN‘000	BGN‘000	BGN‘000	BGN‘000	BGN‘000
Gross carrying amount								
Balance at 1 January 2021	49 096	10 092	12 945	10 184	1 138	7 324	124 133	**214 912**
Additions:								**-**
- separately acquired	-	904	530	-	-	-	680	**2 114**
Disposals								
- separately disposed	-	(1)	-	-	-	(1 536)	(22)	**(1 559)**
Balance at 31 December 2021	49 096	10 995	13 475	10 184	1 138	5 788	124 791	**215 467**
Amortization								
Balance at 1 January 2021	(34 556)	(7 932)	(11 301)	(7 386)	(45)	-	(24 196)	**(85 416)**
Disposals	-	1	-	-	-	-	12	**13**
Amortization	(1 407)	(367)	(1 255)	-	-	-	(2 473)	**(5 502)**
Balance at 31 December 2021	(35 963)	(8 298)	(12 556)	(7 386)	(45)	-	(26 657)	**(90 905)**
Carrying amount at 31 December 2021	**13 133**	**2 697**	**919**	**2 798**	**1 093**	**5 788**	**98 134**	**124 562**

Trademarks

The Group’s trademarks include the brand “Bulgaria Air”, national carrier.

In 2022, the Group disposed an intangible asset, the brand name “Arena – Sofia”, after the contract dated 14.03.2017 with National Sports Base EAD was terminated during the period.

Exploration and evaluation expenditures

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

As at 31 December 2022 The Group has no capitalized exploration and evaluation expenditures (2021: BGN 5 788 thousand).

	2022 BGN'000	2021 BGN'000
Block 1-12 Knezha	-	5 788
	-	**5 788**

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

In 2022, there are indications for impairment of exploration and evaluation costs in amount of BGN 5 788 thousand (2021: BGN 1 536 thousand) and are presented within "Operating and Administrative Expense" in the consolidated statement of profit or loss and other comprehensive income.

No intangible assets have been pledged as security for liabilities.

14. Deferred tax assets and liabilities

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

Deferred tax liabilities (assets)	1 January 2022	Adjustments related to accounting policy and reclassifications	Recalculated to 1 January 2022	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2022
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Assets						
Property, plant and equipment and right of use assets	17 936	(817)	17 119	-	(222)	16 897
Investment property	5 578	884	6 462	-	565	7 027
Financial assets	5 452	(1 825)	3 627	(715)	2 281	5 193
Trade and other financial receivables	(1 349)	(8 018)	(9 367)	-	(664)	(10 031)
Inventories	(78)	68	(10)	-	(3)	(13)
Other assets	8 672	(10 098)	(1 426)	-	(142)	(1 568)
Liabilities		-	-			
Pension and other employee obligations	(2 281)	1 174	(1 107)	(10)	(79)	(1 196)
Provisions and trade payables	(229)	(343)	(572)	-	(3)	(575)
Unused tax losses and thin capitalization	(6 908)	(166)	(7 074)	-	1 535	(5 539)
	26 793	**(19 141)**	**7 652**	**(725)**	**3 268**	**10 195**
Recognized as:						
Deferred tax assets	**(10 845)**					**(18 922)**
Deferred tax liabilities	**37 638**					**29 117**

Deferred taxes for the comparative period 2021 can be summarized as follows:

Deferred tax liabilities (assets)	1 January 2021	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2021
	BGN '000	BGN '000	BGN '000	BGN '000
Assets				
Property, plant and equipment and right of use assets	18 973	-	(1 037)	17 936
Investment property	5 529	-	49	5 578
Financial assets	6 044	(878)	286	5 452
Trade and other non-financial receivables	(734)	-	(615)	(1 349)
Inventories	(63)	-	(15)	(78)
Other assets	5 957	-	2 715	8 672
Liabilities				
Pension and other employee obligations	(2 252)	-	(29)	(2 281)
Provisions and trade payables	(129)	-	(100)	(229)
Unused tax losses	(7 762)	-	854	(6 908)
	25 563	**(878)**	**2 108**	**26 793**
Recognized as:				
Deferred tax assets	**(10 940)**			**(10 845)**
Deferred tax liabilities	**36 503**			**37 638**

15. Loans and advances to bank customers

Loans and advances can be summarized as follows:

(a) Analysis by customer type

	2022 BGN '000	2021 BGN '000
Individuals:		
In BGN	1 252 295	1 135 195
In foreign currency	273 348	266 552
Legal entities:		
In BGN	1 237 950	1 108 359
In foreign currency	465 975	577 769
Impairment loss	(41 240)	(38 783)
Total loans and advances to bank customers	**3 188 328**	**3 049 092**

Loans and advances to bank customers as at 31 December 2022 include deposits with international financial institutions under marginal derivative transactions amounting to BGN 1 555 thousand (2021: BGN 1 556 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.

16. Financial assets at fair value through profit or loss

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

	2022 BGN '000	2021 BGN '000
Financial assets measured at fair value through profit or loss:		
Corporate shares and rights	1 252 389	1 258 422
Bulgarian corporate bonds	219 003	213 113
Medium-term Bulgarian government securities	52 610	55 258
Long-term Bulgarian government securities	45 643	30 104
Securities issued or guaranteed in other countries	611 699	486 003
Derivatives held for trading	12	70
	2 181 356	**2 042 970**

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

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

17. Debt instruments at fair value through other comprehensive income

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

	2022 BGN '000	2021 BGN '000
Bonds	413 809	413 303
Government securities	145 636	446 138
Total debt instruments at fair value through other comprehensive income	**559 445**	**859 441**

As of 31 December 2022, the financial assets measured at fair value in other comprehensive income formed a related impairment loss amounting to BGN 4 529 thousand (2021: BGN 4 643 thousand), which is reflected in the equity and did not reduce the book value of the assets.

As at 31 December 2022 government bonds issued by the Bulgarian government are not pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act (2021: BGN 153 546 thousand are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.)

18. Equity instruments at fair value through other comprehensive income

	2022 BGN '000	2021 BGN '000
Quoted equity instruments	23 653	24 605
Unquoted equity instruments	70 031	45 821
Total equity instruments at fair value through other comprehensive income	**93 684**	**70 426**

19. Other financial assets at amortized cost

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

	Note	2022 BGN '000	2021 BGN '000
Loans granted	19.1	161 672	133 790
Cession receivables	19.1	48 188	60 677
Receivables under repurchase agreements	19.2	448 044	399 895
Debt instruments measured at amortized cost	19.3	1 341 679	687 184
Receivables from related parties	47	74 170	165 559
Trade receivables	19.4	110 647	116 962
Other		1 393	22 092
Impairment loss		(151 181)	(28 163)
		2 034 612	**1 557 996**

19.1. Loans granted and cession receivables

	2022 BGN '000	2021 BGN '000
Loans granted	161 672	133 790
Receivables under cession contracts	48 188	60 677
	209 860	**194 467**

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.

19.2. Receivables under repurchase agreements

As at 31 December 2022, the Group has entered into repurchase agreements with a total of BGN 448 044 thousand (2021: BGN 399 895 thousand), including interest receivables.

The collateral ratio of agreements with a repurchase clause, which are secured by a pledge of Bulgarian government securities, is at least 100%. The collateral ratio of repurchase agreements that are secured by a pledge of corporate securities is a minimum of 120%. These agreements are due between January and June 2023. (2021: between January and June 2022).

19.3. Debt instruments measured at amortized cost

As at 31 December 2022, debt instruments measured at amortized cost consist of Bulgarian government bonds, government bonds of EU countries, Bulgarian corporate bonds and foreign corporate bonds, including the amount of accrued interest and discount / premium on the basis of their original maturity, as follows:

	2022 BGN '000	2021 BGN '000
Bulgarian government Bonds	770 428	408 414
Foreign government bonds	544 309	268 525
Bulgarian corporate bonds	7 964	7 964
Foreign corporate bonds	19 652	2 935
Impairment loss	(674)	(654)
Debt instruments measured at amortized cost	**1 341 679**	**687 184**

As of 31 December 2022, government bonds issued by the Bulgarian government amounting to BGN 538 556 thousand (2021: BGN 223 269 thousand) are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.

19.4. Trade receivables

	2022 BGN '000	2021 BGN '000
Trade receivables, gross	172 721	130 045
Impairment loss	(62 074)	(13 083)
Trade receivables	**110 647**	**116 962**

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

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

20. Tax receivables

	2022 BGN '000	2021 BGN '000
Overpaid corporate tax	2 170	1 471
VAT recovery	911	297
Other overpaid taxes	2	12
	3 083	**1 780**

21. Insurance and reinsurance receivables

	2022 BGN '000	2021 BGN '000
Receivables on accrued premiums on insurance contracts	59 196	50 335
Receivables from reinsurance contracts	98	121
Receivables from Guarantee fund	-	262
Receivables from co-insurance contracts	309	321
Other insurance receivables	101	-
Impairment loss for insurance receivables	(810)	(1 040)
	58 894	**49 999**

Receivables from insurance premiums under insurance contracts are due insurance premiums from insured persons under contracts with deferred payments. Receivables are subject to impairment test in accordance with the requirements of Ordinance № 53, which is reduced in the gross value of receivables.

22. Other receivables

	2022 BGN '000	2021 BGN '000
Noncurrent other receivables		
Prepaid expenses and other receivables	582	1 202
Noncurrent other receivables	**582**	**1 202**
Current other receivables		
Advance payments	18 012	12 565
Prepaid expenses	8 004	8 897
Other receivables	2 819	2 902
Current other receivables	**28 835**	**24 364**
Total other receivables	**29 417**	**25 566**

Significant part of short - term advance payments are cash guarantees at the total amount of BGN 18 012 thousand (2021: BGN 12 565 thousand) the paid amounts are under warranty contracts for leasing of airplanes, guarantees receivables for airports services, guarantees the rental of premises and other contracts and guarantee duty free - currency trading to Customs Sofia.

Short-term portion of prepaid expenses totalling BGN 8 004 thousand (2021: BGN 8 897 thousand) represent prepaid advertising costs, rent, insurance, etc.

23. Inventories

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

	2022 BGN'000	2021 BGN'000
Materials	11 631	11 321
Production	2 093	1 865
Goods	7 290	1 399
Unfinished production	559	591
Spare parts	7 790	6 904
Assets acquired from foreclosure	31 968	32 220
	61 331	**54 300**

As at 31 December 2022 inventories of the Group amounting to BGN 148 thousand (2021: BGN 137 thousand) are pledged as collateral benefitting banks.

Assets acquired in foreclose amounting to BGN 31 968 thousand (2021: BGN 32 220 thousand) refer to assets acquired from the Group's banking activities that do not meet the criteria for classification as held for sale and are accounted for under the requirements of IAS 2 Inventories.

24. Cash and cash equivalents

Cash and cash equivalents include the following:

	2022 BGN'000	2021 BGN'000
Cash in cash and in banks:		
- BGN	1 765 272	1 836 497
- EUR	250 465	198 738
- USD	62 605	153 285
- other currencies	102 527	192 523
Cash and cash equivalents, gross	**2 180 869**	**2 381 043**
Allowance for expected credit loss and impairment	(291)	(121)
Cash and cash equivalents	**2 180 578**	**2 380 922**

	2022 BGN'000	2021 BGN'000
Cash at the Central Bank	1 626 975	1 594 326
Short-term investments and deposits	85 079	179 491
Provided resources and advances to banks and cash	461 867	584 858
Restricted cash	6 657	22 247
	2 180 578	**2 380 922**

25. Equity

25.1. Share capital

The share capital of Chimimport AD as at 31 December 2022 consists of 239 646 267 (31.12.2021: 239 646 267) ordinary shares with a par value of BGN 1 per share, including 13 182 738 (31.12.2021: 13 182 738) ordinary shares, acquired by companies of Group of Chimimport AD. The ordinary shares of Chimimport AD are registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota.

	2022 Number of shares	2021 Number of shares
Shares issued and fully paid at 1 January:	226 463 529	226 604 029
Change in own shares /ordinary and preferred/, acquired by subsidiaries during the year	-	(140 500)
Shares issued and fully paid as at period end	**226 463 529**	**226 463 529**

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

	2022 Number ordinary shares	2022 %	2021 Number ordinary shares	2021 %
Invest Capital AD	173 487 247	72.39%	173 487 247	72.39%
Other entities	48 032 331	20.04%	48 845 512	20.38%
Other individuals	18 126 689	7.57%	17 313 508	7.23%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**
Own shares held by subsidiaries				
CCB Group AD	(1 296 605)	(0.54%)	(1 296 605)	(0.54%)
ZAD Armeec	(236 007)	(0.10%)	(236 007)	(0.10%)
POAD CCB - Sila	(8 782 426)	(3.66%)	(8 782 426)	(3.66%)
CCB Asset management EAD	(140 500)	(0.06%)	(140 500)	(0.06%)
Trans Intercar EAD	(2 200)	-	(2 200)	-
Omega Finance OOD	(2 725 000)	(1.14%)	(2 725 000)	(1.14%)
	(13 182 738)	**(5 50%)**	**(13 182 738)**	**(5 50%)**
Net number of shares	**226 463 529**		**226 463 529**	

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

25.2. Premium reserve

	2022 BGN'000	2021 BGN'000
Share premium	246 462	246 462
Change in the reserve due to own shares acquired by subsidiaries for the period	(153)	(153)
	246 309	**246 309**

In 2022, there are no changes in the Group's premium reserve. (2021: BGN (153 thousand.))

As at 31 December 2022 premium reserve amounts to BGN 246 309 thousand (2021: BGN 246 309 thousand). Premium reserve is formed by the issue of privilege shares from 2009 and two issues of ordinary shares from 2007 and 2006.

25.3. Other reserves

As at 31 December 2022, the other reserves amounted to BGN 294 171 thousand (2021: BGN 300 696 thousand), including:

- BGN 83 176 thousand revaluation reserve on RUA,
- BGN 20 627 thousand – Reserve for minimum profitability guarantee of UPF and PPF (2021: BGN 20 481 thousand),
- BGN 301 thousand (2021: BGN 78 thousand) remeasurement of defined benefit plan and other reserves.

26. Liabilities to depositors

Liabilities to depositors are presented as follows:

Analysis by term and type of currency:	**2022 BGN '000**	**2021 BGN '000**
On-demand deposits		
in BGN	2 492 708	2 205 262
in foreign currency	367 073	308 820
	2 859 781	2 514 082
Term deposits		
in BGN	1 250 758	1 226 347
in foreign currency	1 461 738	1 429 564
	2 712 496	2 655 911
Savings accounts		
in BGN	1 198 815	1 192 269
in foreign currency	528 260	544 107
	1 727 075	1 736 376
Other deposits		
in BGN	15 035	11 032
in foreign currency	1 305	479
	16 340	11 511
Total liabilities to depositors	**7 315 692**	**6 917 880**

Analysis by term and type of currency:	**2022 BGN '000**	**2021 BGN '000**
Individual deposits		
in BGN	3 486 870	3 241 091
in foreign currency	2 043 359	1 990 989
	5 530 229	5 232 080
Legal entities deposits		
in BGN	1 468 950	1 382 788
in foreign currency	312 292	288 698
	1 781 242	1 671 486
Deposits of other institutions		
in BGN	1 496	11 032
in foreign currency	2 725	3 282
	4 221	14 314
Total liabilities to depositors	**7 315 692**	**6 917 880**

27. Other financial liabilities

		Current		Non-current	
		2022 BGN'000	2021 BGN'000	2022 BGN'000	2021 BGN'000
Financial liabilities measured at fair value					
Derivatives held for trading	27.1	677	118	-	-
Financial liabilities measured at amortized cost:					
Bonds and debenture loan	27.2	5 104	3 507	74 611	69 450
Bank borrowings	27.3	34 844	57 898	88 126	92 614
Other borrowings and financing	27.4	17 674	20 092	7 684	6 984
Deposits from banks	27.5	10 247	41 146	-	-
Cession liabilities		30 473	10 708	29 772	32 306
Liabilities under repurchase agreements	27.6	2 420	2 282	-	11 678
Trade payables	27.7	73 163	109 406	1 022	598
Payables to related parties	47	71 288	48 922	14 366	14 394
Total carrying amount		**245 890**	**294 079**	**215 581**	**228 024**

27.1. Derivatives held for trading

As at 31 December 2022, derivatives held for trading amounting to BGN 667 thousand (2021: BGN 118 thousand) are presented at fair value and include transactions for the purchase and sale of currency, valuables securities, forward contracts and currency swaps in the open market.

27.2. Debenture loans

The debenture loans received by the Group are as follows:

	Current		Non-current	
	2022 BGN'000	2021 BGN'000	2022 BGN'000	2021 BGN'000
Debenture loans	5 104	3 507	74 611	69 450
	5 104	**3 507**	**74 611**	**69 450**

The carrying amount of the Group's debts on the aforementioned debenture loans at 31 December 2022 amounted to BGN 79 715 thousand (2021: BGN 72 957 thousand).

27.3. Bank loans

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	
	2022 BGN'000	2021 BGN'000	2022 BGN'000	2021 BGN'000
Bank loans	34 844	57 898	88 126	92 614

27.3.1. Non-current bank borrowings

	2022 BGN'000	2021 BGN'000
Revolving and investment bank loans	88 126	92 614
	88 126	**92 614**

Investment loans

The Group has received the following investment loans:

- The Group is a party to a bank investment loan agreement concluded on 05 October 2011 for the amount of BGN 3 000 thousand. The maturity of the loan is on 10 November 2024. The annual interest rate on the loan is 4%, formed on the basis of 1M EURIBOR plus 4%, such as the interest cannot be lower than 4%.
- The Group has received three secured bank loans granted by a Bulgarian commercial bank. The loans are denominated in Bulgarian leva and have an agreed amount of BGN 6 000 thousand, BGN 8 944 thousand, and BGN 3 250 thousand, respectively. The interest rates on the loans are 3.3% and 4%, with maturities in 2023, 2024 and 2025. To secure two of the loans are established pledges of government securities of the Republic of Bulgaria, owned by the Group, with a nominal value of BGN 8 950 thousand and maturity in April 2025 for one loan and a nominal value of BGN 3 500 thousand and maturities of the issue in April 2025. One of the loans is secured by a pledge of cash in the amount of BGN 714 thousand, which is blocked until it is repaid, and "Financial risk" insurance valid until February 2024 in the amount of BGN 5 288 thousand.
- The Group has a contract for a bank investment loan concluded on 23 December 2015. The amount of the granted loan is BGN 78 233 thousand, which has been disbursed in 3 main tranches. Two bank loans to another bank were refinanced with the used credit and an investment project of the Group was financed. The maturity of the loan is on 31 December 2025. The repayment of the principal is in BGN and is according to an agreed repayment plan for the entire term of the contract. The interest rate is formed as the sum of the "Average deposit index" plus a surcharge. The collateral for the loan is a contractual mortgage of a hangar, all receivables of the Group arising from lease agreements concluded with Lufthansa Technik Sofia OOD in its capacity as lessee.
- The Group is a party to a contract for a bank investment loan concluded on 01 November 2016. The amount of the granted loan is BGN 12 713 thousand. The repayment of the principal is in BGN and is according to an agreed repayment plan with a starting date on 31 October 2018. The maturity of the loan is on 30 September 2028. The interest rate is formed as the sum of the "Average deposit index" plus an allowance. Collateral for the loan is a contractual mortgage of land and buildings built on it, a parking lot and two checkpoints, and receivables of the Group arising from a lease agreement concluded with a tenant.
- The Group is a party to an investment bank loan to cover the costs of a complete reconstruction and major repair of a building, concluded on 11 August 2017, with a maturity date on 30 December 2028. The interest on the loan is in the amount of the annual interest determined as the sum of the variable base interest index applicable to the relevant interest period and a surcharge to the interest index in the amount of 2.738%. The loan is secured by a mortgage on real estate in the city of Sofia, a pledge of shares and receivables owned by the Group.
- The Group is a party to an investment bank loan agreement concluded on 14 December 2021, with a maturity date on 31 January 2029. The annual interest is defined as the sum of the variable base interest index applicable to the relevant interest period and an allowance to it in the amount of 2.738%. The loan is secured by a mortgage on real estate in the city of Sofia, a pledge of shares and receivables owned by the Group.
- The Group is a party to a contract for an investment bank loan concluded on 28 April 2021, with a maturity date on 20 April 2025. The interest on the loan is in the amount of the base interest rate in BGN 2.5% plus a contractual allowance for credit risk of 0.35% or in total agreed rate of 2.85%.

Revolving loans

- The Group is a party to an agreement for a revolving bank loan concluded on 30 January 2018 for an amount of EUR 4 950 thousand (BGN 9 675 thousand), with a repayment term on 31 January 2024. The loan is secured by bank deposits. The annual interest rate on the loan is based on the base interest rate plus 0.8%.
- The Group is a party to a revolving bank loan agreement concluded on 21 June 2013, with a maturity date on 20 December 2029. The interest rate 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 capital assets in accordance with the Special Pledges Act.

- The Group is a party to an investment bank loan agreement concluded on 21 June 2013, maturing on 20 December 2029. The interest on the loan is 3m EURIBOR plus a 3-point surcharge, but not less than 6.5 %. The loan is secured by a real estate mortgage, a pledge of capital assets in accordance with the Special Pledges.
- The Group is a party to an agreement for a revolving bank loan concluded on 28 January 2008 with a maturity date on 10 November 2024. The annual interest rate on the loan amounts to one-month EURIBOR plus a 4% surcharge. Collaterals - a mortgage on grain warehouses in the town of Dobrich and the village of General Kolevo (land, buildings and permanently attached machinery and equipment), owned by the Group.
- The Group is a party to a contract for a revolving bank loan concluded on 13 December 2013 with a repayment term on 30 September 2024. The annual interest rate on the loan amounts to the average deposit index (ADI) plus a 2.657% surcharge. The loan is secured by a pledge of the Group's own inventory and property, plant and equipment.
- Bank credit-overdraft agreement concluded on 01 August 2018 for working capital with a repayment term on 20 August 2024. The annual interest rate is 4.2% of the bank's base interest rate plus 12-month Euribor. The loan is secured by a pledge of receivables on payment accounts at the creditor bank and a special pledge on goods intended for duty-free currency trading on board the aircraft and/or in the specialized store. The total value of the goods is up to BGN 147 thousand.

27.3.2. Current bank borrowings

	2022 BGN'000	2021 BGN'000
Current revolving and investment loans	34 844	57 898
	34 844	**57 898**

Investment loans

The Group received the following short-term bank loans for investment purposes:

- The Group is a party to an investment bank loan agreement concluded on 14 August 2020. A grace period for the principal repayment until 19 March 2022 has been agreed upon. From 20 March 2022 to 20 August 2023 (inclusive), the loan is to be repaid in seventeen equal monthly instalments and one last instalment, due on 20 August 2023. The annual interest rate is in the amount of the base interest rate in BGN - 2.5% plus a contractual allowance for credit risk of 1% or a total contractual interest rate of 3.5%.
- The Group is a party to an investment bank loan agreement concluded on 8 October 2021. From 15 April 2022 to 15 September 2023 (inclusive), the loan is repaid in 17 (seventeen) equal monthly instalments and one final instalment, due on 15 September 2023. The annual interest rate is equal to the basic deposit index for legal entities in BGN plus a 2.5% surcharge or a minimum total agreed rate of 2.5%.

Revolving loans

- The Group is a party to a bank credit-overdraft agreement concluded on 25 September 2020 for working capital with a maturity date on 20 September 2023. The annual interest rate is 3.8% of the bank's base interest rate plus 12-month Euribor. The loan is secured by a contract for a special lien on receivables.
- The Group has concluded 1 active as of 31 December 2022 bank loan agreement for the purpose of working capital with a repayment term on 31 December 2023. The annual interest rate on the loan is in the amount of 4% of the loan agreement plus 3M Euribor, but not less than 4%. The loan is secured by a pledge of receivables under public procurement contracts for the provision of air tickets, receivables under BSP receipts, receivables under third party.

27.4. Other borrowings, financing and liabilities

		Current			Non-current	
		2022 BGN'000	2021 BGN'000		2022 BGN'000	2021 BGN'000
Other borrowings and financing	27.4.2	17 674	20 092	27.4.1	7 684	6 984

27.4.1. Other non-current borrowings, financing and liabilities

	2022 BGN'000	2021 BGN'000
Non-current borrowings	7 678	6 878
Financing from State Agricultural Fund	6	106
	7 684	**6 984**

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.

27.4.2. Other current borrowings

	2022 BGN'000	2021 BGN'000
Current borrowings	17 674	20 092
	17 674	**20 092**

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 2023. 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.

27.5. Deposits from banks

	Current	
	2022 BGN'000	2021 BGN'000
Demand deposits – local banks		
-in Bulgarian leva	1 970	16 445
-in foreign currency	2 462	13 677
Demand deposits from foreign banks in foreign currency	4 030	8 702
Demand deposits from foreign banks in BGN	27	37
Term deposits from foreign banks in foreign currency	351	381
Term deposits from Bulgarian banks in foreign currency	1 407	1 904
	10 247	**41 146**

27.6. Liabilities under repurchase agreements

As at 31 December 2022, the Group has concluded agreements with a clause for the repurchase of securities with Bulgarian companies for a total value of BGN 2 420 thousand (2021: BGN 13 960 thousand), including accrued interest liabilities. The maturities of the obligations are respectively 25 April 2023 and 11 May 2023. The repurchase obligations are secured by the financial instruments - object of the repo transactions with a total balance sheet value of BGN 4 399 thousand. The agreed interest rates for the period between the date of transfer and repurchase of the securities are within 4.5%.

27.7. Trade payables

	Current		Non-current	
	2022	2021	2022	2021
	BGN'000	BGN'000	BGN'000	BGN'000
Trade payables	73 163	109 406	1 022	598

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

28. Payables to insured individuals

	2022	2021
	BGN'000	BGN'000
Attracted funds in a voluntary pension fund	108 721	106 414
Attracted funds in a professional pension fund	139 739	138 607
Attracted funds in a universal pension fund	1 508 566	1 463 653
	1 757 026	**1 708 674**

The net assets value of the funds, managed by the subsidiary POAD CCB - Sila AD as at 31 December 2022 amounts to BGN 1 757 026 thousand (2021: BGN 1 708 674 thousand). The increase at the amount of BGN 48 352 thousand, compared to the liabilities as at 31 December 2021, is a result of proceeds from positive return on investment of the insured individuals, realized in 2022, proceeds from social security contributions and a reduction of the amounts paid under insurance contracts.

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

	2022 BGN '000	2021 BGN '000
Beginning of the period	**1 708 674**	**1 561 822**
Received pension contributions	183 188	178 856
Amounts received from pension funds, managed by other Pension Insurance Companies	65 240	44 540
Funds of persons who have resumed their insurance in UPF under the procedure of Art. 124a of CSR	260	210
Funds transferred to persons from EU, ECB or EIB pension schemes	-	4
Total increase of pension contributions	**248 688**	**223 610**
Positive/ (negative) income from investment of funds	(16 256)	98 663
Result from investment of funds	**(16 256)**	**98 663**
Paid off pensions	(119)	(125)
One-time paid pensions to insured individuals	(5 868)	(9 589)
Funds for disbursement of funds to heirs of insured individuals	(5 356)	(5 551)
Amounts paid to the National Revenue Agency	(4 447)	(4 827)
Amounts paid under social security contracts	**(15 790)**	**(20 092)**
Amounts, paid to insured individuals, transferred to other pension funds	(135 132)	(108 330)
Amounts, paid to individuals that have changed their insurance under Article 46 of the SIC	(7 704)	(27 223)
Transferred taxes	(136)	(107)
Funds transferred to the Lifetime Pensions Fund for the payment of lifetime pensions	(1 648)	(455)
Funds transferred to the Lifetime Pensions Fund to insured persons without inheritance	(13)	(9)
Funds transferred to the Deferred Payments Fund for making deferred payments	(4 673)	(546)
Transferred amount to pension reserve	-	(54)
Entrance fee	(5)	(8)
Service fee	(164)	(233)
9% yield fee	(189)	(677)
Service fee - 3.75%	(6 600)	(6 212)
Investment fee - 0.75%	(12 018)	(11 467)
Withdrawal fee	(8)	(8)
End of the period	**1 757 026**	**1 708 674**

The net assets available for income are distributed as follows:

	2022 BGN '000	2021 BGN '000
Individual accounts	1 742 111	1 707 395
Reserve for minimal return	14 915	1 279
Net assets available for income	**1 757 026**	**1 708 674**

29. Employee remunerations

29.1. Employee benefits expense

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

	2022 BGN'000	2021 BGN'000
Wages expense	(107 529)	(99 649)
Social security costs	(20 175)	(17 896)
Employee benefits expense	**(127 704)**	**(117 545)**

29.2. Pension and other employee obligations

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

	2022 BGN'000	2021 BGN'000
Non-current:		
Pension provisions	4 588	4 841
Non-current pension and other employee obligations	**4 588**	**4 841**
Current:		
Employee benefits obligations	9 937	9 109
Payables to social security institutions	2 891	2 707
Pension provisions	995	991
Current pension and other employee obligations	**13 823**	**12 807**
Pension and other employee obligations	**18 411**	**17 648**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2023.

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

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

	2022 BGN'000	2021 BGN'000
Pension provisions, beginning of period	5 832	5 552
Expenses for current service	411	611
Interest expenses	146	52
Adjustments - actuarial (gains)/losses from changes in demographic assumptions and financial assumptions	(193)	105
Benefits paid	(613)	(488)
	5 583	**5 832**

30. Insurance reserves and reinsurance assets

Insurance technical reserves	Note	2022 BGN'000	2021 BGN'000
Reserves from non-life insurance activities	30.1	253 102	237 016
Life Insurance Reserves	30.2	1 787	1 880
		254 889	**238 896**

The insurance reserves as at 31 December 2022 were set aside in the course of the insurance activity of the Group, performed through ZAD Armeec Insurance Company (General Insurance) and ZEAD CCB Life (Life Insurance).

Reserve adequacy

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

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

30.1. Reserves from non-life insurance activities

		31.12.2022			31.12.2021		
	Note	Insurance reserves	Reinsurance assets	Net	Insurance reserves	Reinsurance assets	Net
		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Premium reserve carried forward	30.1.1	105 683	(19 136)	86 547	95 130	(19 471)	75 659
Reserve for outstanding payments	30.1.2	145 998	(54 272)	91 726	140 598	(48 947)	91 651
Reserve for bonuses and discounts	30.1.4	1 421	(497)	924	1 288	(636)	652
		253 102	**(73 905)**	**179 197**	**237 016**	**(69 054)**	**167 962**

30.1.1. Premium reserves carried forward

Premium reserve carried forward as at 31 December 2022 amounting to BGN 105 683 thousand (2021: BGN 95 130 thousand) is formed to cover claims and expenses that are expected to arise after the reporting period under the insurance or reinsurance contracts in force at the time of valuation.

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

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

30.1.2. Reserve for outstanding payments

The reserve for outstanding payments as at 31.12.2022 amounting to BGN 145 998 thousand (2021: BGN 140 598 thousand) is set up to cover benefits, amounts and other payments under insurance or reinsurance contracts, as well as related costs, on claims that arose before the end of the reporting period, whether or not they were filed, and which were not paid on the same date. The amount of the provision is in line with the estimated cost of settlement of all claims on events occurring by the end of the reporting period, including the estimated amount of unreported claims. The provision for claims outstanding includes the following components:

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

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

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

For damages brought in legal actions for which there are no enforceable decisions, for insurance with sufficient representative data, correction coefficients are used, calculated according to Art. 90, para. 12 of Ordinance No. 53. As of 31 December 2022, correction coefficients are attached to the claims incurred in insurance claims: "Casco", "Civil liability of the motorist", "Fire and natural disasters" and "General third party liability".

Where the damage compensation is paid in the form of an annuity, the amount of the reserve is calculated using recognized actuarial methods, taking into account the annuity period, the value of the periodic payment, the age of the person, and the use of mortality tables and the risk-free interest rate curve published by EIOPA. Under the civil liability insurance lawsuits, as of 31.12.2022 the Group pays five annuity claims.

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

The reserve for incurred, but not reported claims includes the expected amount of claims for events not reported by the end of the reporting period. This reserve also covers the value of renewed or underreserved claims. To determine the IBNR reserve at the end of the current period, the Group uses a chain-pillar method based on the accumulated value of the paid or submitted claims. For some low frequency or low volume insurances such as Property Damage, Loans and Miscellaneous Financial Losses, due to no claims being made, using the chain-column method results in a zero reserve amount. In these cases, the reserve for incurred but not reported claims is calculated on the basis of the earned premium and the minimum coefficients determined on the basis of market data by the Decision of the Financial Supervisory Commission No. 44 dated 17.01.2023.

Under Casco Insurance, due to the significant amount of recovered amounts of regressions and sufficient data to predict future revenues, Armeec Insurance Company reduces the reserve for incurred but not reported claims with the expected recoveries by regressions. The latter are calculated using a chain-based method based on the recovered sums for regressions over the past 11 years.

According to the "Civil Liability" insurance of motorists, the reserve for not reported claims is determined separately for property and non-property damages. The value of the reserve is calculated on the basis of data for the period 2012 - 2022, using the chain-pillar method based on the accumulated historical values of claimed damages - for claims related to non-property damages and the chain-pillar method based on the accumulated value of claims paid damages – for property damage claims. Development factors are calculated as weighted average values, based on the insurer's own data. The method used to calculate the reserve for arising but not reported claims under motorists' liability insurance was approved by Decision No. 188 - OJ dated 13.02.2023 of the Financial Supervisory Commission.

Reserve for settlement costs

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

30.1.3. Unexpired risk reserve

As of 31.12.2022, the Group has not recognized a reserve for unexpired risks (2021: BGN 0 thousand) The reserve for unexpired risks is formed when the expectations for the risk and expense of the current policies at the end of the reporting period exceed the amount of the assigned premium reserve.

For the insurance under Section II, letter "A", item 10.1 of Annex № 1 to the Insurance Code - "Civil Liability" of motorists, when the amount of expected final loss and operating costs by class of insurance for the respective subscription year exceeds the earned premium, The Group sets aside a reserve for unexpired risks equal to the difference between the expected final loss and operating expenses, on the one hand, and the allocated unearned premium reserve, on the other.

As of 31 December 2022, the result of Motor Third Party Liability Insurance, according to the methodology described above, is positive, given that the Group has not set aside a reserve for unexpired insurance risks.

For other insurances, other than those under Section II, letter "A", item 10.1 of Annex № 1 to the Insurance Code, the Group forms a reserve for unexpired risks or as a difference between the forecast of expected final loss for claims and the costs of the last signatory. year and the calculated unearned premium reserve or according to Annex №7 of Ordinance №53, when for the last three years, including the current one, the gross technical result under Annex № 6 of Ordinance №53 is negative. As of 31.12.2022, the last condition has not been met - three consecutive years with a negative technical result for any type of insurance, because of which no reserve was formed for unexpired risks.

30.1.4. Reserve for bonuses and discounts

A Reserve for bonuses and discounts at the amount of BGN 1 421 thousand as of 31 December 2022 (2021: BGN 1 288 thousand) is formed for all contracts for which a refund of a premium is provided in case of a positive result after their expiration or a final settlement of the premium has been agreed on the basis of the realized risks during the term of the insurance.

The value of the reserve is determined separately for each policy with a clause for participation in the result, and for all insurances in force at the time of calculation of the reserve, the earned premium is multiplied by an average premium return coefficient calculated on the basis of historical data. As of 31.12.2022 a coefficient of 10% has been applied. For all expired contracts, the specific amount to be reimbursed is calculated or, when sufficient data are not available, the above approach is applied.

30.1.5. Reserve fund

As of the end of the previous 2021 and as of 31.12.2022 the Group has not formed a reserve fund for the general insurance activity.

30.2. Life insurance reserves

	2022 BGN'000	2021 BGN'000
Mathematical reserve	211	314
Premium reserve carried forward	915	921
Reserve for outstanding payments	118	422
Unexpired risk	543	223
	1 787	**1 880**

The insurance reserves of the Group's 2022 life insurance business are formed in compliance with the requirements of Ordinance No. 53 of 23.12.2016 on the requirements for accountability, valuation of assets and liabilities and formation of the technical reserves of insurers, reinsurers and the Guarantee Fund.

As of 31.12.2022 these data are aligned with accounting data.

For the **Premium reserve carried forward**, data from the current policies issued by the Company and recognized as premium income for the period from the beginning of the activity until 2022 have been used. As of 31.12.2022 these data have been reconciled with the accounting data.

For the **reserve for outstanding payments** (pending payments) are used data on the received and unpaid claims under policies as of 31.12.2022 from the register of damages in the Company, provided by the Insurance Payments Directorate. Data on the claims filed in court were presented by the Chief Legal Adviser of the Company, including amounts for court costs and interest on the cases.

Chain-column statistical methods have been used as a **reserve for claims arising but not reported**.

For the **mathematical reserve**, a prospective method was used with regard to the group and individual savings policies "Life" in force as of 31.12.2022.

An additional **reserve for unexpired risk** is set aside for "Illness" and "Life Risk" insurance.

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

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

Given that as of 31.12.2022 a full inspection was made, during which all data used for the calculation of the different types of reserves were checked, we believe that the allocated reserves are adequate and correspond to the actual state of the portfolio of the Group.

The following methods for calculating the reserves are used:

The unearned premium reserve is allocated by the method of the exact date (according to Art. 84 para. 2 of Ordinance № 53). The amount of the reserve amounts to BGN 915 thousand.

The reserve for outstanding payments is formed in compliance with the requirements of Ordinance № 53. It includes the amounts for filed and unpaid claims, incurred but not reported claims (IBNR) and a reserve for costs for settling claims.

For the RBNS reserve, the "Claim by Claim" method is used, according to Art. 90 para 1 of Ordinance No. 53. In addition, according to Art. 90 para. 2 of claims on insurance contracts brought before a court for which the Group is informed and on which there is no ruling of the Court are included in the reserve for pending payments at the cost of the claims together with the interest due and the known costs of the cases. Given the small number of legal claims - 7, the coefficient under paragraph 12 of Art. 90 was not administered. The total reserve for claimed and outstanding claims is BGN 543 thousand, the principal amount is due to Risk Life Insurance.

With respect to the reserve currency, all policies in effect as at 31.12.2022 are in EUR or BGN, so BGN assets are used to cover the gross amount of the insurance reserves.

31. Liabilities to insurance and reinsurance contracts

	2022 BGN’000	2021 BGN’000
Liabilities to brokers and agents	14 055	11 856
Estimates under reinsurance contracts	16 894	14 111
Settlements with the Guarantee Fund	749	19
	31 698	**25 986**

32. Lease liabilities

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

	2022 BGN’000	2021 BGN’000
Lease liabilities – non-current portion	267 573	237 295
Lease liabilities – current portion	37 881	43 684
Lease liabilities	**305 454**	**280 979**

Detailed information on the Group’s right of use assets is presented in note 10.

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 noncancellable 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 2022 were as follows:

	Minimum lease payments due						
	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	Total BGN'000
31 December 2022							
Lease payments	49 565	48 322	45 020	38 049	29 007	227 982	**437 945**
Finance charges	(11 684)	(9 993)	(8 187)	(6 685)	(5 333)	(90 609)	**(132 491)**
Net present values	**37 881**	**38 329**	**36 833**	**31 364**	**23 674**	**137 373**	**305 454**

Future minimum lease payments at 31 December 2021 were as follows:

	Minimum lease payments due						
	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	Total BGN'000
31 December 2021							
Lease payments	54 132	41 979	31 233	30 739	74 803	98 043	**330 929**
Finance charges	(10 448)	(8 563)	(7 187)	(5 958)	(4 785)	(13 009)	**(49 950)**
Net present values	**43 684**	**33 416**	**24 046**	**24 781**	**70 018**	**85 034**	**280 979**

Leases payments not recognized as a lease liability are recognized in profit or loss for the period and presented in note 42 Operating and administrative expenses.

As at 31 December 2022 the Group is committed to short-term leases and the total commitment at that date is BGN 1 087 thousand (2021: BGN 1 017 thousand). The maturity structure is as follows:

	Minimum lease payments due						
	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	Total BGN'000
31 December 2022							
Lease payments for contracts without recognized right-of-use asset	821	121	54	20	12	59	**1 087**
31 December 2021							
Lease payments for contracts without recognized right-of-use asset	712	135	57	22	17	74	**1 017**

33. Tax liabilities

Tax payables include the following:

	2022 BGN'000	2021 BGN'000
Corporate income tax	391	766
VAT payables	1 579	1 571
Tax insurance premium	926	1 927
Excise duty	253	102
Other taxes	2 957	2 148
	6 106	**6 514**

34. Other liabilities

Other payables can be summarized as follows:

		Current			Non-current	
		2022 BGN'000	2021 BGN'000		2022 BGN'000	2021 BGN'000
Other payables	34.2	50 289	35 353	34.1	2 326	4 682

34.1. Other non-current payables

	2022 BGN'000	2021 BGN'000
Financing for purchase of intangible assets	-	276
Trans-European Transport Network financing	16	17
Provisions	701	1 389
Other	1 609	3 000
	2 326	**4 682**

As at 31 December 2022 the Group is a beneficiary under the Resolution for granting financial aid, dated 10 June 2009, by the Commission of the European Community for projects of common interest "Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria" 2008-BG-90300-S in the field of the trans-European transport networks (INEA).

34.2. Other current payables

	2022 BGN'000	2021 BGN'000
Airfare tickets sold	19 397	15 577
Advances from customers	5 158	5 498
Guarantees	3 193	1 832
Penalties	1 631	1 404
Other	20 910	11 042
	50 289	**35 353**

Liabilities for airfare tickets sold amounting to BGN 19 397 thousand (2021: BGN 15 577 thousand) represent the tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

35. Revenue from non-financial activities

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

	2022 BGN'000	2021 BGN'000
Income from sale of plane tickets	153 702	117 152
Income from services rendered	110 181	50 587
Income from sale of finished goods	52 496	43 022
Income from sale of trading goods	27 990	23 257
Other	64 485	115 044
	408 854	**349 062**

36. Gain on sale of non-current assets

	2022 BGN'000	2021 BGN'000
Proceeds from sale of non-current assets	109 607	912
Carrying amount of non-current assets sold	(80 600)	(854)
	29 007	**58**

37. Insurance income

		2022 BGN'000	2021 BGN'000
Insurance premium income	37.1	227 076	212 615
Premiums ceded to reinsurers		(72 161)	(86 077)
Income from reinsurance operations		26 380	26 670
Other reinsurance income, net		31 845	27 489
Regression income		12 113	11 790
Income from release of insurance reserves		93	23 126
Other insurance income		3 075	3 895
		228 421	**219 508**

37.1. Insurance premium income

	2022 BGN'000	2022 %	2021 BGN'000	2021 %
Casco	149 320	65.76%	130 173	61.21%
Motor third party liability	35 198	15.50%	42 057	19.78%
Fire and natural disasters	19 492	8.58%	18 013	8.47%
Travel Assistance	1 422	0.63%	1 138	0.54%
Accidents	4 141	1.82%	3 419	1.61%
General third-party liability	2 511	1.11%	2 511	1.18%
Other financial losses	4 362	1.92%	6 324	2.97%
Risk life insurance	2 233	0.98%	2 108	0.99%
Additional insurance	3	0.00%	-	0.00%
Casco of aircrafts	4 298	1.89%	3 207	1.51%
TPL related to aircraft	642	0.28%	524	0.25%
Freight transport	942	0.41%	1 253	0.59%
Casco of vessels	679	0.30%	780	0.37%
Loans and leases	1 513	0.67%	630	0.30%
Health services	186	0.08%	219	0.10%
Life and annuity	43	0.02%	189	0.09%
TPL related to vessels	38	0.02%	36	0.02%
Property damage	17	0.01%	13	0.01%
Insurance guarantees	36	0.02%	21	0.01%
	227 076	**100.00%**	**212 615**	**100.00%**

38. Insurance expense

		2022 BGN'000	2021 BGN'000
Indemnities paid	38.1	(96 377)	(92 167)
Acquisition costs		(56 403)	(47 777)
Net change in insurance reserves set aside		(16 087)	(1 880)
Expenses for liquidation of damages		(2 846)	(2 529)
Other insurance costs		(6 708)	(9 042)
		(178 421)	**(153 395)**

38.1. Indemnities paid

In 2022 and 2021, the following insurance benefits were paid:

	2022 Indemnities paid BGN'000	2022 Share %	2021 Indemnities paid BGN'000	2021 Share %
Casco	(67 734)	70.28%	(59 627)	64.70%
Motor third party liability	(21 731)	22.55%	(25 463)	27.63%
Travel assistance	(282)	0.29%	(444)	0.48%
Accident	(1 440)	1.49%	(846)	0.92%
Casco of aircrafts	-	0.00%	(91)	0.10%
Casco of vessels	(52)	0.05%	(262)	0.28%
Health services	(177)	0.18%	(160)	0.17%
Additional insurance	(1)	0.00%	-	0.00%
Life and annuity	(151)	0.16%	(112)	0.12%
Risk life insurance	(470)	0.49%	(390)	0.42%
General Third-Party liability	(268)	0.28%	(432)	0.47%
Freight transport	(16)	0.02%	(72)	0.08%
Fire and natural disaster	(4 049)	4.20%	(4 244)	4.60%
Aircrafts Third Party liabilities	-	0.00%	(8)	0.01%
Vessels Third Party liabilities	(6)	0.01%	(16)	0.02%
	(96 377)	**100.00%**	**(92 167)**	**100.00%**

39. Interest income

	2022 BGN'000	2021 BGN'000
Interest income by types of sources:		
Legal entities	82 435	97 554
Government securities	41 246	15 436
Banks	6 783	2 123
Individuals	53 694	51 291
Other	2 689	2 685
	186 847	**169 089**

40. Interest expense

	2022 BGN'000	2021 BGN'000
Interest expense due to depositors:		
Legal entities	(24 083)	(18 225)
Individuals	(3 663)	(4 527)
Banks	(5 530)	(6 363)
Other	(6 867)	(8 827)
	(40 143)	**(37 942)**

41. Net result from transactions with financial instruments

	2022 BGN'000	2021 BGN'000
Gains from transactions with securities and investments	1 024 713	699 199
Dividend income	16 414	13 138
	1 041 127	**712 337**
Losses from transactions with securities and investments	(1 081 403)	(631 581)
	(1 081 403)	**(631 581)**
Result from transactions with financial instruments, net	**(40 276)**	**80 756**

42. Operating and administrative expense

	Note	2022 BGN'000	2021 BGN'000
Hired services expense		(147 551)	(123 642)
Cost of materials		(105 326)	(64 608)
Cost of goods sold		(32 663)	(29 439)
Employee benefits expense	29.1	(127 704)	(117 545)
Depreciation expense	9,10,12,13	(109 318)	(122 907)
Change in inventories and work in progress		574	(1 265)
Impairment of receivables and non-financial assets		(66 014)	(51 959)
Other expenses		(53 805)	(52 641)
		(641 807)	**(564 006)**

Remuneration for engagements for independent financial audit of the companies in the Group for 2022, performed by registered auditors, amounts to BGN 2 779 thousand. During the year, consultations or other services not related to the audit performed by registered auditors were provided, for which remunerations in the amount of BGN 335 thousand have been accrued. This disclosure is in compliance with the requirements of Art. 30 of the Accounting Act.

43. Other financial income

		2022 BGN'000	2021 BGN'000
Revenue from fees and commissions, net	43.1, 43.2	74 968	72 453
Net result from foreign exchange differences		1 665	3 931
Other finance expenses		2 568	3 287
		79 201	**79 671**

43.1. Revenue from fees and commissions

	2022 BGN'000	2021 BGN'000
Bank transfers in Bulgaria and abroad	33 661	31 244
Maintenance fee on deposit accounts	18 381	17 879
Servicing fee for loans	6 815	6 434
Fee for commitments and contingencies	920	896
Other fees and commissions income, different from banks	19 001	18 604
Other income	18 545	15 855
Revenue from fees and commissions	**97 323**	**90 912**

43.2. Expenses from fees and commissions

	2022 BGN'000	2021 BGN'000
Bank transfers in Bulgaria and abroad	(15 621)	(12 120)
Account maintenance fees	(865)	(1 213)
Release of precious parcels	(1 982)	(1 556)
Transactions with securities	(351)	(205)
Other fees and commissions expenses, different from banks	(1 559)	(1 484)
Other expenses	(1 977)	(1 881)
Total fees and commissions expenses	**(22 355)**	**(18 459)**

44. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2021: 10%) and the reported tax expense in profit or loss can be reconciled as follows:

	2022 BGN'000	2021 BGN'000
Profit before tax	58 431	51 077
Tax rate	10%	10%
Expected tax expense	**(5 843)**	**(5 108)**
Net effect of adjustments of the financial result for tax purpose	517	1 318
Current tax expense	**(5 326)**	**(3 790)**
Deferred tax expense		
- origination and reversal of temporary differences	(3 268)	(2 108)
Tax expense	**(8 594)**	**(5 898)**
Deferred tax income / (expenses), recognized in other comprehensive income	**725**	**(878)**

Note 14 presents additional information on the deferred tax assets and liabilities, including the amounts recognized in other comprehensive income.

45. Earnings per share

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

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

	31 December 2022	31 December 2021
Profit attributable to the shareholders of the Group (BGN)	37 246 000	35 293 000
Weighted average number of outstanding shares	239 646 267	239 646 267
Earnings per share (BGN per share)	**0.16**	**0.15**

46. Related party transactions

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

46.1. Transactions with owners

	2022 BGN '000	2021 BGN '000
Sale of goods and services, interest income and other income		
- interest income	273	172
- sale of services	-	10
- other income	1 453	2
Purchase of services, interest expense and other expenses		
- purchase of services	(89)	(30)
- interest expense	(340)	(256)

46.2. Transactions with associates and other related parties

Sale of goods and services, interest income and other income	2022 BGN '000	2021 BGN '000
Sale of production		
- associated companies	2 117	1 025
- other related parties	145	228
Sale of finished goods		
- associated companies	593	279
- other related parties	909	462
Sale of services		
- joint ventures	189	74
- associated companies	11 105	11 007
- other related parties	3 845	2 287
Interest income		
- joint ventures	297	225
- associated companies	13	14
- other related parties	1 459	1 251
Other income		
- joint ventures	56	38
- associated companies	136	1 189
- other related parties	297	159

Purchases of services and interest expense	2022 BGN '000	2021 BGN '000
Purchases of services		
- associated companies	(10 186)	(10 072)
- other related parties	(4 724)	(4 971)
Interest expense		
- associated companies	(176)	(144)
- other related parties	(159)	-

46.3. Transactions with key management personnel

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

	2022 BGN'000	2021 BGN'000
Short-term employee benefits:		
Salaries, including bonuses	(168)	(168)
Social security costs	(16)	(16)
Total short-term benefits	**(184)**	**(184)**

47. Related party balances at year-end

	2022 BGN'000	2021 BGN'000
Non-current receivables from:		
- associates	2 942	3 507
- other related parties	12 052	86 302
Total non-current receivables from related parties	**14 994**	**89 809**

Current receivables from:	2022 BGN'000	2021 BGN'000
- owners	9 845	30 389
- associates	1 470	1 222
- joint ventures	3 257	6 493
- other related parties	44 604	37 646
Total current receivables from related parties	**59 176**	**75 750**

Non-current payable to:	2022 BGN'000	2021 BGN'000
- owners	5	8
- associates	5 053	7 225
- joint ventures	1 538	947
- other related parties	7 770	6 214
Total non-current payables from related parties	**14 366**	**14 394**

Current payables to:	2022 BGN'000	2021 BGN'000
- owners	49 675	25 012
- associates	5 622	6 682
- joint ventures	595	584
- other related parties	15 396	16 644
Total current payables from related parties	**71 288**	**48 922**

48. Contingent assets, contingent liabilities and other commitments

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

	2022 BGN'000	2021 BGN'000
Bank guarantees in BGN	50 746	34 032
Bank guarantees in foreign currency	25 874	18 614
Irrevocable commitments	88 823	244 126
Total contingent liabilities	**165 443**	**296 772**

As at 31 December 2022, the Group had entered into agreements to extend loans to customers for a total amount of BGN 88 823 thousand (2021: BGN 244 126 thousand), respectively. Future drawdown of this amount is dependent on the borrowers meeting certain criteria, including no recorded defaults on previous loan tranches, provision of collateral of a certain quality and liquidity, etc.

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

As of 31.12.2022, in connection with the requirements of IFRS 9, the Group has recognized BGN 882 thousand (2021: BGN 714 thousand) liabilities for provisions for expected credit losses related to the Group's contingent liabilities.

As at 31 December 2022, the Group has pledged investment properties with a carrying amount of BGN 132 987 thousand.

On 17 December 2020, a commercial bank has established new bank guarantee under concession agreement for oil production with №116DSK14711 amounting to BGN 190 thousand and represent the value of the entire concession fee paid under a concession contract for Dolni Lukovit deposit for 2020 with VAT. The term of validity of the guarantee is until 28 February 2023.

On 13 December 2021, a commercial bank has established new bank guarantee under concession agreement for oil production with №116DSK16000 amounting to BGN 290 thousand and represent the value of the entire concession fee paid under a concession contract for Dolni Lukovit deposit for 2021 with VAT. The term of validity of the guarantee is until 28 February 2023.

On 18 January 2022, a commercial bank has established two new bank guarantees under concession agreement for oil and gas production with №116DSK16135, amounting to BGN 16 thousand and №116DSK16136, amounting to BGN 123 thousand and represent the value of the entire concession fee and represents the value of the entire concession remuneration paid by OGEP AD under the concession contracts for the Iskar-Zapad deposit and the Dolni Dabnik deposit for 2021, with VAT. The validity period of the guarantees is until 28.02.2023.

On 26 June 2020, a commercial bank issued a bank guarantee with №116DSK13926 amounting to BGN 100 thousand, securing the obligations of the company related to its registration under the Law on Administrative Regulation of Economic Activities Related to Oil and Petroleum Products origin. The term of validity of the guarantee is until 24 June 2022.

Amendment No. 1 to Bank Guarantee №116DSK13926 extends the term to 24.12.2023.

Under a bank credit agreement with commercial bank, the Group establishes a first ranking pledge over a portion of its open accounts with the bank.

The Group has a guarantee issued by commercial bank in the amount of BGN 2 600 thousand in favour of the National Customs Agency with a validity period until 5 April 2023.

The Group is a party to two commercial cases in the Sofia City Court in relation to cessation contracts/ purchased receivables from 2014, the total amount of the material interest of the cases amounting to 24 million EUR.

As of 31 December 2022, there were judgments in force from several instances in both cases which ruled in favour of the Group. Based on an analysis of the factual and legal situation, the Group's advisers consider that in both litigations all legal possibilities have not been exhausted by the claimant for additional relief, whereby no assurance can be given as to the outcome of the cases at the date of the consolidated financial statements, although the expectation of the outcome of the cases is in favour of the Group.

In 2021 and 2022, two audits of the Group were carried out by the Municipal Administration in relation to the Group's obligations under the Local Taxes and Fees Act.

As a result of the audits, audit reports have been issued. The Group has initiated complaints against the audit reports.

Both cases are at the evidence-gathering stage and have not been closed as of 31.12.2022, nor at the reporting date. The cases are considering in the court of first instance and the judgments' cases will be subject to appeal before the Supreme Administrative Court of Bulgaria by the party having a legitimate interest.

Commitments under concession contracts

Concession Port Balchik

Under the Concession Agreement, the Group is obliged to operate and maintain the Port Terminal - Balchik, an area of the Port of Public Transport of National Importance - Varna, to make investments in accordance with the Investment Programme, to maintain a certain average annual cargo turnover and to implement a certain social programme with respect to the staff.

Under the concession contract, the Group undertakes to:

- to maintain the Port Terminal - Balchik in operating condition for the duration of the concession;
- to perform port services without the right to hire subcontractors for this purpose;
- to carry out the investments according to the adopted Investment Programme, with the amount of the mandatory investments for the first two years of the concession period to be not less than BGN 1 098 thousand, and for the whole period of the contract - not less than BGN 3 475 thousand;
- to prepare and submit for approval by the Concessionaire annually annual investment programmes for the concession object;
- agree and obtain approval in advance from the Condensate to make improvements to the object of concession.
- pay the concession fee in the amount, on the terms, in the manner and within the time limits specified in the concession agreement;
- insure the object of concession;
- maintain bank performance guarantees for the duration of the Contract;
- to implement the proposals made in the Business Proposal and the Average Annual Turnover Proposal.

The Concessionaire undertakes to provide and maintain for each consecutive year of the concession agreement new, confirmed, unconditional and irrevocable annual bank guarantees issued by banks approved by the Concessionaire, as follows:

- A guarantee in the amount of BGN 430 thousand (EUR 220 thousand) to guarantee the execution of the concession contract, including the obligations for the payment of the concession fee, for freight turnover, for the payment of interest and penalties and others specified in the concession contract.

On 16 March 2023, an agreement was concluded for the issuance of a bank guarantee for the amount of EUR 220 thousand with a term of the guarantee until 31 July 2024. The bank guarantee agreement was concluded to ensure the fulfilment of the Group's obligations under the concession agreement.

The group should make investments in 2023 in the total amount of BGN 77 thousand for the fourteenth investment year of the concession term in the following areas:

- Costs for environmental protection in the total value of BGN 2 thousand;
- Costs for ensuring basic repairs and maintenance in operational condition of the terminal BGN 15 thousand.
- Consultations on the implementation of the Concession Agreement with a total value of BGN 60 thousand.

The investment deadline is 31 December 2023.

On October 20, 2010, the contract signed between the Group and the Ministry of Transport, Information Technologies and Communications regarding the concession of service on the port terminal "Vidin - Sever" and the port terminal "Ferry Complex Vidin", parts of a port for public transport of national importance Vidin. The contract is for a period of 30 years. On February 24, 2021, an Additional Agreement was signed to extend the term to 40 years.

The concession fee includes:

- one-time concession fee in the amount of BGN 100 thousand.
- annual concession fees, which contain a fixed and a variable part.

The amount of the fixed annual concession fee amounts to EUR 44 thousand (BGN 87 thousand). Under the concession contract, the Group undertakes:

Under the concession contract, the Group undertakes:

- to carry out an update of the master plan of the port of Vidin regarding the port terminals - Object of the concession;
- to make investments, according to the foreseen annual investment programs;

- to develop and submit for approval by the grantor annual investment programs by October 30 of the previous year;
- to coordinate in advance and obtain approval from the Minister of Transport, Information Technologies and Communications for making improvements to the concession site that are not provided for in the relevant annual investment program;
- does not change the purpose of the object of the concession;
- presents and maintains bank guarantees;

The concession contract is terminated upon expiration of the contract term, by mutual agreement, due to circumstances under the Law on Concessions or upon culpable failure of one of the parties to fulfil its obligations.

In the period 1 January 2022 - 31 December 2022, the Group undertook to make investments in the "Vidin - Sever" port terminals and "Vidin Ferry Complex" in the amount of BGN 75 thousand. The reported (repaid) value as of 31 December 2022 of investments made in the terminal amount to BGN 91,300.35.

In 2013, a contract signed between the Group and the Ministry of Transport, Information Technologies and Communications regarding a service concession for the provision of a service concession on a port terminal Nikopol Port Terminal, part of a public transport port of national importance Rousse, entered into force. The contract is for a period of 35 years and provides for a grace period of 60 (sixty) months, which starts from the date of entry into force of the concession contract.

The concession fee includes:

- one-time concession fee in the amount of BGN 5 thousand.
- annual concession fees, which contain a fixed and a variable part.

The annual concession payment consists of two parts:

- a fixed part of the annual concession payment in the amount of BGN 3 thousand (without VAT).
- a variable part in the amount of 3% of the total amount of net income from all activities for the current year, related to the use of the concession object.

For the duration of the concession, the Parent Company undertakes to carry out construction and installation works and maintenance, rehabilitation, reconstruction and expansion activities of the port terminal and provision and maintenance of port equipment and other assets and programs in the areas, types, volume and value determined by amount of BGN 57 600 excluding VAT.

Under the concession contract, the Group undertakes to:

- management of port services and of the concession site.
- to implement the proposed plans and programs.
- reaching an average annual freight turnover in the amount of at least 1,600 (one thousand six hundred) conditional transport units within the first 5 years from the entry into force of the concession contract and reaching an average annual freight turnover in an amount not less than the proposed average annual freight turnover within every two years of the remaining period of the concession term;
- to provide and maintain confirmed unconditional irrevocable annual guarantees issued by banks approved by the grantor;
- to insure and maintain suitable and sufficient for the activity carried out insurance of the object of concession, at its own expense for the benefit of the Grantor.

The concession contract is terminated upon expiration of the contract term, by mutual agreement, due to circumstances under the Law on Concessions or upon culpable failure of one of the parties to fulfil its obligations.

On 6 March 2013, a contract signed between the Group and the Ministry of Transport, Information Technologies and Communications for the granting of a concession to "Port Terminal Lom" - part of a port for public transport Lom, of national importance - public state property for term of 35 years.

Under the concession contract, the Group undertakes to:

- pays the due concession fees (one-time concession fee in the amount of BGN 150 thousand excluding VAT and annual concession payments, which contain a fixed and a variable part);

- performs port services at its own risk, creating conditions for the continuity of the provision of services and providing access to the terminals and the port services provided by them for no less than 8 hours a day;
- maintains and operates the concession object at its own risk, with the care of a good steward and in accordance with the requirements of the current legislation regulating activities and actions arising from the concession contract;
- for the period 1 January 1 – 31 December 2022, investments were made in the amount of BGN 429 thousand;
- makes public the prices and conditions of the offered port services it provides, as well as any discounts;
- maintains the infrastructure of the port terminal in good operational condition, carrying out the necessary repairs at its own expense.

On November 5, 2010, an Agreement was signed between the Municipality of Rousse and the Group for the provision of access to perform port services in the public transport port of regional importance "Pristis".

The group is committed to providing port services in Pristis port by using and maintaining the port territory and the facilities built on it - public municipal property. According to an additional agreement signed on December 8, 2015, the contract is valid until the completion of the procedure for granting Pristis port a concession, but not more than 5 years.

As a result of an open procedure for the granting of a concession for a public transport port of regional importance "Pristis" and by virtue of Decision No. 707 of the Municipal Council - Rousse, adopted with Protocol No. 28 of December 14, 2017, the Group has been designated for Pristis Port Concessionaire. On 04.01.2018, an Agreement was signed between the Municipal Council - Rousse, represented by the Mayor of the Municipality of Rousse, and the Group for the granting of a concession for a public transport port of regional significance "Pristis" - public municipal property. The contract enters into force on April 1, 2019 and has a term of 35 years.

With the entry into force of the concession contract, the contract for granting access to perform port services in the public transport port of regional significance "Pristis" is terminated.

Under the concession contract, the Group has obligations to:

- makes annual concession payments, consisting of two parts - a fixed part in the amount of BGN 54 thousand (considered from 01.01.2022) and a variable part depending on the activity performed;
- manages and maintains the concession facility at its own risk, in accordance with good engineering and operational practice, with the care of a good steward and in accordance with the requirements of the current legislation regulating 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;
- performs port services at its own risk, ensuring their continuity for no less than 8 hours a day;
- makes investments, according to the foreseen annual investment programs;
- realizes an annual freight turnover, defined in conditional transport units, as a conditional transport unit is every passenger served at the port and/or ship visit multiplied by 10.

In 2022, the Group realized a freight turnover of 30 862 conditional transport units and made a variable concession payment.

In fulfilment of the contract for granting a concession for a public transport port of regional importance "Pristis" - public municipal property, the Group was issued a bank guarantee for the good performance of the concession contract, in the amount of BGN 100 thousand and valid until 1 March 2028.

On 29 July 2021, a contract was signed between the Group and the Ministry of Transport, Information Technologies and Communications, regarding a construction concession for the site "Port terminal with winter storage - Ruse, part of Ruse public transport port - public state property. Term of the concession 35 years.

The concession fee includes:

- one-time concession fee in the amount of BGN 6 700.
- annual concession fees, which contain a fixed and a variable part.

The amount of the fixed annual concession fee amounts to BGN 22 thousand, and the variable amount is 2% of the total amount of revenues.

Under the concession contract, the Group has obligations to:

- provide an asset management service for the Port Terminal with winter storage - Rousse;
- handle cargo and mail;
- perform marine technical port services.

Until 31 December 2023, the Group has undertaken to make investments in the amount of BGN 564 thousand.

According to the Concession Agreement, the Company has assumed obligations to operate, maintain and make investments for the development of the Lesport port terminal; to implement Annual Investment Programs, to maintain a certain average annual freight turnover, to maintain bank guarantees for performance for the duration of the contract and to implement a certain social program regarding the staff.

The concessionaire undertakes to provide and maintain, for each successive year of the concession contract, confirmed, unconditional, irrevocable bank guarantees for the duration 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 relevant year;
- A 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 the concession fee, freight turnover, the obligation to pay interest and penalties specified in the contract.

As of 31 December 2022, the Group has concluded a Framework Agreement for the issuance of bank guarantees with a commercial bank for a total value of BGN 500 thousand with a term of validity until 28 January 2028. As collateral under the concluded Framework Agreement for the issuance of a bank guarantee, the non-current assets of the Group. This contract includes a bank guarantee in the amount of BGN 43 thousand for the fulfilment of the obligations for 2022 in favour of the Ministry of Transport and Communications, valid until 30 May 2023.

As of 31 December 2022, the term of the bank guarantee in favour of the Ministry of Transport and Communications in the amount of EUR 256 thousand, guaranteeing good performance for the entire term of the Concession Agreement is until 28 January 2028. It is guaranteed by a cash pledge assets of a related party under common control.

According to the additional agreement of 23 January 2020, an integral part of the concession contract signed between the Company and the Ministry of Transport and Communications, the investments approved for implementation for 2023 amount to BGN 332 thousand and are in the following areas:

- Direction: Serviceability for a total value of BGN 192 thousand;
- Direction: Consultations on the implementation of the concession contract in the amount of BGN 140 thousand.

The term of implementation of the investments is until 31 December 2023.

As of 31 December 2022, the Group owes a penalty to the Ministry of Transport and Communications in the amount of BGN 70 thousand for an average annual freight turnover for the last two years lower than the basic freight turnover stipulated in the concession contract and the additional agreements signed to it (2021: BGN 0).

Concessions for oil and gas production

The main activity of the Group's subsidiary Oil and Gas Exploration and Production AD is conducted on the basis of concession rights granted by the state and 13 concession agreements concluded as follows: concession agreement for extraction of crude oil from the field "Bardarski Geran", concession agreement for extraction of crude oil from the field "Gorni Dabnik", concession agreement for extraction of crude oil and natural gas from the field "Dolni Dabnik", concession agreement for extraction of Crude oil and natural gas from the Dolni Lukovit field, concession agreement for extraction of crude oil from the Dolni Lukovit field - West, concession agreement for extraction of crude oil and natural gas from the Selanovtsi field, concession agreement for extraction of crude oil from the Staroseltsi field, concession agreement for extraction of crude oil from the Tyulenovo field, concession agreement for extraction of crude oil from natural fields Bulgarevo field, concession agreement for extraction of crude oil and natural gas from the Marinov Geran field and concession agreement for extraction of crude oil and natural gas from the Bhutan-South field, concession agreement for extraction of natural gas from the field Durankulak and concession agreement for extraction of mineral resources - oil and natural gas - natural gas and condensate from the Iskar West field.

In order to ensure the fulfilment of its obligations for the final leaving of the concession areas, according to the concession agreements, the Group annually allocates amounts representing annual contributions to the “Leaving Fund”.

Future payments in related to the contributions to the Leaving Fund as at 31 December are as follows:

	Up to 1 year BGN ‘000	From 1 to 5 years BGN ‘000	Over 5 years BGN ‘000	Total BGN ‘000
2022	9	37	96	142
2021	10	40	102	152

The group has concluded the following bank guarantee contracts:

- Bank guarantee as collateral for a possible request for reimbursement of an advance granted in favour of the Contracting Authority, regarding an obligation of Consortium Energoproekt - Royal Haskoning under a contract for the design of an Intermodal Terminal in the amount of BGN 1 684 thousand, reduced to BGN 1 200 thousand. Valid until 30.06.2023 inclusive. Collateral bank guarantees and a lien on receivables have been provided;
- Bank guarantee for good performance in favour of the Contracting Authority regarding the fulfilment of the obligation of Consortium Energoproekt - Royal Haskoning under the contract for the design of an Intermodal Terminal in the amount of BGN 263 thousand and valid until 30.06.2023. The security provided is guarantee contract.

The group has concluded a contract for issuing bank guarantees to companies from the group with a limit of 1 million BGN due September 2024.

49. Reconciliation of liabilities arising from financing activities

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

	Debenture loan BGN‘000	Bank loans BGN‘000	Other loans BGN‘000	Total BGN‘000
1 January 2022	**69 450**	**71 729**	**25 981**	**167 160**
Cash flows:				**-**
Repayment	(3 000)	(25 614)	(5 496)	**(34 110)**
Proceeds	-	1 703	5 637	**7 340**
Interest paid	(1 575)	(3 174)	(497)	**(5 246)**
Non-cash:				**-**
Interest accrued	1 672	4 123	497	**6 292**
Reclassification	8 064	39 359	(21 970)	**25 453**
31 December 2022	**74 611**	**88 126**	**4 152**	**166 889**

	Debenture loan BGN'000	Bank loans BGN'000	Other loans BGN'000	Total BGN'000
1 January 2021	**37 451**	**127 069**	**6 161**	**170 681**
Cash flows:				-
Repayment	-	(30 177)	(206)	(30 383)
Proceeds	35 000	11 272	9 420	55 692
Interest paid	(420)	(3 054)	(1 334)	(4 808)
Non-cash:				-
Interest accrued	420	3 054	1 334	4 808
Reclassification	(3 001)	(36 435)	10 606	(28 830)
31 December 2021	**69 450**	**71 729**	**25 981**	**167 160**

50. Non-monetary transactions

During the reporting periods presented, the Group has made the following transactions in which no cash or cash equivalents have been used and which are not reflected in the consolidated statement of cash flows from financing activities:

- In connection with the requirements of IFRS 16 Leasing in 2022, the Group has recognized assets with the right to use a total value of BGN 86 thousand.
- The Group has offset lease liabilities at the amount of BGN 30 736 thousand against other balances.
- The Group has carried out an investment transaction for which cash and cash equivalents were not used to set off receivables against liabilities at the amount of BGN 451 thousand with the Ministry of Transport and Communications for a recognized annual investment program for 2021 and annual investment program for 2022 approved for implementation (2021: BGN 246 thousand)

51. Categories of financial assets and liabilities

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

Financial assets	**Note**	**2022 BGN'000**	**2021 BGN'000**
Financial assets at fair value through profit or loss:	16		
- Corporate shares, stocks and rights		1 252 389	1 258 422
- Bulgarian corporate bonds		219 003	213 113
- Medium-term Bulgarian government securities		52 610	55 258
- Long-term Bulgarian government securities		45 643	30 104
- Securities issued or guaranteed in other countries		611 699	486 003
- Derivatives held for trading		12	70
Equity instruments at fair value through other comprehensive income:	18		
- Quoted equity instruments		23 653	24 605
- Unquoted equity instruments		70 031	45 821
Debt instruments measured at fair value through other comprehensive income:	17		
- Bonds		145 636	413 303
- Government Securities		413 809	446 138
Debt instruments at amortized cost:			
- Loans	15, 19.1	3 350 000	3 182 882
- Cession receivables	19.1	48 188	60 677

Financial assets	Note	2022 BGN'000	2021 BGN'000
- Receivables under repurchase agreements	19.2	448 044	399 895
- Debt instruments at amortized cost	19.3	1 341 679	687 184
- Receivables from related parties	47	74 170	165 559
- Trade receivables	19.4	110 647	116 962
- Others	19	1 393	22 092
Less: Impairment	*19*	(151 181)	*(28 163)*
- Cash and cash equivalents	24	2 180 578	2 380 922
		10 238 003	**9 960 847**

Financial liabilities	Note	2022 BGN'000	2021 BGN'000
Financial liabilities measured at amortized cost:			
Liabilities to depositors	26	7 315 692	6 917 880
Borrowings	27.2, 27.3, 27.4	228 043	250 545
Bank deposits	27.5	10 247	41 146
Cession payables	27	60 245	43 014
Obligations under repo agreements	27.6	2 420	13 960
Lease obligations	32	305 454	280 979
Trade and other payables	27.7	74 185	110 004
Related party payables	47	85 654	63 316
		8 081 940	**7 720 844**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	27.1	677	118
		8 082 617	**7 720 962**

See note 4.19 for information on accounting policy for each category of financial instruments. The methods used to measure fair values are described in note 53. A description of Group's policy and objectives for risk management is presented in note 52.

52. Financial instruments risks

Risk management objectives and policies

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

The Group is exposed to different types of risk with regards to its financial instruments. For further information regarding the categories of financial assets and liabilities see note 51. The most significant financial risks to which the Group is exposed to are described below.

52.1. Insurance risk

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

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

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

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

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

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

The Group manages and balances the insurance risks incurred both within the insurance group and outside it. Within the insurance group, this is achieved by balancing the risks assumed in time, in essence, by location, in risk groups and by increasing the number of insured entities, i.e., through the manifestation of the Law of Big Numbers. The Group conducts 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 limit of self-retention is determined. The management of insurance risk is also reflected in the application of constraints in signing procedures - Limits of liability, exclusion of risks to which it can be influenced, use of appropriate methods to assess the necessary bonuses and future obligations, implementation of reinsurance program and monitoring of the insurance business. Regardless of the reinsurance protection, the Group is not relieved of its direct liability to the insured against the risks transferred, resulting in credit risk to the extent that the reinsurers of the relevant reinsurance contract are unable to meet their financial obligations under the reinsurance contract. To minimize the exposure to this credit risk, the Group maintains a register of available quantitative indicators of the financial position of its counterparties.

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

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

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

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

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

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

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

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

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

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

				Year of event			
	2022 BGN'000	**2021 BGN'000**	**2020 BGN'000**	**2019 BGN'000**	**2018 BGN'000**	**2017 BGN'000**	**Total BGN'000**
At the end of the period	53 764	50 885	48 597	52 242	48 674	52 390	306 552
1 year later	-	25 232	21 260	25 848	32 826	30 963	136 129
2 years later	-	-	3 776	4 576	5 187	8 066	21 605
3 years later	-	-	-	3 592	3 798	4 179	11 569
4 years later	-	-	-	-	2 131	3 337	5 468
5 years later	-	-	-	-	-	2 825	2 825
Cumulative payments to date	53 764	76 117	73 633	86 258	92 616	101 760	484 148
Overall assessment of benefits	97 781	89 979	81 419	91 326	95 259	101 760	557 524
As of 31 December:							
Payments:							
Evaluation	44 017	13 862	7 786	5 068	2 643	-	73 376
Real reserves	52 947	16 103	12 800	11 858	10 520	9 250	113 478

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 form the reserve for incurred but not reported claims (IBNR), the Group uses chain-column methods both on the basis of accumulated values of paid claims and on the basis of historically filed claims. For development coefficients, average and weighted average own development coefficients were used, as for almost all insurances the method was applied for the period 2012-2022. When large deviations in the development coefficients for a given year, atypical for the development of claims, are obtained for a certain insurance, the corresponding period is not taken into account when calculating the factors.

On insurances where, due to low frequency of events /Loans, Guarantees, Various financial losses/ or due to a small volume of activity /Property damage/, there are no claims made and based on the chain-pillar method, a zero value of the reserve is determined for the IBNR reserve as of 31.12.2022. The Group used a method based on the volume of premiums earned and market data on the relative share of the reserve for not reported claims in earned premiums, disclosed by the FSC with Decision No. 44 of 17.01.2023.

If there is sufficient data on recovered amounts under recourses, the Group calculates a reserve for expected revenues from recourses, which amount is deducted from the reserve for incurred but not reported damages. As of 31.12.2022, a reserve for recourses has been determined only under "Motor vehicle Casco" insurance due to the significant volume of recovered sums from recourses for this type of activity. To calculate the expected revenue from recourses, a chain-pillar method was used, based on data on the recovered sums under recourses for the last 11 years.

For Motor Third Party Liability insurance the reserve for not reported claims is set separately for property and non-property damages. To calculate the reserve for incurred but unclaimed property damage claims, the Group uses the chain-pillar method based on accumulated paid claims and weighted average development coefficients obtained from its own data. To determine the reserve for non-property claims, a chain-pillar method was used based on accumulated historical values of claimed damages and weighted average development coefficients obtained from own data. The above-described method for calculating the reserve under the "Civil Liability" insurance of motorists as of 31 December 2022 was approved by Decision No. 188 - OH dated 13 February 2022.

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 conduct the calculations separately.

As of 31 December 2022, the Group has not created a reserve for incurred but not reported claims under "Illness", "Rail Vehicles" and "Legal Expenses" insurance, given that there is no 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.

When calculating the value of the unearned premium reserve as of 31 December 2022, the "exact date" method was used. The reserve is calculated automatically by the information system individually for each policy and each annex to it, based on the accrued premium income, accrued acquisition costs, the term of the contract and the coverage period after the end of the reporting period. The unearned premium reserve for Cargo and Carrier's Liability insurance for one-time transport is calculated for the insurance period of one month. For crop insurance, the unearned premium reserve is calculated until the end of the contract, but not later than the end of the agricultural year. Given that the accounting policy does not provide for deferral of acquisition costs, when calculating the reserve from the value of accrued premium is deducted the value of acquisition costs - the value of accrued commissions on the policy and other acquisition costs set in the CRA.

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.

Adequacy of obligations is ensured by periodic evaluation and testing whether the formed reserves are sufficient to cover all future payments. When assessing the adequacy of the reserves, all expected cash flows under the concluded insurance contracts are taken into account, such as: payments in connection with the risk, administrative costs for servicing the contracts, costs for settling claims, etc. The adequacy of the transfer-premium reserve and the reserve for future payments is established through appropriate tests.

The adequacy test of the transfer-premium reserve is carried out according to Art. 85 of Ordinance No. 53, and in the event of a shortage, a reserve is formed for unexpired risks. The latter is allocated to a negative gross technical result, determined according to Appendix No. 6 of Ordinance No. 53 for three consecutive years, and under "Civil Liability" of motorists, the development of risk and costs is examined only for one - the current year. The test is carried out by type of insurance. If there is an established need to create a reserve for unexpired risks, its amount is determined according to Appendix No. 7 of the Ordinance. As of 31.12.2022, the adequacy test of the transfer-premium reserve does not indicate a shortage of premium and the need to create a reserve for unexpired risks.

The adequacy test of the reserve for future payments was performed by means of a run-off analysis. The analysis of the development of the reserve for pending payments formed as of 31.12.2021 shows an excess of the reserved reserve over the value of the claims paid in 2022 and the remaining reserve at the end of 2022 for damages for events that occurred before 01.01.2022.

The influence that the development of the insurance indicators has on the capital adequacy of the Group is simulated in the sensitivity analysis. For the sensitivity analysis presented below, the indicators uncollectible receivables from insurance operations and reserve for pending payments were selected. The starting point for the analysis is the capital position of the Group as of the date of the financial statement.

Simulations as at 31.12.2022	**Equity of insurance sector BGN'000**	**Deviation BGN'000**	**Deviation %**
Equity as of 31.12.2022	107 781		
Increase of expected future claims payments by 10 %	107 195	(586)	(0.55%)
Decrease of expected future claims payments by 10 %	108 367	586	0.54%
Increase of reserve for unreported and unreported claims by 5%	100 481	(7 300)	(7.26%)
Decrease of reserve for unreported and unreported claims by 5%	115 081	7 300	6.34%

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 characterized by a longer claims settlement process, such as Motor Third Party Liability insurance and other types of liability insurances.

52.1.1. Reinsurance strategy

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

Reinsurance Program:

- is a capital management tool aimed at reducing the cost of capital funds in the event of adverse events;
- is a measure to protect the Group's capital adequacy from accumulating risks, including those of a catastrophic nature;

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

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

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

52.1.2. Damage settlement process

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

Types of insurance	**2022 Damages quota, gross %**	**2022 Damages, quota, net %**	**2021 Damages quota, gross %**	**2021 Damages quota, net %**
Accident insurance	10%	24%	14%	12%
Disease	0%	0%	0%	0%
Casco	45%	45%	42%	41%
Rail vehicles	0%	0%	0%	0%
Casco Aircraft	-1%	-13%	-35%	-524%
Casco vessels	-2%	62%	7%	-89%
Freight transport	-1%	-5%	3%	4%
Fire and natural disasters	24%	16%	31%	68%
Property damage	-51%	-51%	-1%	-1%
Third-party vehicle insurance	42%	32%	-6%	-26%
Third-party aviation insurance	-82%	-783%	111%	3 812%
Third party vessels insurance	2 132%	393%	2 120%	1 790%
General third-party insurance	182%	167%	-164%	-161%
Loans and leasing	4%	4%	0%	0%
Insurance of guarantees	8%	8%	0%	0%
Miscellaneous financial losses	3%	3%	0%	0%
Legal costs	0%	0%	0%	0%
Travel Assistance	7%	7%	5%	5%
Total:	**41%**	**40%**	**26%**	**32%**

The insurance with the largest relative share in the Group's portfolio - "Casco of motor vehicles" is characterized by favourable risk development in 2022 - 45% gross claims ratio and 45% - net, although compared to the previous year, when 42% of the premium earned was used to cover risk-related payments, there is a slight increase in claims. A prerequisite for the increase in damage under the insurance is, on the one hand, the removal of the restrictions on motor vehicle traffic introduced in previous years due to COVID-19 and, on the other hand, the reflection of the higher levels of inflation in the current year.

The change in the net loss ratio for the overall activity: 49% - for 2010, 53% - for 2011, 59% - for 2012, 53% - for 2013, 59% - for 2014, 46% - for 2015, 56% - for 2016, 41% - for 2017, 43% - for 2018, 47% - for 2019, 46% - for 2020, 32% - for 2021 and 40% - for 2022, shows a fluctuation in net damage between 32% and 59%, and in recent years there has been a permanent trend of decreasing the indicator, which is also associated with a higher positive net result.

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

Types of insurance	**Number 2022**	**Amount**	**Average indemnity 2022**	**Number 2021**	**Amount**	**Average indemnity 2021**
Accident insurance	2 903	1 447 591	499	2 565	861 840	336
Casco	65 695	68 102 023	1 037	61 642	60 726 391	985
Casco of aircrafts	-	-	-	1	93 168	93 168
Casco of vessels	5	52 133	10 427	9	267 405	29 712
Cargo insurance during transportation	14	16 217	1 158	20	73 291	3 665
Fire and natural calamities insurance	2 181	4 071 126	1 867	2 102	4 321 944	2 056
Property damage insurance	-	-	-	-	-	-
Insurance associated with the ownership and usage of motor vehicles	5 385	21 849 345	4 057	5 483	25 931 683	4 729
Third-party aviation insurance	-	-	-	1	7 500	7 500
Third party vessels insurance	3	6 109	2 036	1	15 732	15 732
General third-party insurance	39	268 875	6 894	28	440 238	15 723
Travel assistance	442	283 953	642	768	451 462	588
Total:	**76 667**	**96 097 372**	**1 253**	**72 620**	**93 190 654**	**1 283**

The average paid damage in 2022 is BGN 1 253 and compared to the same indicator for the previous years: BGN 1 283 - for 2021, BGN 1 137 – for 2020 and BGN 1 124 - for 2019 marks an insignificant increase for the last two years. The highest is the amount of the average damage under the "Casco on Vessels" insurance, and the lowest - on the "Accident" and "Travel Assistance" insurances.

52.2. Foreign currency risk

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

Group's policy regarding other than banking activities

Most of the Group's transactions are carried out in BGN. The foreign transactions of the Group, denominated in US dollars, expose the Group to currency risk. The Group has long-term trade payables and short-term finance lease liabilities in US dollars, the greater part of which is related to the purchase of aircraft. These liabilities are stated at amortized cost. The Group has short-term and long-term US dollar loans. These receivables are classified as loans and receivables. The foreign transactions of the Group denominated in euro do not expose the Group to currency risk as the exchange rate of the Bulgarian lev is fixed to the euro under the Currency Board Act.

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

Group's policies regarding the banking activities

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

The risk-weighted net currency position as at 31 December 2022 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 2021 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.

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 2022 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and cash balances with the Central Bank	1 805 378	98 630	21 589	58 346	1 983 943
Provided resources and advances to banks	161	35 847	11 175	43 293	90 476
Receivables under repurchase agreements	358 946	34 303	-	-	393 249
Financial assets at fair value through profit or loss	178 796	17 146	5 068	9 995	211 005
Loans and advances to customers	2 523 161	504 615	53	239 671	3 267 500
Financial assets measured at fair value in other comprehensive income	339 802	217 208	6 900	833	564 743
Financial assets at amortized cost	408 811	859 088	23 930	49 850	1 341 679
TOTAL ASSETS	**5 615 055**	**1 766 837**	**68 715**	**401 988**	**7 852 595**
FINANCIAL LIABILITIES					
Deposits from banks	3 471	10 348	1 616	2 238	17 673
Liabilities to other depositors	5 008 646	1 805 600	224 317	305 619	7 344 182
Issued bonds	-	35 370	-	-	35 370
Other attracted funds	-	-	-	-	-
TOTAL LIABILITIES	**5 012 117**	**1 851 318**	**225 933**	**307 857**	**7 397 225**
NET POSTION	**602 938**	**(84 481)**	**(157 218)**	**94 131**	**455 370**

The currency structure of financial assets and liabilities at book value as of 31 December 2021 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 808 132	69 823	14 750	70 847	1 963 552
Provided resources and advances to banks	152	18 149	59 849	104 275	182 425
Receivables under repurchase agreements	315 777	41 205	-	-	356 982
Financial assets at fair value through profit or loss	236 468	13 100	6 137	38 278	293 983
Loans and advances to customers	2 294 974	590 163	52	235 449	3 120 638
Financial assets measured at fair value in other comprehensive income	416 380	437 364	4 465	897	859 106
Financial assets at amortized cost	185 146	445 875	-	56 164	687 185
TOTAL ASSETS	**5 257 029**	**1 615 679**	**85 253**	**505 910**	**7 463 871**
FINANCIAL LIABILITIES					
Deposits from banks	21 168	26 609	2 922	2 194	52 893
Liabilities to other depositors	4 681 404	1 728 017	213 577	323 585	6 946 583
Issued bonds	-	25 450	-	-	25 450
Other attracted funds	34 928	16 361	-	7	51 296
TOTAL LIABILITIES	**4 737 500**	**1 796 437**	**216 499**	**325 786**	**7 076 222**
NET POSTION	**519 529**	**(180 758)**	**(131 246)**	**180 124**	**387 649**

52.3. Interest risk analysis

Group's policy regarding other than banking activities

The policy of the Group is aimed at minimizing interest rate risk on long-term financing. Therefore, long-term loans are usually with fixed interest rates. As at 31 December 2022, 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 2022 is negative, amounting to BGN 1 809 468 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 32.08%.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Provided resources and advances to banks	87 558	-	-	-	2 918	90 476
Receivables under repurchase agreements	115 756	122 951	154 542	-	-	393 249
Financial assets measured at fair value through profit or loss	-	-	-	-	2 192	2 192
Loans and advances to customers	46 231	110 562	295 920	1 549 257	1 265 530	3 267 500
Financial assets measured at fair value in other comprehensive income	-	-	6 021	222 681	317 059	545 761
Financial assets at amortized cost	9 779	204 648	100 386	450 807	576 059	1 341 679
TOTAL INTEREST-BEARING ASSETS	259 324	438 161	556 869	2 222 745	2 163 758	5 640 857
INTEREST-BEARING LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Liabilities under leasing contracts	1 053	1 959	9 818	29 336	10 934	53 100
TOTAL INTEREST–BEARING LIABILITIES	3 142 862	447 296	1 093 260	2 728 740	38 167	7 450 325
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 883 538)	(9 135)	(536 391)	(505 995)	2 125 591	(1 809 468)

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2021 is negative, amounting to BGN 1 880 731 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 34.20%.

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.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Provided resources and advances to banks	179 507	-	-	-	2 918	182 425
Receivables under repurchase agreements	111 225	114 303	131 454	-	-	356 982
Financial assets measured at fair value through profit or loss	-	-	-	-	4 062	4 062
Loans and advances to customers	38 827	68 738	458 739	1 363 017	1 191 317	3 120 638
Financial assets measured at fair value in other comprehensive income	-	122 858	31 928	258 446	430 967	844 199
Financial assets at amortized cost	9 640	11 097	58 551	217 778	390 119	687 185
TOTAL INTEREST-BEARING ASSETS	339 199	316 996	680 672	1 839 241	2 019 383	5 195 491
INTEREST-BEARING LIABILITIES						
Deposits from banks	52 893	-	-	-	-	52 893
Liabilities to other depositors	3 112 063	451 048	1 153 755	2 228 951	766	6 946 583
Issued bonds	-	-	-	-	25 450	25 450
Liabilities under leasing contracts	1 038	1 842	8 001	27 500	12 915	51 296
TOTAL INTEREST–BEARING LIABILITIES	3 165 994	452 890	1 161 756	2 256 451	39 131	7 076 222
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 826 795)	(135 894)	(481 084)	(417 210)	1 980 252	(1 880 731)

Maintaining a negative imbalance exposes the Group to the risk of a decrease in net interest income when interest rates rise. The impact of the imbalance reported as of 31 December 2022 on net interest income, with a forecast of 2% increase in interest rates over a 1-year horizon, is a decrease in net interest income by BGN 5 781 thousand (2021: BGN 5 373 thousand).

In the tables above, part of the attracted funds on current accounts without residual maturity in the amount of BGN 2 620 520 thousand as of 31 December 2022 (2021: BGN 2 153 008 thousand) 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 in 2022 and 2021.

52.4. Credit risk analysis

Group's policy regarding other than banking activities

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

	2022 BGN'000	2021 BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	2 181 356	2 042 970
Equity instruments at fair value through other comprehensive income	93 684	70 426
Debt instruments measured at fair value through other comprehensive income	559 445	859 441
Debt instruments at amortized cost	7 403 518	6 988 010
Carrying amount	**10 238 003**	**9 960 847**

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.

<u>Group's policies regarding the banking activities</u>

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

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

Cash, cash equivalents and cash balances in Central bank amounting to BGN 1 983 943 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 90 476 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.

Receivables under repurchase agreements of securities at the amount of BGN 393,249 thousand bear credit risk for the Group, depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 41 878 thousand is secured by government securities issued by the Republic of Bulgaria and bear 0% risk. The remaining receivables amounting to BGN 351 371 thousand are secured by corporate securities and bear respectively: 100% risk depending on the issuer of the securities provided as collateral.

Financial assets measured at fair value through profit or loss in the amount of BGN 211 005 thousand represent equity instruments - shares in non-financial Bulgarian enterprises in the amount of BGN 81 083 thousand and foreign credit institutions in the amount of BGN 9 475 thousand and foreign non-financial enterprises in the amount of BGN 23 260 thousand, whose maximum exposure in percentage terms is 100% risk; units in Bulgarian mutual funds in the amount of BGN 91 516 thousand - with risk weight from 0% to 1250% depending on the type of the underlying asset, debt instruments issued by Republic of Bulgaria in the amount of BGN 5 659 thousand with 0% risk wight; and derivatives in the amount of BGN 12 thousand - 20% risk.

Equity securities measured at fair value in other comprehensive income of BGN 18 982 thousand represent shares in financial and non-financial corporations carrying credit risk with a maximum exposure of 100% or BGN 18 982 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 13 720 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 118 232 thousand bear credit risk for the Group respectively 50% and 100% risk 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 413 809 thousand carry credit risk for the Group, whose maximum percentage exposure is 100% or BGN 413 809 thousand in absolute amount.

Debt securities valued at amortized cost and issued by the Republic of Bulgaria have a carrying amount of BGN 770 429 thousand and bear 0% risk. Debt securities reported at amortized cost and issued by other countries and central banks have a carrying amount of BGN 544 309 thousand and bear 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 27 615 thousand bear credit risk for the Group, bear credit risk for the Group whose maximum exposure in percentage is from 20% to 100% depending on the credit rating of the issuer.

Loans and advances to customers with a carrying amount of BGN 3 267 500 thousand bear 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 2 049 164 thousand.

As of 31 December 2022, the amount of the provisions formed by the Group to cover expected credit losses on loans and advances is BGN 40 684 thousand.

In 2022, and as at the date of these financial statements, businesses have to deal with challenges related to high inflation, disrupted supply chains, shortages of certain types of raw materials, etc., related to the consequences of the global pandemic and the war that broke out on the territory of Ukraine. As of the date of the preparation of these financial statements, the changed monetary policy by the leading central banks, as well as the expectations of a recession, are not reflected in Bulgaria's macroeconomic indicators, nor have they negatively affected the results of economic entities, but on the contrary, the reported results and growth indicators of GDP is a record for the EU. The Group has limited its exposure to the impacted sectors from the geopolitical turbulences and has terminated one significant exposure to a state company trading in gas and as of 31.12.2022 and the date of the preparation of these financial statements it has no exposures to sectors, negatively impacted by the described economic and political factors.

No changes were made to the credit loss assessment models used by the Group due to the onset of the global Covid-19 pandemic, high inflation and the war in Ukraine, as their accuracy and adequacy depend on the risk parameters used to calculate the amount of the expected credit losses and they participate with their actual values as reported by the statistical and financial state authorities.

Based on the Group’s assessment in 2022 the quality of the portfolio of exposures of the Bank remains stable and there is no increase in the share of non-performing exposures, the models used to assess credit losses have adequately assessed the size of the ECL.

In accordance with the "Rules for acceptance, evaluation and management of collateral in credit transactions", collateral valuations, including commercial real estate, are updated every 12 months and residential real estate – every three years. If necessary, the Bank may also require a more frequent update, e.g., in case of a change in the parameters of a credit transaction or where the information available indicates that their value has fallen significantly compared to total market prices. Real estate valuations are carried out by independent certified appraisers.

52.4.1. Assets quality

In the tables below, the Group presents the structure and the change in the adjustment for expected credit losses.

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 2022	**32**	**-**	**-**	**32**
Change in impairment loss	(5)	-	-	(5)
Accrued for the period	27	-	-	27
Derecognized for the period	(32)	-	-	(32)
Impairment loss on 31 December 2022	**27**	**-**	**-**	**27**

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 2021	**30**	**-**	**-**	**30**
Change in impairment loss	2	-	-	2
Accrued for the period	16	-	-	16
Derecognized for the period	(14)	-	-	(14)
Impairment loss on 31 December 2021	**32**	**-**	**-**	**32**

	Stage 1	**Stage 2**	**Stage 3**

Impairment loss – Receivables under repurchase agreements of securities	12-month ECL BGN '000	Lifetime ECL BGN '000	Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	**1 246**	**-**	**-**	**1 246**
Change in impairment loss	90	-	-	90
Accrued for the period	1 336	-	-	1 336
Derecognized for the period	(1 246)	-	-	(1 246)
Impairment loss on 31 December 2022	**1 336**	**-**	**-**	**1 336**

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 2021	**1 245**	**-**	**-**	**1 245**
Change in impairment loss	1	-	-	1
Accrued for the period	1 246	-	-	1 246
Derecognized for the period	(1 245)	-	-	(1 245)
Impairment loss on 31 December 2021	**1 246**	**-**	**-**	**1 246**

Impairment loss – Loans and advances granted to customers 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 2022	**12 943**	**420**	**25 380**	**38 743**
Change in impairment loss recognized in Profit and loss	**2 107**	**(61)**	**(105)**	**1 941**
– Transfer to Stage 1	204	(89)	(115)	-
– Transfer to Stage 2	(11)	138	(127)	-
– Transfer to Stage 3	(4)	(56)	60	-
– Increase due to change in credit risk	1	58	471	530
– Decrease due to change in credit risk	(2 643)	(122)	(91)	(2 856)
– Increase due to originated or purchased assets	3 583	7	13	3 603
– Change in risk parameters	977	3	529	1 509
– Decrease due to derecognition for uncollectibility	-	-	(845)	(845)
– Decrease due to derecognition for transfer	-	-	-	-
– Interest income adjustment	-	-	-	-
– Currency differences and other adjustments	-	-	-	-
Impairment loss on 31 December 2022	**15 050**	**359**	**25 275**	**40 684**

Impairment loss – Loans and advances granted to customers 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 2021	**12 349**	**809**	**22 723**	**35 881**
Change in impairment loss recognized in Profit and loss	**555**	**(388)**	**2 655**	**2 862**
– Transfer to Stage 1	297	(70)	(227)	-
– Transfer to Stage 2	(22)	193	(170)	1
– Transfer to Stage 3	(6)	(44)	50	-
– Increase due to change in credit risk	1	87	972	1 060
– Decrease due to change in credit risk	(2 502)	(583)	(386)	(3 471)
– Increase due to originated or purchased assets	2 473	89	80	2 642
– Change in risk parameters	361	(61)	3 912	4 212
– Decrease due to derecognition for uncollectibility	-	-	(1 489)	(1 489)
– Decrease due to derecognition for transfer	(9)	-	(92)	(101)
– Interest income adjustment	-	-	(1)	(1)
– Currency differences and other adjustments	2	1	6	9
Impairment loss on 31 December 2021	**12 944**	**421**	**25 378**	**38 743**

Impairment loss – Investments in debt securities 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 2022	**654**	**-**	**-**	**654**
Change in impairment loss	**20**	**-**	**-**	**20**
Accrued for the period	960	-	-	960
Derecognized for the period	(940)	-	-	(940)
Impairment loss on 31 December 2022	**674**	**-**	**-**	**674**

Impairment loss – Investments in debt securities 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 2021	**200**	**-**	**-**	**200**
Change in impairment loss	**454**	**-**	**-**	**454**
Accrued for the period	560	-	-	560
Derecognized for the period	(106)	-	-	(106)
Impairment loss on 31 December 2021	**654**	**-**	**-**	**654**

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	**4 643**	**-**	**-**	**4 643**
Change in impairment loss	**(114)**	**-**	**-**	**(114)**
Accrued for the period	1 774	-	-	1 774
Derecognized for the period	(1 888)	-	-	(1 888)
Impairment loss on 31 December 2022	**4 529**	**-**	**-**	**4 529**

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	**2 734**	**-**	**-**	**2 734**
Change in impairment loss	**1 909**	**-**	**-**	**1 909**
Accrued for the period	2 032	-	-	2 032
Derecognized for the period	(123)	-	-	(123)
Impairment loss on 31 December 2021	**4 643**	**-**	**-**	**4 643**

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	**668**	**8**	**20**	**696**
Change in impairment loss	**(279)**	**(5)**	**7**	**(268)**
Accrued for the period	614	19	49	682
Derecognized for the period	(893)	(19)	(37)	(949)
Currency and other movements	9	(5)	(5)	(1)
Impairment loss on 31 December 2022	**398**	**3**	**27**	**428**

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	**947**	**7**	**23**	**977**
Change in impairment loss	**(279)**	**1**	**(3)**	**(281)**
Accrued for the period	587	15	85	687
Derecognized for the period	(888)	(17)	(64)	(969)
Currency and other movements	22	3	(24)	1
Impairment loss on 31 December 2021	**668**	**8**	**20**	**696**

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	**18**	**-**	**-**	**18**
Change in impairment loss	**28**	**8**	**-**	**36**
Accrued for the period	44	8	-	52
Derecognized for the period	(16)	-	-	(16)
Impairment loss on 31 December 2022	**46**	**8**	**-**	**54**

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	**26**	**-**	**-**	**26**
Change in impairment loss	**(9)**	**-**	**-**	**(9)**
Accrued for the period	22	-	-	22
Derecognized for the period	(31)	-	-	(31)
Impairment loss on 31 December 2021	**17**	**-**	**-**	**17**

In the tables below, the Group presents the structure and the change in the gross values of the asset categories as of 31.12.2022 and 31.12.2021 and their change until the end of the financial period.

Carrying amount before impairment – Loans and advances granted 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
Gross carrying amount at 1 January 2022	**182 425**	**-**	**-**	**182 425**
Change in the gross carrying amount	**(91 922)**	**-**	**-**	**(91 922)**
Increase for the period	359 898	-	-	359 898
Decrease for the period	(451 845)	-	-	(451 845)
Other changes	25	-	-	25
Gross carrying amount at December 31 December 2022	**90 503**	**-**	**-**	**90 503**
Impairment loss at 31 December 2022	(27)	-	-	(27)
Carrying amount at 31 December 2022	**90 476**	**-**	**-**	**90 476**

Carrying amount before impairment – Loans and advances granted 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
Gross carrying amount at 1 January 2021	**188 098**	**-**	**-**	**188 098**
Change in the gross carrying amount	**(5 641)**	**-**	**-**	**(5 641)**
Increase for the period	338 215	-	-	338 215
Decrease for the period	(343 864)	-	-	(343 864)
Other changes	8	-	-	8
Gross carrying amount at December 31 December 2021	**182 457**	**-**	**-**	**182 457**
Impairment loss at 31 December 2021	(32)	-	-	(32)
Carrying amount at 31 December 2021	**182 425**	**-**	**-**	**182 425**

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	**358 228**	**-**	**-**	**358 228**
Change in the gross carrying amount	**36 357**	**-**	**-**	**36 357**
Increase for the period	394 585	-	-	394 585
Decrease for the period	(358 228)	-	-	(358 228)
Gross carrying amount at December 31 December 2022	**394 585**	**-**	**-**	**394 585**
Impairment loss at 31 December 2021	(1 336)	-	-	(1 336)
Carrying amount at 31 December 2021	**393 249**	**-**	**-**	**393 249**

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	**360 917**	**-**	**-**	**360 917**
Change in the gross carrying amount	**(2 689)**	**-**	**-**	**(2 689)**
Increase for the period	358 228	-	-	358 228
Decrease for the period	(360 917)	-	-	(360 917)
Gross carrying amount at December 31 December 2021	**358 228**	**-**	**-**	**358 228**
Impairment loss at 31 December 2021	(1 246)	-	-	(1 246)
Carrying amount at 31 December 2021	**356 982**	**-**	**-**	**356 982**

Loans and advances granted to customers 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
Gross carrying amount at 1 January 2022	**3 058 196**	**23 147**	**78 038**	**3 159 381**
Change in the gross carrying amount	**155 873**	**(7 860)**	**1 131**	**149 144**
– Transfer to Stage 1	7 656	(6 891)	(765)	-
– Transfer to Stage 2	(4 414)	4 971	(557)	-
– Transfer to Stage 3	(1 574)	(724)	2 298	-
– Increase due to change in credit risk	41	35	80	156
– Decrease due to change in credit risk	(481 315)	(2 568)	(1 686)	(485 569)
– Increase due to originated or purchased assets	815 228	175	131	815 534
– Change in risk parameters	(179 749)	(2 858)	1 630	(180 977)
– Decrease due to write-off for uncollectibility	-	-	(845)	(845)
– Decrease due to write-off for transfer	-	-	-	-
– Currency differences and other adjustments	494	4	6	504
Gross carrying amount at 31 December 2022	**3 214 563**	**15 291**	**78 330**	**3 308 184**
Impairment loss at 31 December 2022	(15 050)	(359)	(25 275)	(40 684)
Carrying amount at 31 December 2022	**3 199 513**	**14 932**	**53 055**	**3 267 500**

Loans and advances granted to customers 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
Gross carrying amount at 1 January 2021	**2 714 435**	**27 363**	**78 543**	**2 820 341**
Change in the gross carrying amount	**345 891**	**(4 222)**	**1 072**	**342 741**
– Transfer to Stage 1	5 450	(4 522)	(928)	-
– Transfer to Stage 2	(7 242)	8 162	(920)	-
– Transfer to Stage 3	(1 454)	(2 221)	3 675	-
– Increase due to change in credit risk	20	67	21	108
– Decrease due to change in credit risk	(310 790)	(3 995)	(1 125)	(315 910)
– Increase due to originated or purchased assets	814 315	1 414	167	815 896
– Change in risk parameters	(154 408)	(3 127)	182	(157 353)
– Decrease due to write-off for uncollectibility	-	-	(1 489)	(1 489)
– Decrease due to write-off for transfer	(2 371)	-	(90)	(2 461)
– Interest income adjustment	-	-	-	-
– Currency differences and other adjustments	243	6	-	249
Gross carrying amount at 31 December 2021	**3 058 198**	**23 147**	**78 036**	**3 159 381**
Impairment loss at 31 December 2021	(12 944)	(421)	(25 378)	(38 743)
Carrying amount at 31 December 2021	**3 045 254**	**22 726**	**52 658**	**3 120 638**

Carrying amount before impairment – Investments in debt securities 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
Gross carrying amount at 1 January 2022	**687 838**	**-**	**-**	**687 838**
Change in the gross carrying amount	**654 515**	**-**	**-**	**654 515**
Increase for the period	919 681	-	-	919 681
Decrease for the period	(265 290)	-	-	(265 290)
Other changes	124	-	-	124
Gross carrying amount at 31 December 2022	**1 342 353**	**-**	**-**	**1 342 353**
Impairment loss at 31 December 2022	(674)	-	-	(674)
Carrying amount at 31 December 2022	**1 341 679**	**-**	**-**	**1 341 679**

Carrying amount before impairment – Investments in debt securities 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
Gross carrying amount at 1 January 2021	**463 489**	**-**	**-**	**463 489**
Change in the gross carrying amount	**224 350**	**-**	**-**	**224 350**
Increase for the period	426 813	-	-	426 813
Decrease for the period	(202 463)	-	-	(202 463)
Gross carrying amount at 31 December 2021	**687 839**	**-**	**-**	**687 839**

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	**859 106**	**-**	**-**	**859 106**
Change in the gross carrying amount	**(294 363)**	**-**	**-**	**(294 363)**
Increase for the period	102 739	-	-	102 739
Decrease for the period	(397 102)	-	-	(397 102)
Gross carrying amount at 31 December 2022	**564 743**	**-**	**-**	**564 743**
Impairment loss at 31 December 2022	(4 529)	-	-	(4 529)

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	**716 006**	**-**	**-**	**716 006**
Change in the gross carrying amount	**143 100**	**-**	**-**	**143 100**
Increase for the period	348 001	-	-	348 001
Decrease for the period	(204 901)	-	-	(204 901)
Gross carrying amount at 31 December 2021	**859 106**	**-**	**-**	**859 106**
Impairment loss at 31 December 2021	(4 643)	-	-	(4 643)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2022	**243 242**	**1 110**	**471**	**244 823**
Change in the amount of loan commitments	**(154 772)**	**(511)**	**(313)**	**(155 596)**
Increase for the period	31 833	40	46	31 919
Decrease for the period	(186 605)	(551)	(359)	(187 515)
Other movements	235	(280)	70	25
Total amount of loan commitments at 31 December 2022	**88 705**	**319**	**228**	**89 252**
ECL allowance at 31 December 2022	(398)	(3)	(27)	(428)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2021	**251 109**	**435**	**383**	**251 927**
Change in the amount of loan commitments	**(6 965)**	**(101)**	**(49)**	**(7 115)**
Increase for the period	55 756	127	117	56 000
Decrease for the period	(62 721)	(228)	(166)	(63 115)
Other movements	(903)	776	137	10
Total amount of loan commitments at 31 December 2021	**243 241**	**1 110**	**471**	**244 822**
ECL allowance at 31 December 2021	(668)	(8)	(20)	(696)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of guarantees at 1 January 2021	**52 665**	**-**	**-**	**52 665**
Change in the gross carrying amount	**23 866**	**143**	**-**	**24 009**
Increase for the period	45 705	143	-	45 848
Decrease for the period	(21 851)	-	-	(21 851)
Other changes	12	-	-	12
Total amount of guarantees at 31 December 2021	**76 531**	**143**	**-**	**76 674**
ECL allowance at 31 December 2021	(46)	(8)	-	(54)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of guarantees at 1 January 2021	**54 815**	**-**	**-**	**54 815**
Change in the gross carrying amount	**(2 150)**	**-**	**-**	**(2 150)**
Increase for the period	18 911	-	-	18 911
Decrease for the period	(21 061)	-	-	(21 061)
Total amount of guarantees at 31 December 2021	**52 665**	**-**	**-**	**52 665**
ECL allowance at 31 December 2021	(18)	-	-	(18)

ECL by type of asset	**2022**	**2021**
	BGN '000	**BGN '000**
Loans and advances granted to banks at amortized cost	(27)	(32)
Receivables under repurchase agreements of securities	(1 336)	(1 246)
Loans and advances granted to customers at amortized cost	(40 684)	(38 743)
Investments in debt securities at amortized cost	(674)	(654)
Investments in debt securities at FVTOCI	(4 529)	(4 643)
	(47 250)	**(45 318)**

Loans and advances granted to customers	**2022 Gross carrying amount**	**Impairment loss**	**2021 Gross carrying amount**	**Impairment loss**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
0-29 days	3 224 746	(15 634)	3 076 075	(13 702)
30-59 days	5 819	(98)	6 391	(116)
60-89 days	1 268	(127)	971	(64)
90-180 days	837	(210)	881	(215)
Over 181 days	75 514	(24 615)	75 063	(24 646)
Total	**3 308 184**	**(40 684)**	**3 159 381**	**(38 743)**

	2022	**2021**
	BGN '000	**BGN '000**
Loans and advances granted to customers at amortized cost	3 308 184	3 159 381
Less impairment for uncollectibility	(40 684)	(38 743)
Total loans and advances granted to customers	**3 267 500**	**3 120 638**

	31.12.2022			**31.12.2021**		
	Gross carrying amount	**ECL impairment**	**Carrying amount**	**Gross carrying amount**	**ECL impairment**	**Carrying amount**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Retail banking						
Mortgages	832 501	(551)	831 950	767 555	(564)	766 991
Consumer loans	670 686	(7 543)	663 143	609 073	(7 014)	602 059
Credit cards	16 727	(1 116)	15 611	17 878	(977)	16 901
Other	2 443	(2 443)	-	2 333	(2 333)	-
Total retail banking	**1 522 357**	**(11 653)**	**1 510 704**	**1 396 839**	**(10 888)**	**1 385 951**
Corporate lending	1 785 827	(29 031)	1 756 796	1 762 542	(27 855)	1 734 687
Total	**3 308 184**	**(40 684)**	**3 267 500**	**3 159 381**	**(38 743)**	**3 120 638**

Placements with, and advances to, banks at amortized cost		**2022**		
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Category	90 503	-	-	90 503
Total gross carrying amount	**90 503**	**-**	**-**	**90 503**
Impairment loss	(27)	-	-	(27)
Carrying amount	**90 476**	**-**	**-**	**90 476**

Placements with, and advances to, banks at amortized cost	**Stage 1 12-month ECL**	**2021 Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Category	182 457	-	-	182 457
Total gross carrying amount	**182 457**	**-**	**-**	**182 457**
Impairment loss	(32)	-	-	(32)
Carrying amount	**182 425**	**-**	**-**	**182 425**

Placements with, and advances to, banks at amortized cost	Stage 1 12-month ECL	2022 Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	394 585	-	-	394 585
Total gross carrying amount	**394 585**	**-**	**-**	**394 585**
Impairment loss	(1 336)	-	-	(1 336)
Carrying amount	**393 249**	**-**	**-**	**393 249**

Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	2021 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	358 228	-	-	358 228
Total gross carrying amount	**358 228**	**-**	**-**	**358 228**
Impairment loss	(1 246)	-	-	(1 246)
Carrying amount	**356 982**	**-**	**-**	**356 982**

Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	2022 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	3 214 563	15 291	78 330	3 308 184
Total gross carrying amount	**3 214 563**	**15 291**	**78 330**	**3 308 184**
Impairment loss	(15 050)	(359)	(25 275)	(40 684)
Carrying amount	**3 199 513**	**14 932**	**53 055**	**3 267 500**

Loans and advances to customers at amortized cost	Stage 1 12-month ECL BGN '000	2021 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	3 058 198	23 147	78 036	3 159 381
Total gross carrying amount	**3 058 198**	**23 147**	**78 036**	**3 159 381**
Impairment loss	(12 944)	(421)	(25 378)	(38 743)
Carrying amount	**3 045 254**	**22 726**	**52 658**	**3 120 638**

Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	2022 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	1 342 353	-	-	1 342 353
Total gross carrying amount	**1 342 353**	**-**	**-**	**1 342 353**
Impairment loss	(674)	-	-	(674)
Carrying amount	**1 341 679**	**-**	**-**	**1 341 679**

Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	2021 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	687 839	-	-	687 839
Total gross carrying amount	**687 839**	**-**	**-**	**687 839**
Impairment loss	(654)	-	-	(654)
Carrying amount	**687 185**	**-**	**-**	**687 185**

Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	2022 Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	564 743	-	-	564 743
Total gross carrying amount	**564 743**	**-**	**-**	**564 743**
Impairment loss	(4 529)	-	-	(4 529)

Investments in debt securities at FVTOCI	**2021** **Stage 1** **12-month ECL** **BGN '000**	**Stage 2** **Lifetime ECL** **BGN '000**	**Stage 3** **Lifetime ECL** **BGN '000**	**Total** **BGN '000**
Category	859 106	-	-	859 106
Total gross carrying amount	**859 106**	**-**	**-**	**859 106**
Impairment loss	(4 643)	-	-	(4 643)

Loan commitments	**2022** **Stage 1** **12-month ECL** **BGN '000**	**Stage 2** **Lifetime ECL** **BGN '000**	**Stage 3** **Lifetime ECL** **BGN '000**	**Total** **BGN '000**
Category	88 705	319	228	89 252
Total gross carrying amount	**88 705**	**319**	**228**	**89 252**
Impairment loss	(398)	(3)	(27)	(428)

Loan commitments	**2021** **Stage 1** **12-month ECL** **BGN '000**	**Stage 2** **Lifetime ECL** **BGN '000**	**Stage 3** **Lifetime ECL** **BGN '000**	**Total** **BGN '000**
Category	243 241	1 110	471	244 822
Total gross carrying amount	**243 241**	**1 110**	**471**	**244 822**
Impairment loss	(668)	(8)	(20)	(696)

Financial guarantee contracts	**2022** **Stage 1** **12-month ECL** **BGN '000**	**Stage 2** **Lifetime ECL** **BGN '000**	**Stage 3** **Lifetime ECL** **BGN '000**	**Total** **BGN '000**
Category	76 531	143	-	76 674
Total gross carrying amount	**76 531**	**143**	**-**	**76 674**
Impairment loss	(46)	(8)	-	(54)

Financial guarantee contracts	**2021** **Stage 1** **12-month ECL** **BGN '000**	**Stage 2** **Lifetime ECL** **BGN '000**	**Stage 3** **Lifetime ECL** **BGN '000**	**Total** **BGN '000**
Category	52 665	-	-	52 665
Total gross carrying amount	**52 665**	**-**	**-**	**52 665**
Impairment loss	(18)	-	-	(18)

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 amortized cost	**2022** **BGN'000**	**2021** **BGN'000**
Concentration by sector		
Central banks	1 085	1 914
Bulgarian commercial banks	2 064	66 767
Foreign commercial banks	87 354	113 776
Total	**90 503**	**182 457**
Concentration by region		
Europe	73 496	172 022
America	12 717	5 146
Asia	4 290	5 289
Total	**90 503**	**182 457**

Receivables under repurchase agreements of securities	2022 BGN'000	2021 BGN'000
Corporate:		
Construction	66 978	69 265
Commerce and finance	243 400	207 958
Transport and communications	22 700	21 696
Production	15 358	14 713
Other	46 149	44 596
Total	**394 585**	358 228
Concentration by region		
Europe	394 585	358 228
Total	**394 585**	**358 228**

Investments in debt securities at amortized cost	2022 BGN'000	2021 BGN'000
Concentration by sector		
States	1 308 140	670 469
Bank	13 767	6 470
Corporate:		
Commerce and finance	19 772	10 900
Total	**1 341 679**	**687 839**
Concentration by region		
Europe	1 313 282	678 178
Asia	9 684	9 661
America	18 713	-
Total	**1 341 679**	**687 839**

Investments in debt securities at FVTOCI	2022 BGN'000	2021 BGN'000
Concentration by sector		
States	131 952	430 894
Corporate:		
Construction	147 723	135 781
Industry	16 469	31 069
Commerce and finance	200 955	214 796
Other	21 354	31 658
Total	**545 761**	**844 198**
Concentration by region		
Europe	545 761	844 198
Total	**545 761**	**844 198**

52.4.2. Credit risk concentration

Loans and advances at amortized cost granted to customers	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	**1 522 358**	**1 396 839**
Mortgage	832 501	767 555
Consumer	670 686	609 073
Credit cards	16 728	17 878
Other	2 443	2 333
Corporate:	**1 785 826**	**1 762 542**
Agriculture and forestry	102 994	96 789
Industry	57 174	60 818
Construction	455 296	502 017
Commerce and finance	960 669	873 153
Transport and communications	104 406	127 500
Other	105 287	102 265
Total	**3 308 184**	**3 159 381**
Concentration by region		
Europe	3 308 106	3 159 225
America	6	5
Middle East and Africa	72	151
Total	**3 308 184**	**3 159 381**

Credit commitments	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	**49 363**	**51 698**
Mortgage	883	1 280
Consumer	11 641	11 160
Credit cards	36 839	39 258
Corporate:	**39 889**	**193 124**
Agriculture and forestry	4 372	8 043
Industry	1 227	27 233
Construction	15 560	35 934
Commerce and finance	11 957	114 623
Transport and communications	5 080	5 430
Other	1 693	1 861
Total	**89 252**	**244 822**
Concentration by region		
Europe	89 226	244 787
America	-	1
Middle East and Africa	26	34
Total	**89 252**	**244 822**

Financial guarantee contracts	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	**33**	**66**
Other	33	66
Corporate:	**76 641**	**52 599**
Agriculture and forestry	1 191	400
Industry	6 925	7 462
Construction	16 922	12 320
Commerce and finance	24 592	19 927
Transport and communications	5 720	6 372
Other	21 292	6 118
Total	**76 674**	**52 665**
Concentration by regions		
Europe	76 674	52 665
Total	**76 674**	**52 665**

Credit exposures with restructuring measures

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

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

- Postponing or rescheduling the payment of principal interest or where applicable fees resulting in a reduction in the amount of the financial commitment;
- Partial or total refinancing of a troubled debt contract which is only allowed when the debtor is in financial difficulties;
- 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:

2022	Corporate customers BGN'000	Individuals BGN'000
Amount before impairment	43 597	2 646
Impairment	(6 669)	(461)
Amount after impairment	**36 928**	**2 185**

2021	Corporate customers BGN'000	Individuals BGN'000
Amount before impairment	43 407	2 721
Impairment	(8 005)	(414)
Amount after impairment	**35 402**	**2 307**

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	2022 BGN '000	2021 BGN '000
Below 50%	255 324	187 086
From 50% to 75%	314 820	289 412
From 75% to 90%	199 782	216 569
From 90% to 100%	1 456	8 256
Above 100%	1 883	8 203
Total	**773 265**	**709 526**

Loans granted to legal entities

With respect to loans to legal entities the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. For this the Group has adopted an approach to individual credit assessment and impairment testing of loans to corporates. To ensure additional security in addition to regular monitoring of the financial position of borrowing enterprises the Group also requires collateral to be set up in the credit exposures. The Group accepts collateral for loans to legal persons mortgages on real estate a pledge of a commercial enterprise a special pledge of tangible assets as well as other guarantees and rights of ownership.

The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment the regulatory framework or other occurring circumstances. In the event that there is a decrease in the value of the collateral as a result of which the Group considers that it is not sufficient the Group requires that the debtor be constituted additional collateral by setting a certain period within which the supplementation will be fulfilled.

52.4.3. Capital risk

Capital risk measures the coverage of a Group risk assets with capital in order to meet the regulatory requirements for the Group operations, strategic development and planned growth.

The minimum capital ratios for the Group are set by BNB and Regulation No. 575/2013, with the Group historically maintaining higher capital ratios than the minimum threshold.

Capital risk management is concentrated in the Group Risk Committee and the Management Board's decisions insofar as all capital reports for internal and supervisory purposes are dealt with by the two bodies that take all decisions concerning the allocation of capital resources and the institution's risk tendency.

The Group capital management policies aim at maintaining a quantitatively and qualitatively sufficient capital to meet the Group risk profile, regulatory and business needs. Capital ratios are continuously monitored against regulatory limits, with any deviation from adequacy levels reported at any time to the Group Management to support strategic and day-to-day business decision-making.

The Group equity (Capital Base) consists of Tier 1 and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital (CET1) - this is the most important capital for the banking institution. Its composition includes: share capital - ordinary shares, premium reserve, retained earnings, other reserves after adjustment for intangible assets and other regulatory adjustments relating to items that are included in the equity but are treated differently for the purpose of determining capital adequacy.

Equity Tier 1 capital (CET1) includes the issue of convertible bonds of the Group.

In accordance with the requirements of the regulatory body in the Republic of Bulgaria - Bulgarian National Bank, parent Bank makes separate public disclosure of the elements of the capital for supervisory purposes and the supervisory indicators for capital coverage of the risks in its activity, within the relevant terms, required by the supervisory body.

52.5. Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period. 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 2022, the maturities of the Group's contractual obligations (containing interest payments, where applicable) are summarized as follows:

	Current	Non-current	
	Within 12 months BGN'000	From 2 to 5 years BGN'000	Over 5 years BGN'000
Bank and other loans	57 622	155 056	15 365
Related party payables	71 288	14 366	-
Lease liabilities	37 881	130 200	137 373
Liabilities to other depositors	4 967 498	2 347 387	807
Deposits from banks	10 247	-	-
Obligations under repo agreements	2 420	-	-
Liabilities under cession agreements	30 473	29 772	-
Trade and other payables	73 163	1 022	-
Derivatives	677	-	-
Total	**5 251 269**	**2 677 803**	**153 545**

As at 31 December 2021 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	81 497	152 167	16 881
Related party payables	48 922	14 394	-
Lease liabilities	43 684	152 261	85 034
Liabilities to other depositors	4 697 376	2 219 741	763
Deposits from banks	41 146	-	-
Obligations under repo agreements	2 282	11 678	-
Liabilities under cession agreements	10 708	32 306	-
Trade and other payables	109 406	598	-
Derivatives	118	-	-
Total	**5 035 139**	**2 583 145**	**102 678**

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 31.12.2022 amounted to 376.01% (31.12.2021: 357.20%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2022 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 983 943	-	-	-	-	1 983 943
Placements with, and advances to banks	87 559	-	-	-	2 934	90 493
Receivables under repurchase agreements	116 103	123 349	155 133	-	-	394 585
Financial assets at fair value through profit or loss	23 169	-	177 249	3 158	7 429	211 005
Loans and advances to customers, net	46 634	111 145	297 543	1 558 920	1 292 172	3 306 414
Financial assets measured at fair value in other comprehensive income	755	-	6 021	240 908	317 059	564 743
Financial assets at amortized cost	9 779	204 307	100 598	450 702	583 767	1 349 153
TOTAL FINANCIAL ASSETS	2 267 942	438 801	736 544	2 253 688	2 203 361	7 900 336
FINANCIAL LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Provisions for liabilities	-	-	481	-	-	481
Other liabilities	8 517	1 853	9 342	27 493	9 478	56 683
TOTAL FINANCIAL ASSETS	3 150 326	447 190	1 093 265	2 726 897	36 711	7 454 389

The allocation of the Group's financial liabilities as at 31 December 2021 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 963 552	-	-	-	-	1 963 552
Placements with, and advances to banks	179 507	-	-	-	2 918	182 425
Receivables under repurchase agreements	111 225	114 303	131 454	-	-	356 982
Financial assets at fair value through profit or loss	25 379	-	257 829	11 937	(1 162)	293 983
Loans and advances to customers, net	38 827	68 738	458 739	1 363 017	1 191 317	3 120 638
Financial assets measured at fair value in other comprehensive income	753	122 858	31 928	272 600	430 967	859 106
Financial assets at amortized cost	9 640	11 097	58 551	217 778	390 119	687 185
TOTAL FINANCIAL ASSETS	2 328 883	316 996	938 501	1 865 332	2 014 159	7 463 871
FINANCIAL LIABILITIES						
Deposits from banks	52 893	-	-	-	-	52 893
Liabilities to other depositors	3 112 063	451 048	1 153 755	2 228 951	766	6 946 583
Issued bonds	-	-	-	-	25 450	25 450
Provisions for liabilities	-	-	713	-	-	713
Other liabilities	12 285	1 842	8 001	27 500	14 549	64 177
TOTAL FINANCIAL ASSETS	3 177 241	452 890	1 162 469	2 256 451	40 765	7 089 816

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

In the tables above a part of the attracted funds on current accounts with no residual maturity amounting to BGN 2 620 520 thousand as at 31 December 2022 (2021: BGN 2 153 008 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 2022 and 2021.

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

53. Fair value measurement

53.1. Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups are based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data.

A financial asset or liability is classified to the lowest level of significant input information used to determine its fair value.

31 December 2022	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	1 735 379	70 617	375 360	2 181 356
Equity instruments at fair value through other comprehensive income	23 653	-	70 031	93 684
Debt instruments measured at fair value through other comprehensive income	474 656	-	84 789	559 445
Total assets	**2 233 688**	**70 617**	**530 180**	**2 834 485**
Liabilities				
Derivatives	-	677	-	677
Total liabilities	**-**	**677**	**-**	**677**

31 December 2021	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	1 610 512	2 743	429 715	2 042 970
Equity instruments at fair value through other comprehensive income	23 852	753	45 821	70 426
Debt instruments measured at fair value through other comprehensive income	729 286	259	129 896	859 441
Total assets	**2 363 650**	**3 755**	**605 432**	**2 972 837**
Liabilities				
Derivatives	-	118	-	118
Total liabilities	**-**	**118**	**-**	**-**

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange Sofia. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies adjusted for specific factors.

c) Derivatives

When derivative financial instruments are traded on stock markets or liquid OTC markets the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

All significant inputs to the model are based on observable market prices namely market interest rates on similar loans with similar risk.

d) loans in BGN

The fair value of loans is determined using valuation techniques.

All significant inputs for the model are based on observed market prices - market interest rates on similar loans with similar risk.

53.2. Fair value measurements of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2022:

31 December 2022	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
- Land, building, machines and equipment	-	-	546 637	546 637
Right of use assets:				
- aircrafts	-	-	320 105	320 105

31 December 2021	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
- Land, building, machines and equipment	-	-	524 884	524 884
Right of use assets:				
- aircrafts	-	-	315 748	315 748

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 2022.

54. 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:

	2022 BGN'000	2021 BGN'000
Shareholders' equity	1 686 411	1 850 767
Equity	**1 686 411**	**1 850 767**
Debt	10 232 479	9 796 353
- Cash and cash equivalents	(2 180 578)	(2 380 922)
Net debt	**8 051 901**	**7 415 431**
Capital to net debt	**1:4.77**	**1:4.01**

In 2022 the change in the ratio is minimal. The Group has complied with its contractual obligations including the maintenance of certain capital ratios.

55. Post-reporting date events

The following non-adjusting events for the Group occurred between the date of the consolidated financial statements and the date of its authorization for issue:

On 22 June 2023, the Group acquired interest with significant influence in Dufry Sofia Ltd., located in 1 Brussels Blvd., Sofia, Bulgaria. The Company's activity comprises (a) providing commercial services to duty and tax free travellers on aircraft and at airports, ports, land borders, diplomatic shops and military bases in Bulgaria; (b) carrying on retail trade as a duty-free operator in Bulgaria, including but not limited to airports, (c) the provision of food and beverage services to passengers in Bulgaria, including but not limited to airports.

56. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 (including comparatives) were approved by the Managing board on 02 August 2023.

2022

ANNUAL CONSOLIDATED ACTIVITY REPORT

CHIMIMPORT
PUBLIC HOLDING COMPANY

CONTENT

For more information,

please visit: www.chimimport.bg

INTRODUCTION

The present Consolidated 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 2022 until 31 December 2022. 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 Appendix № 2 to Art. 10 from Ordinance № 2 of 09 November 2021.

More than 75 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 of the Group 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 parent 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 the Group of "Chimimport" AD are:

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

Ivo Kamenov Georgiev

Digitally signed by Ivo Kamenov Georgiev
Date: 2023.08.02 14:32:41 +03'00'

IVO KAMENOV
CEO /Chief Executive Officer/

INFORMATION FOR THE GROUP OF CHIMIMPORT AD

Chimimport AD, parent company, 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 activities. 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 59, 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 developed 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
owned by subsidiaries	*BGN (13 183) thousand*
Equity /consolidated/	BGN 1 686 411 thousand
Assets /consolidated/	BGN 11 918 890 thousand
Profit for the year attributable to the shareholders of Chimimport AD	BGN 37 246 thousand
Executive directors	Ivo Kamenov Marin Mitev
Majority shareholder	The parent company management in the face of “Invest Capital” AD -72,39 %
Minority shareholders of Chimimport AD are respected international companies and institutions	UniCredit 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 201 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
Miroljub Panchev

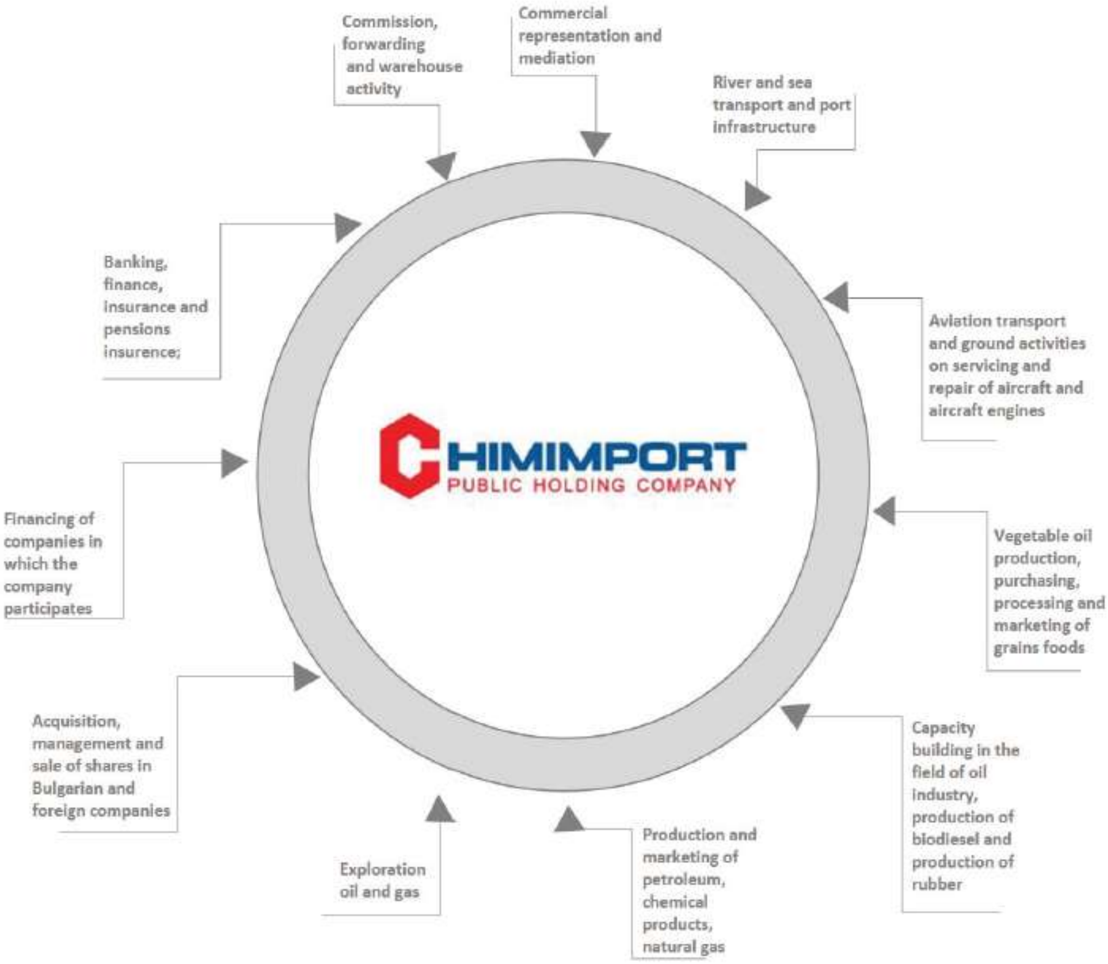
The Company is managed by a two-tier management system.

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.



LIST OF SUBSIDIARIES

Name of the subsidiary	Country of incorporation	Main activities	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage	31.12.2021 Percentage of consolidation	31.12.2021 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	77.13%	77.13%	77.13%	77.13%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	71.85%	91.83%	71.85%	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	77.13%	100.00%	77.13%	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	92.25%	92.25%	67.43%	67.43%
DPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
UPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
PPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	67.43%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	67.98%	67.98%	68.12%	68.12%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	49.89%	66.25%	49.63%	65.92%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Slanchevi Iachi Provadia EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	50.66%	68.31%	50.74%	68.31%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	34.92%	70.00%	34.74%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.87%	66.00%	44.96%	66.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.79%	60.00%	40.87%	60.00%
Chimceltex EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.89%	100.00%	49.63%	100.00%
Zarneni Hrani Grain EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	90.00%	90.00%	86.40%	90.00%
Dobrich Fair AD	Bulgaria	Production, Trade and Services	40.77%	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%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage	31.12.2021 Percentage of consolidation	31.12.2021 Nominal percentage
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	96.00%	96.00%	96.00%	96.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	67.98%	100.00%	68.12%	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	80.75%	80.75%	80.67%	80.67%
Port Balchik AD	Bulgaria	Sea and River Transport	78.55%	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	69.91%	86.57%	69.84%	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	44.41%	55.00%	44.37%	55.00%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Port Bimas EOOD	Bulgaria	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Interlihter Slovakia	Slovakia	Sea and River Transport	80.75%	100.00%	80.67%	100.00%
Blue Sea Horizon Corp	Seychelles	Sea and River Transport	80.75%	100.00%	80.67%	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 EOOD	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%
Energoproekt Utilities OOD in liquidation	Bulgaria	Real Estate and engineering	50.33%	51.00%	50.33%	51.00%
Bulgaria Air Maintanance EAD	Bulgaria	Real Estate and engineering	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate and engineering	32.43%	65.00%	32.26%	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%

GENERAL INFORMATION

Name of the subsidiary	Country of incorporation	Main activities	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage	31.12.2021 Percentage of consolidation	31.12.2021 Nominal percentage
TI AD	Bulgaria	Real Estate and engineering	87.66%	87.66%	87.66%	87.66%
Bulchimex GmBH	Bulgaria	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	49.89%	100.00%	49.63%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate and engineering	67.98%	100.00%	68.12%	100.00%
Imoti Bimas EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	-	-
Imoti BRP EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	-	-

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

Name segment	Accumulated non-controlling interest	
	2022	2021
	BGN'000	BGN'000
Finance sector	171 773	167 959
Production, trade and services	117 983	132 108
Transport	3 880	3 028
Real Estate	20 713	27 560
TOTAL	**314 349**	**330 665**

In 2022 and 2021 no dividends were paid to non-controlling.

- an objective review, which presents true and fair the development and results of the Group's activities, as well as its condition, together with a description of the main risks it faces;

Detailed information is presented in the section Main risks and uncertainties.

- analysis of financial and non-financial key performance indicators relevant to the business, including information on environmental issues and staff

Detailed information is presented in the Information section according to Ordinance № 2/ 09.11.2021

- significant events that occurred after the date on which the annual financial statements were prepared

The following non-adjusting events for the Group occurred between the date of the consolidated financial statements and the date of its authorization for issue:

On 22 June 2023, the Group acquired interest with significant influence in Dufry Sofia Ltd., located in 1 Brussels Blvd., Sofia, Bulgaria. The Company's activity comprises (a) providing commercial services to duty and tax free travellers on aircraft and at airports, ports, land borders, diplomatic shops and military bases in Bulgaria; (b) carrying on retail trade as a duty-free operator in Bulgaria, including but not limited to airports, (c) the provision of food and beverage services to passengers in Bulgaria, including but not limited to airports.

- future development;

In 2023, the Group continues to follow its path of intensive development in each of the sectors in which it operates. The main focus of the banking activity will be the provision of banking services for the population - consumer and mortgage loans, bank cards and services based on them, electronic banking and payment services.

- research and development activities;

The Group does not operate in the field of research and development during the period.

- information for acquisition of own shares, required by the order of art. 187e of the Commercial Code;

Information about the Group is presented in the section on own shares below.

- branches;

The parent company has no registered branches.

- information on the financial instruments used by the Company;

The information is included in the Information section according to Ordinance № 2 / 09.11.2021

- number and nominal value of the acquired and transferred during the year own shares;

There are no own shares owned by the Parent Company during the period. The shares of the Parent Company held by the subsidiaries are disclosed in Note 25.1 of the consolidated financial statements.

- number and nominal value of the held own shares;

There are no own shares owned by the Parent Company during the period. The shares of the Parent Company held by the subsidiaries are disclosed in Note 25.1 of the consolidated financial statements.

- remuneration received in total during the year from board members

The information is disclosed in point 16 of the Information section according to Ordinance № 2 / 09.11.2021.

- the shares and bonds of the issuer acquired, held and transferred by the members of the boards during the year

The information is disclosed in point 18 of the Information section according to Ordinance № 2 / 09.11.2021.

- the rights of the members of the boards to acquire shares and bonds of the issuer

Not applicable.

- the participation of board members in companies as partners with unlimited liability, the holding of more than 25 per cent of the capital of another company, and their participation in the management of other companies or cooperatives such as procurators, managers or board members;

SUPERVISORY BOARD of the Parent Company

Mariana Angelova Bajdarova - Member of the Supervisory Board:

Company	UIC	Interest
Chimimport AD	000627519	Member of the Supervisory Board
MB CONSULT COMMERS (in liquidation)	203868694	Partner– over 25%
Does not participate in the management of other companies or cooperatives as procurator, manager or member of boards according to art. 247 of the CA;		

MANAGEMENT BOARD of the Parent Company

Tsvetan Tsankov Botev Chairman of the Management Board of Chimimport AD:

Company	UIC	Interest
Chimimport AD	000627519	Chair of the Supervisory Board
Central Cooperative Bank AD	831447150	Deputy chair of the managing board
Bulhimtrade OOD	200477808	Manager
PHARMA GBS DZZD	176397025	Manager
Chimimport-Biopharm Engineering Consortium DZZD	131071224	Manager

Does not own more than 25 percent of the capital of other commercial companies.

Ivo Kamenov Georgiev - Executive Director, Representative of a legal entity in the Supervisory Board and member of the Management Board and the Management Board of Chimimport AD:

Company	UIC	Interest
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 EAD	121749139	Chairman of the Board
Central Cooperative Bank AD	831447150	Chairman of the Supervisory Board
Capital Invest EAD	121878333	Representative who exercises the rights and obligations of the member Invest 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	Partner - over 25%
Varna consulting company OOD	103060548	Partner - over 25%

Company	UIC	Interest
National Martial Arts Association	176868502	Representative and manager
Georgiev Law firm	177523879	Manager
M CAR GROUP AD	203384266	Procurator
M CAR PLEVEN OOD	114074410	Procurator
M CAR SOFIA EOOD	203645296	Procurator

Marin Velikov Mitev - Executive Director, Member of the Supervisory Board and the Management Board of Chimimport AD:

Company	*UIC*	*Interest*
Chimimport AD	000627519	Member of the Management Board and Executive Director
Golf Shabla AD	124712625	Member of the Management Board and Executive Director
Invest Capital AD	831541734	Member of the Management Board and Executive Director
Sporten Complex Varna AD	103941472	Member of the Management Board and Executive Director
Varna plod AD	103106697	Member of the Management Board
CCB Group EAD	121749139	Member of the Supervisory Board
Central Cooperative Bank AD	831447150	Member of the Supervisory Board
Association Sports Club TIM	103014351	Chairman and Manager
Martial Arts Sports Club Association TIM	103606634	Chairman of the Board and Manager
Bulgarian Karate Kyokoshin Federation	103570622	Chairman of the Board and Manager
Association - Aerobics Club "TIM - Class"	103556156	Member of the Board
Association of Black Sea Sports Clubs	000090542	Member of the Board
National Board of Tourism Association	175090938	Member of the Board
ET Marin Mitev Project Management	103326073	Owner

Company	*UIC*	*Interest*
Varna Consulting Company OOD	103060548	Partner – over 25%
Invest Capital Management OOD	103045368	Partner – over 25%

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

Company	UIC	Interest
Chimimport AD	000627519	Member of the Board
Central Cooperative Bank AD	831447150	Member of the Board
Bulgarian Airways Group EAD	131085074	Member of the Board of Directors
CCB Group EAD	121749139	Member of the Board
Zarneni Hrani Bulgaria AD	175410085	Member of the Board and representative
ZAD Armeec AD	121076907	Member of the Board
Parahodstvo Bulgarsko Rechno Plavane AD	827183719	Member of the Board
POAD CCB Sila AD	825240908	Member of the Supervisory Board
Asenova Krepost AD	115012041	Member of the Board
SK HGH Consult OOD	130452457	Manager
Proekt ART OOD	203844348	Manager and Partner - over 25%
Association SAGLASIE 066	176941060	Chairman of the Management Board and representative
Foundation SAGLASIE Sofia	205004556	Chairman of the Management Board and representative
United Grand Lodge of Bulgaria Association	130688048	Member of the Management Board
ALEX AS EOOD	131105146	Manager and Owner
Zarneni Hrani Plovdiv EOOD	130574490	Manager

Nikola Peev Mishev - Member of the Management Board of Chimimport AD:

Company	UIC	Interest
Chimimport AD	000627519	Member of the Board

Zarneni Hrani Bulgaria AD	175410085	Member of the Board
Asenova Krepost AD	115012041	Member of the Board and representative
Energoproekt AD	831367237	Member of the Supervisory Board
Ekspert snab OOD	131388356	Manager
Bulhimtrade OOD	200477808	Manager
Rabur Trade OOD	130430425	Manager
Chimceltex EOOD	130434434	Manager
Does not own more than 25 percent of the capital of other commercial companies.		

Mirolyub Panchev Ivanov - Member of the Management Board of Chimimport AD:

Company	UIC	Interest
Chimimport AD	000627519	Member of the Board
ZAD Armeec	121076907	Representative and Member of the Board
National Stock Exchange AD	115223519	Member of the Board of Directors
Bulgarska korabna kompania EAD	175389730	Member of the Board of Directors
CCB Real Estate Fund ADSIC	131550406	Executive Director and Member of the Board of Directors
Oil and Gas production and exploration AD	824033568	Member of the Board
Capital Invest EAD	121878333	Executive Director and Member of the Board of Directors
Invest Capital Asset Management EAD	200775128	Executive Director and Member of the Board of Directors
POAD CCB Sila AD	825240908	Member of the Supervisory Board
Omega Finance OOD	181385114	Manager
Prime Lega Consult EOOD	130993620	Manager
TI AD	121483350	Executive Director and Member of the Board of Directors
Zarneni hrani Bulgaria AD	175410085	Member of the Board
Project Company 1 AD	205105587	Executive Director and Member of the Board of Directors
Rubicon Project EOOD	202902446	Manager
Mutual Fund "Invest Capital-High-yield "	175860666	Manager
ENERGOMAT EOOD	131095780	Manager
ENERGOPROEKT AD	831367237	Member of the

Company	UIC	Interest
		Supervisory Board
CONSORTIUM TECHNOCAPITAL DZZD	176018753	Manager
CENTRAL VACUUM SYSTEMS EOOD	200631195	Manager
CRONE BULGARIA AD	130517595	Executive Director and Member of the Board of Directors
Does not own more than 25 percent of the capital of other commercial companies.		

- concluded contracts under Art. 240b of the Commercial Code

Not applicable.

- the planned economic policy for the next year

The Group does not anticipate significant changes in its economic policy for the next year.

INFORMATION ACCORDING TO ORDINANCE № 2 09.11.2021

Appendix № 2 to Art. 10 of Ordinance №2 / 09.11.2021

1. Information, given in value and quantity, regarding the main categories of goods, products and / or services provided, indicating their share in the revenues from sales of the issuer, respectively the person under § 1e of the additional provisions of LPOS, as a whole and the changes during the reporting 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**	**Financial Sector**	**Transport Sector**	**Real estate**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
31 December 2022 Share of the single segment in the Group's profit	5.68%	86.90%	7.92%	(0.49%)
31 December 2021 Share of the single segment in the Group's profit	3.46%	111.95%	(21.07%)	(5.66%)

The Finance segment has the largest share of the Group's net profit in 2022.

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

Operating segments **31.12.2022**	**Production, trade and services**	**Finance**	**Transport**	**Real estate and engineering**	**Eliminations**	**Consolidated**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Income from non-financial activities from external customers	87 958	28 439	277 369	14 272	816	408 854
Change in fair value of investment property	(63)	5 070	-	(12)	-	4 995
Gain/(Loss) from sale of non-current assets	(93)	122	28 978	-	-	29 007
Inter-segment income from non-financial activities	25 497	1 704	6 544	848	(34 593)	-
Total income from non-financial activities	**113 299**	**35 335**	**312 891**	**15 108**	**(33 777)**	**442 856**
Insurance income from external customers	-	228 421	-	-	-	228 421
Inter-segment insurance income	-	10 082	-	-	(10 082)	-
Total insurance income	**-**	**238 503**	**-**	**-**	**(10 082)**	**228 421**
Net result from insurance	**-**	**59 558**	**-**	**-**	**(9 558)**	**50 000**
Interest income	6 408	186 834	2 717	660	(9 772)	186 847
Interest expenses	(5 789)	(19 102)	(22 061)	(2 963)	9 772	(40 143)
Net interest income	**619**	**167 732**	**(19 344)**	**(2 303)**	**-**	**146 704**
Net result from transactions with financial instruments	**1 548**	**(30 432)**	**635**	**(371)**	**(11 656)**	**(40 276)**
Operating and administrative expenses	(108 978)	(256 515)	(278 732)	(14 489)	16 907	(641 807)
Net result from equity accounted investments in associates	(5)	-	5 502	-	-	5 497
Other financial income/(expenses)	(486)	93 457	(13 174)	1 638	(2 234)	79 201
Allocation of income to individual insurance accounts	-	16 256	-	-	-	16 256
Profit for the period before tax	**5 972**	**85 391**	**7 778**	**(417)**	**(40 293)**	**58 431**
Income tax expense	(880)	(7 043)	(642)	(29)	-	(8 594)
Net profit for the year	**5 092**	**78 348**	**7 136**	**(446)**	**(40 293)**	**49 837**
Assets of the segment	651 722	12 207 828	1 199 716	330 084	(2 496 936)	11 892 414
Equity accounted investments	363	-	21 100	2	5 011	26 476
Total consolidated assets	**652 085**	**12 207 828**	**1 220 816**	**330 086**	**(2 491 925)**	**11 918 890**
Liabilities of the segment	211 067	9 968 817	786 096	137 612	(871 113)	10 232 479
Total consolidated liabilities	**211 067**	**9 968 817**	**786 096**	**137 612**	**(871 113)**	**10 232 479**

2. Information on revenues distributed by different categories of activities, internal and external markets, as well as information on the sources of supply of materials needed for the production of goods or provision of services, reflecting the degree of dependence on each individual seller or buyer / consumer, in case the relative share of any of them exceeds 10 percent of the costs or revenues from sales, information shall be provided for each person separately, for his share in sales or purchases and his relations with the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities

Income and expenses structure

Income from non-financial activities	**2022 BGN '000**	**2021 BGN '000**	**Change %**
Income from the sale of plane tickets	153 702	117 152	31%
Income from sale of finished goods	110 181	50 587	118%
Income from services rendered	52 496	43 022	22%
Income from sale of trading goods	27 990	23 257	20%
Other	64 485	115 044	-44%
TOTAL	**408 854**	**349 062**	

Gain from change in fair value of investment property	**2022 BGN '000**	**2021 BGN '000**	**Change %**
Gain on change in fair value of investment properties	5 621	3 248	73%
Loss from change in fair value of investment properties	(626)	(624)	0%
Net effect of changes in fair value of investment properties	4 995	2 624	

Interest income by types of sources:	**2022 BGN '000**	**2021 BGN '000**	**Change %**
Legal entities	82 435	97 554	-15%
Government securities	41 246	15 436	167%
Banks	6 783	2 123	220%
Individuals	53 694	51 291	5%
Other	2 689	2 685	0%
TOTAL	**186 847**	**169 089**	

Interest expenses by depositors:	**2022 BGN '000**	**2021 BGN '000**	**Change %**
Legal entities	(24 083)	(18 225)	32%
Individuals	(3 663)	(4 527)	-19%
Banks	(5 530)	(6 363)	-13%
Other	(6 867)	(8 827)	-22%
TOTAL	**(40 143)**	**(37 942)**	

Results from transactions with financial instruments	**2022 BGN '000**	**2021 BGN '000**	**Change %**
Gains from transactions with securities and investments	1 024 713	699 199	47%
Dividend income	16 414	13 138	25%
TOTAL	**1 041 127**	**712 337**	

Losses from transactions with securities and investments	2022 BGN '000	2021 BGN '000	Change %
Losses from transactions with securities and investments	(1 081 403)	(631 581)	71%
TOTAL	**(1 081 403)**	**(631 581)**	
Net result from transactions with financial instruments	**(42 276)**	**80 756**	**-152%**

Operating and administrative expenses	2022 BGN '000	2021 BGN '000	Change %
Hired services	(147 551)	(123 642)	19%
Cost of materials	(105 326)	(64 608)	63%
Cost of goods sold	(32 663)	(29 439)	11%
Employee benefits expense	(127 704)	(117 545)	9%
Depreciation and impairment of non-financial ssets	(109 318)	(122 907)	-11%
Changes in inventories of products and work in rogress	574	(1 265)	-145%
Impairment of receivables	(66 014)	(51 959)	27%
Other expenses	(53 805)	(52 641)	2%
	(641 807)	**(564 006)**	

Other financial income, net	2022 BGN '000	2021 BGN '000	Change %
Revenue from fees and commissions, net	74 968	72 453	3%
Net result from foreign exchange differences	1 665	3 931	-58%
Other finance expenses	2 568	3 287	-22%
TOTAL	**79 201**	**79 671**	

Revenue from fees and commissions	2022 BGN '000	2021 BGN '000	Change %
Bank transfers in Bulgaria and abroad	33 661	31 244	8%
Maintenance fee on deposit accounts	18 381	17 879	3%
Servicing fee for loans	6 815	6 434	6%
Fee for commitments and contingencies	920	896	3%
Other fees and commissions income, different from banks	19 001	18 604	2%
Other income	18 545	15 855	17%
Revenue from fees and commissions	**97 323**	**90 912**	

Fees and commissions expenses	2022 BGN '000	2021 BGN '000	Change %
Bank transfers in Bulgaria and abroad	(15 621)	(12 120)	29%
Account maintenance fees	(865)	(1 213)	-29%
Release of precious parcels	(1 982)	(1 556)	27%
Transactions with securities	(351)	(205)	71%
Other fees and commissions expenses, different from banks	(1 559)	(1 484)	5%
Other expenses	(1 977)	(1 881)	5%
Total fees and commissions expenses	**(22 355)**	**(18 459)**	

3. Information on concluded large transactions.

In 2022, no major and significant transactions were concluded under Art. 114, para 1 of Public Offering of Securities Act.

4. Information on the transactions concluded between the issuer, respectively the person under § 1e of the additional provisions of LPOS, and related parties, during the reporting period, proposals for such transactions, as well as transactions that are outside its normal activities or significantly deviate from the market conditions under which the issuer, respectively the person under § 1e of the additional provisions of LPOS or its subsidiary, is a party indicating the value of transactions, the nature of connectivity and any information necessary to assess the impact on the financial condition of the issuer, respectively the person under § 1e of the additional provisions of LPOS

Transactions with owners	**2022 BGN '000**	**2021 BGN '000**
Sale of goods and services, interest income and other income		
- interest income	273	172
- sale of services	-	10
- other income	1 453	2
Purchase of services, interest expense and other expenses		
- purchase of services	(89)	(30)
- interest expense	(340)	(256)

Transactions with associates and other related parties

Sale of goods and services, interest income and other income	**2022 BGN '000**	**2021 BGN '000**
Sale of production		
- associated companies	2 117	1 025
- other related parties	145	228
Sale of finished goods		
- associated companies	593	279
- other related parties	909	462
Sale of services		
- joint ventures	189	74
- associated companies	11 105	11 007
- other related parties	3 845	2 287
Interest income		
- joint ventures	297	225
- associated companies	13	14
- other related parties	1 459	1 251
Other income		
- joint ventures	56	38
- associated companies	136	1 189
- other related parties	297	159

Purchases of services and interest expense	2022 BGN '000	2021 BGN '000
Purchases of services		
- joint ventures		**-**
- associated companies	**(10 186)**	**(10 072)**
- other related parties	**(4 724)**	**(4 971)**
Interest expense		
- associated companies	**(176)**	**(144)**
- other related parties	**(159)**	**-**

Transactions with key management personnel:	2022 BGN '000	2021 BGN '000
Short-term wages:		
- Salaries, including bonuses	(168)	(168)
- Social security costs	(16)	(16)
Total short-term benefits	**(184)**	**(184)**

Related party balances at year-end:	2022 BGN '000	2021 BGN '000
Non-current		
Receivables from:		
- associates	2 942	3 507
- other related parties under common control	12 052	86 302
Total non-current receivables from related parties	**14 994**	**89 809**

Current Receivables from:	2022 BGN '000	2021 BGN '000
- owners	9 845	30 389
- associates	1 470	1 222
- joint ventures	3 257	6 493
- other related parties under common control	44 604	37 646
Total current receivables from related parties	**59 176**	**75 750**

Non-current Payables to:	2022 BGN '000	2021 BGN '000
- owners	5	8
- associates	5 053	7 225
- joint ventures	1 538	947
- other related parties under common control	7 770	6 214
Total non-current payables to related parties	**14 366**	**14 394**

Current Payables to:	2022 BGN '000	2021 BGN '000
- owners	49 675	25 012
- associates	5 622	6 682
- joint ventures	595	584
- other related parties under common control	15 396	16 644
Total current payables to related parties	**71 288**	48 922

Liabilities under securities repurchase agreements

As at 31 December 2022, the Group has concluded agreements with a clause for the repurchase of securities with Bulgarian companies for a total value of BGN 2 420 thousand (2021: BGN 13 960 thousand), including accrued interest liabilities. The maturities of the obligations are respectively 25 April 2023 and 11 May 2023. The repurchase obligations are secured by the financial instruments - object of the repo transactions with a total balance sheet value of BGN 4 399 thousand. The agreed interest rates for the period between the date of transfer and repurchase of the securities are within 4.5%.

5. **Information on events and indicators of an unusual nature for the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, having a significant impact on its activities, and the revenues and expenses incurred by it; assessment of their impact on the results in the current year.**

The economic environment in 2022 has been shaped by the recovery from the Covid-19 pandemic, the military conflict in Ukraine, the sharp rise in prices and the reversal of the interest rate cycle. Due to the recovery from the Covid-19 pandemic and the military conflict in Ukraine, oil and commodity prices have risen. The military conflict in Ukraine on a global scale caused new interruptions and restrictions on the supply of goods, food and raw materials, which caused further price increases.

Inflation with subsequent monetary tightening and the energy crisis are the basis of the economic slowdown in the European Union in the last quarter. Price pressures intensified and widened in 2022, with inflation hitting record highs in recent decades.

The Bulgarian economy slows down the growth after mid-2022 and the annual growth decreases quarter by quarter with the following values: 3.7%, 4.3%, 3.1% and 2.1%. Under the influence of external demand, the recovery of the Bulgarian economy in the first half of 2022 exceeded expectations. At the end of 2022, the share of government debt to GDP is 22.9% (2021: -23.4%), and according to preliminary data, the budget deficit on an accrued basis is 2.9%. The labour market in our country is stable with a low unemployment rate of 4.7%.

In 2022, the Covid-19 pandemic has gradually subsided, and its economic consequences are being overcome.

The conflict between Russia and Ukraine has had a significant impact on the global economy in various ways, mainly related to the prices of energy resources. Rising prices and inflation in the global economy are likely to have a wide-ranging impact on the Group related to its business model, supply chain, legal and contractual issues, employees, consumers and working capital.

The Group has reviewed the exposure to increased credit risk in relation to counterparties operating in the affected territories, including and from the imposed sanctions. The Group's management analyses all facts and circumstances regarding the current activity and operations with these counterparties. During the period, an expected credit loss was recognized in accordance with the Group's accounting policy.

Rising prices and inflation in the global economy are likely to have a wide-ranging impact on the Group related to its business model, supply chain, legal and contractual issues, consumers and working capital. The Group expects an increase in operating expenses, which may lead to an indexation of the holding fees it collects from subsidiaries. In 2022, interest rates on bank loans have not been changed.

6. **Information on off-balance sheet transactions - nature and business purpose, indication of the financial impact of the transactions on the activity, if the risk and benefits of these transactions are significant for the issuer, respectively the person under § 1e of the additional provisions of LPOS, and if the disclosure of this information is essential for assessing the financial condition of the issuer under § 1e of the additional provisions of LPOS**

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

	2022 BGN '000	2021 BGN '000
Bank guarantees in BGN	50 746	34 032
Bank guarantees in foreign currency	25 928	18 632
Irrevocable commitments	88 823	244 126
Total contingent liabilities	**165 443**	**296 772**

As at 31 December 2022, the Group had entered into agreements to extend loans to customers for a total amount of BGN 88 823 thousand (2021: BGN 244 126 thousand), respectively. Future drawdown of this amount is dependent on the borrowers meeting certain criteria, including no recorded defaults on previous loan tranches, provision of collateral of a certain quality and liquidity, etc.

The Group`s non-banking contingent liabilities are as follows:

As at 31 December 2022, in connection with the requirements of IFRS 9, the Group has recognized BGN 882 thousand (2021: BGN 714 thousand) liabilities for provisions for expected credit losses related to the Group's contingent liabilities.

As at 31 December 2022 the Group has pledged investment properties with a carrying amount of BGN 132 987 thousand.

On 17 December 2020, a Commercial Bank has established new bank guarantee under concession agreement for oil production with №116DSK14711 amounting to BGN 190 000,00 and represent the value of the entire concession fee paid under a concession contract for Dolni Lukovit deposit for 2020 with VAT. The term of validity of the guarantee is until 28 February 2023.

On 13 December 2021, a Commercial Bank has established new bank guarantee under concession agreement for oil production with №116DSK16000 amounting to BGN 290 000,00 and represent the value of the entire concession fee paid under a concession contract for Dolni Lukovit deposit for 2021 with VAT. The term of validity of the guarantee is until 28 February 2023.

On 18 January 2022, a Commercial Bank has established two new bank guarantees under concession agreement for oil and gas production with №116DSK16135, amounting to BGN 16 356,43 and №116DSK16136, amounting to BGN 123 174,57 and represent the value of the entire concession fee and represents the value of the entire concession remuneration paid by OGEP AD under the concession contracts for the Iskar-Zapad deposit and the Dolni Dabnik deposit for 2021, with VAT. The validity period of the guarantees is until 28.02.2023.

On 26 June 2020 a Commercial Bank issued a bank guarantee with №116DSK13926 amounting to BGN 100 000, securing the obligations of the company related to its registration under the Law on Administrative Regulation of Economic Activities Related to Oil and Petroleum Products origin. The term of validity of the guarantee is until 24 June 2022.

Amendment No. 1 to Bank Guarantee №116DSK13926 extends the term to 24.12.2023.

Under a bank credit agreement with Commercial Bank, the Group establishes a first ranking pledge over a portion of its open accounts with the bank.

The Group has a guarantee issued by Commercial Bank in the amount of BGN 2,600,000 in favour of the National Customs Agency with a validity period until 5 April 2023.

The Group is a party to two commercial cases in the Sofia City Court in relation to cessation contracts/ purchased receivables from 2014, the total amount of the material interest of the cases amounting to 24 million EUR.

As of 31 December 2022, there were judgments in force from several instances in both cases which ruled in favour of the Group. Based on an analysis of the factual and legal situation, the Group's advisers consider that in both litigations all legal possibilities have not been exhausted by the claimant for additional relief, whereby no assurance can be given as to the outcome of the cases at the date of the consolidated financial statements, although the expectation of the outcome of the cases is in favour of the Group.

In 2021 and 2022, two audits of the Group were carried out by the Municipal Administration in relation to the Group's obligations under the Local Taxes and Fees Act.

As a result of the audits, audit reports have been issued. The Group has initiated complaints against the audit reports.

Both cases are at the evidence-gathering stage and have not been closed as of 31.12.2022, nor at the reporting date. The cases are considering in the court of first instance and the judgment's cases will be subject to appeal before the Supreme Administrative Court of Bulgaria by the party having a legitimate interest.

Commitments under concession contracts

Concession Port Balchik

Under the Concession Agreement, the Group is obliged to operate and maintain the Port Terminal - Balchik, an area of the Port of Public Transport of National Importance - Varna, to make investments in accordance with the Investment Programme, to maintain a certain average annual cargo turnover and to implement a certain social programme with respect to the staff.

Under the concession contract, the Group undertakes to:

- to maintain the Port Terminal - Balchik in operating condition for the duration of the concession;
- to perform port services without the right to hire subcontractors for this purpose;
- to carry out the investments according to the adopted Investment Programme, with the amount of the mandatory investments for the first two years of the concession period to be not less than BGN 1 098 thousand, and for the whole period of the contract - not less than BGN 3 475 thousand;
- to prepare and submit for approval by the Concessionaire annually annual investment programmes for the concession object;
- agree and obtain approval in advance from the Condensate to make improvements to the object of concession.
- pay the concession fee in the amount, on the terms, in the manner and within the time limits specified in the concession agreement;
- insure the object of concession;
- maintain bank performance guarantees for the duration of the Contract;
- to implement the proposals made in the Business Proposal and the Average Annual Turnover Proposal.

The Concessionaire undertakes to provide and maintain for each consecutive year of the concession agreement new, confirmed, unconditional and irrevocable annual bank guarantees issued by banks approved by the Concessionaire, as follows:

- A guarantee in the amount of BGN 430 thousand (EUR 220 thousand) to guarantee the execution of the concession contract, including the obligations for the payment of the concession fee, for freight turnover, for the payment of interest and penalties and others specified in the concession contract.

On 16 March 2023, an agreement was concluded for the issuance of a bank guarantee for the amount of EUR 220 thousand with a term of the guarantee until 31 July 2024. The bank guarantee agreement was concluded to ensure the fulfilment of the Group's obligations under the concession agreement.

The group should make investments in 2023 in the total amount of BGN 77 thousand for the fourteenth investment year of the concession term in the following areas:

- Costs for environmental protection in the total value of BGN 2 thousand;
- Costs for ensuring basic repairs and maintenance in operational condition of the terminal BGN 15 thousand.
- Consultations on the implementation of the Concession Agreement with a total value of BGN 60 thousand.

The investment deadline is 31 December 2023.

On October 20, 2010, the contract signed between the Group and the Ministry of Transport, Information Technologies and Communications regarding the concession of service on the port terminal "Vidin - Sever" and the port terminal "Ferry Complex Vidin", parts of a port for public transport of national importance Vidin. The contract is for a period of 30 years. On February 24, 2021, an Additional Agreement was signed to extend the term to 40 years.

The concession fee includes:

- one-time concession fee in the amount of BGN 100 thousand.
- annual concession fees, which contain a fixed and a variable part.

The amount of the fixed annual concession fee amounts to EUR 44 thousand (BGN 87 thousand). Under the concession contract, the Group undertakes:

Under the concession contract, the Group undertakes:

- operate and maintain the object of concession at its own risk;
- to carry out an update of the master plan of the port of Vidin regarding the port terminals - Object of the concession;
- to make investments, according to the foreseen annual investment programs;
- to develop and submit for approval by the grantor annual investment programs by October 30 of the previous year;
- to coordinate in advance and obtain approval from the Minister of Transport, Information Technologies and Communications for making improvements to the concession site that are not provided for in the relevant annual investment program;
- does not change the purpose of the object of the concession;
- presents and maintains bank guarantees;

The concession contract is terminated upon expiration of the contract term, by mutual agreement, due to circumstances under the Law on Concessions or upon culpable failure of one of the parties to fulfil its obligations.

In the period 1 January 2022 - 31 December 2022, the Group undertook to make investments in the "Vidin - Sever" port terminals and "Vidin Ferry Complex" in the amount of BGN 75 thousand. The reported (repaid) value as of 31 December 2022 of investments made in the terminal amount to BGN 91 thousand.

In 2013, a contract signed between the Group and the Ministry of Transport, Information Technologies and Communications regarding a service concession for the provision of a service concession on a port terminal Nikopol Port Terminal, part of a public transport port of national importance Rousse, entered into force. The contract is for a period of 35 years and provides for a grace period of 60 (sixty) months, which starts from the date of entry into force of the concession contract.

The concession fee includes:

- one-time concession fee in the amount of BGN 5 thousand.
- annual concession fees, which contain a fixed and a variable part.

The annual concession payment consists of two parts:

- a fixed part of the annual concession payment in the amount of BGN 3 thousand (without VAT).
- a variable part in the amount of 3% of the total amount of net income from all activities for the current year, related to the use of the concession object.

For the duration of the concession, the Parent Company undertakes to carry out construction and installation works and maintenance, rehabilitation, reconstruction and expansion activities of the port terminal and provision and maintenance of port equipment and other assets and programs in the areas, types, volume and value determined by amount of BGN 58 thousand excluding VAT.

Under the concession contract, the Group undertakes to:

- management of port services and of the concession site.
- to implement the proposed plans and programs.
- reaching an average annual freight turnover in the amount of at least 1,600 (one thousand six hundred) conditional transport units within the first 5 years from the entry into force of the concession contract and reaching an average annual freight turnover in an amount not less than the proposed average annual freight turnover within every two years of the remaining period of the concession term;
- to provide and maintain confirmed unconditional irrevocable annual guarantees issued by banks approved by the grantor;
- to insure and maintain suitable and sufficient for the activity carried out insurance of the object of concession, at its own expense for the benefit of the Grantor.

The concession contract is terminated upon expiration of the contract term, by mutual agreement, due to circumstances under the Law on Concessions or upon culpable failure of one of the parties to fulfil its obligations.

On 6 March 2013, a contract signed between the Group and the Ministry of Transport, Information Technologies and Communications for the granting of a concession to "Port Terminal Lom" - part of a port for public transport Lom, of national importance - public state property for term of 35 years.

Under the concession contract, the Group undertakes to:

- pays the due concession fees (one-time concession fee in the amount of BGN 150 thousand excluding VAT and annual concession payments, which contain a fixed and a variable part);
- performs port services at its own risk, creating conditions for the continuity of the provision of services and providing access to the terminals and the port services provided by them for no less than 8 hours a day;
- maintains and operates the concession object at its own risk, with the care of a good steward and in accordance with the requirements of the current legislation regulating activities and actions arising from the concession contract;
- for the period 1 January 1 – 31 December 2022, investments were made in the amount of BGN 429 thousand;
- makes public the prices and conditions of the offered port services it provides, as well as any discounts;
- maintains the infrastructure of the port terminal in good operational condition, carrying out the necessary repairs at its own expense.

On November 5, 2010, an Agreement was signed between the Municipality of Rousse and the Group for the provision of access to perform port services in the public transport port of regional importance "Pristis".

The group is committed to providing port services in Pristis port by using and maintaining the port territory and the facilities built on it - public municipal property. According to an additional agreement signed on December 8, 2015, the contract is valid until the completion of the procedure for granting Pristis port a concession, but not more than 5 years.

As a result of an open procedure for the granting of a concession for a public transport port of regional importance "Pristis" and by virtue of Decision No. 707 of the Municipal Council - Rousse, adopted with Protocol No. 28 of December 14, 2017, the Group has been designated for Pristis Port Concessionaire. On 04.01.2018, an Agreement was signed between the Municipal Council - Rousse, represented by the Mayor of the Municipality of Rousse, and the Group for the granting of a concession for a public transport port of regional significance "Pristis" - public municipal property. The contract enters into force on April 1, 2019, and has a term of 35 years.

With the entry into force of the concession contract, the contract for granting access to perform port services in the public transport port of regional significance "Pristis" is terminated.

Under the concession contract, the Group has obligations to:

- makes annual concession payments, consisting of two parts - a fixed part in the amount of BGN 54 thousand (considered from 01.01.2022) and a variable part depending on the activity performed;
- manages and maintains the concession facility at its own risk, in accordance with good engineering and operational practice, with the care of a good steward and in accordance with the requirements of the current legislation regulating 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;
- performs port services at its own risk, ensuring their continuity for no less than 8 hours a day;
- makes investments, according to the foreseen annual investment programs;
- realizes an annual freight turnover, defined in conditional transport units, as a conditional transport unit is every passenger served at the port and/or ship visit multiplied by 10.

In 2022, the Group realized a freight turnover of 30 862 conditional transport units and made a variable concession payment.

In fulfilment of the contract for granting a concession for a public transport port of regional importance "Pristis" - public municipal property, the Group was issued a bank guarantee for the good performance of the concession contract, in the amount of BGN 100 thousand and valid until 1 March 2028.

On 29 July 2021, a contract was signed between the Group and the Ministry of Transport, Information Technologies and Communications, regarding a construction concession for the site "Port terminal with winter storage - Ruse, part of Ruse public transport port - public state property. Term of the concession 35 years.

The concession fee includes:

- one-time concession fee in the amount of BGN 6 700.
- annual concession fees, which contain a fixed and a variable part.

The amount of the fixed annual concession fee amounts to BGN 22 thousand, and the variable amount is 2% of the total amount of revenues.

Under the concession contract, the Group has obligations to:

- provide an asset management service for the Port Terminal with winter storage - Rousse;
- handle cargo and mail;
- perform marine technical port services.

Until 31 December 2023, the Group has undertaken to make investments in the amount of BGN 564 thousand.

According to the Concession Agreement, the Company has assumed obligations to operate, maintain and make investments for the development of the Lesport port terminal; to implement Annual Investment Programs, to maintain a certain average annual freight turnover, to maintain bank guarantees for performance for the duration of the contract and to implement a certain social program regarding the staff.

The concessionaire undertakes to provide and maintain, for each successive year of the concession contract, confirmed, unconditional, irrevocable bank guarantees for the duration 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 relevant year;
- A 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 the concession fee, freight turnover, the obligation to pay interest and penalties specified in the contract.

As of 31 December 2022, the Group has concluded a Framework Agreement for the issuance of bank guarantees with a commercial bank for a total value of BGN 500 thousand with a term of validity until 28 January 2028. As collateral under the concluded Framework Agreement for the issuance of a bank guarantee, the non-current assets of the Group. This contract includes a bank guarantee in the amount of BGN 43 thousand for the fulfilment of the obligations for 2022 in Favor of the Ministry of Transport and Communications, valid until 30 May 2023.

As of 31 December 2022, the term of the bank guarantee in favour of the Ministry of Transport and Communications in the amount of EUR 256 thousand, guaranteeing good performance for the entire term of the Concession Agreement is until 28 January 2028. It is guaranteed by a cash pledge assets of a related party under common control.

According to the additional agreement of 23 January 2020, an integral part of the concession contract signed between the Company and the Ministry of Transport and Communications, the investments approved for implementation for 2023 amount to BGN 332 thousand and are in the following areas:

- Direction: Serviceability for a total value of BGN 192 thousand;
- Direction: Consultations on the implementation of the concession contract in the amount of BGN 140 thousand.

The term of implementation of the investments is until 31 December 2023.

As of 31 December 2022, the Group owes a penalty to the Ministry of Transport and Communications in the amount of BGN 70 thousand for an average annual freight turnover for the last two years lower than the basic freight turnover stipulated in the concession contract and the additional agreements signed to it (2021: BGN 0).

Concessions for oil and gas production

The main activity of the Group's subsidiary Oil and Gas Exploration and Production AD is carried out on the basis of concession rights granted by the state and 13 concession agreements concluded as follows:

Concession agreement for extraction of crude oil from the field "Bardarski Geran", Concession agreement for extraction of crude oil from the field "Gorni Dabnik", Concession agreement for extraction of crude oil and natural gas from the field "Dolni Dabnik", Concession agreement for extraction of Crude oil and natural gas from the Dolni Lukovit field, Concession agreement for extraction of crude oil from the Dolni Lukovit field - West, Concession agreement for extraction of crude oil and natural gas from the Selanovtsi field, Concession agreement for extraction of crude oil from the Staroseltsi field, Concession agreement for extraction of crude oil from the Tyulenovo field, Concession agreement for extraction of crude oil from natural fields Bulgarevo field, Concession agreement for extraction of crude oil and natural gas from the Marinov Geran field and Concession agreement for extraction of crude oil and natural gas from the Bhutan-South field, Concession agreement for extraction of natural gas from the field Durankulak ”and Concession Agreement for extraction of mineral resources - oil and natural gas - natural gas and condensate from the Iskar West field.

In order to ensure the fulfilment of its obligations for the final leaving of the concession areas, according to the concession agreements, the Group annually allocates amounts representing annual contributions to the “Leaving Fund”.

Future payments in related to the contributions to the Leaving Fund as at 31 December are as follows:

	Up to 1 year BGN ‘000	**From 1 to 5 years BGN ‘000**	**Over 5 years BGN ‘000**	**Total BGN ‘000**
2022	9	37	96	142
2021	10	40	102	152

The group has concluded the following bank guarantee contracts:

- Bank guarantee as collateral for a possible request for reimbursement of an advance granted in favour of the Contracting Authority, regarding an obligation of Consortium Energoproekt - Royal Haskoning under a contract for the design of an Intermodal Terminal in the amount of BGN 1 684 thousand, reduced to BGN 1 200 thousand. Valid until 30.06.2023 inclusive. Collateral bank guarantees and a lien on receivables have been provided;

- Bank guarantee for good performance in favour of the Contracting Authority regarding the fulfilment of the obligation of Consortium Energoproekt - Royal Haskoning under the contract for the design of an Intermodal Terminal in the amount of BGN 263 thousand and valid until 30.06.2023. The security provided is guarantee contract.

The group has concluded a contract for issuing bank guarantees to companies from the group with a limit of 1 million BGN due September 2024.

7. Information on share participations of the issuer, respectively the person under § 1e of the additional provisions of LPOS, for its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as investments in equity securities outside its group of enterprises within the meaning of the Accounting Act and the sources / methods of financing.

Investments in associates

	2022 BGN' 000	2021 BGN' 000
Investments in associates	24 077	25 743
Investments in joint ventures	2 399	1 029
Total investments accounted for using the equity method	**26 476**	**26 772**
Gain/(loss) from investments under equity method	**5 497**	**4 315**

Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December. The carrying amount of the Group's investments and percentage of participation in the voting rights and equity of associates may be presented as follows:

Name of the associate	Country of incorporation and principal place of business	Main activities	2022 BGN '000	Share %	2021 BGN '000	Share %
Lufthansa Technik Sofia OOD	Bulgaria	Aircraft repair activity	9 211	24.90%	8 944	24.90%
Swissport Bulgaria AD	Bulgaria	Ground handling services	6 155	49.00%	6 886	49.00%
Silver Wings Bulgaria OOD	Bulgaria	Catering services	3 569	42.50%	5 225	42.50%
VTC AD	Bulgaria	Maritime and port services	4 094	41.00%	3 764	41.00%
Kavarna Gas OOD	Bulgaria	Gas transmission services	684	35.00%	689	35.00%
Amadeus Bulgaria OOD	Bulgaria	Reservation services	364	44.99%	235	44.99%
			24 077		**25 743**	

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:

	2022 BGN '000	2021 BGN '000
Non-current assets	170 378	179 301
Current assets	73 559	71 319
Total assets	**243 937**	**250 620**
Non-current liabilities	138 453	151 714
Current liabilities	38 263	30 410
Total liabilities	**176 716**	**182 124**
Net assets	**67 221**	**68 496**
Revenues	209 742	144 018
Profit for the period	14 292	10 842
Profit after taxes	12 250	9 714
Other comprehensive (loss)/income	687	(82)
Total comprehensive income for the year	**12 937**	**9 632**

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

	2022 BGN '000	2021 BGN '000
Total net assets as of January 1	68 496	62 906
Profit for the year	12 250	9 714
Other comprehensive income/(loss) for the year	687	(82)
Dividends paid	(14 212)	(4 042)
Total net assets as of December 31	**67 221**	**68 496**
Share of the Group (in thousand BGN)	21 873	23 038
Reputation	2 204	2 705
Carrying value of investment	**24 077**	**25 743**

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 6 002 thousand for 2022 and BGN 2 037 thousand for 2021, respectively.

Investments in joint ventures

Investments in joint ventures are accounted using the equity method. Joint ventures have a reporting date as at 31 December. The carrying amount of the Group's investments and percentage of participation in the voting rights and equity of joint ventures may be presented as follows:

Name of the joint venture	Country of incorporation and principal place of business	Main activities	2022 BGN '000	Share %	2021 BGN '000	Share %
Nuance BG AD	Bulgaria	Duty free trade	2 083	50%	833	50%
Consortium Bulgaria Air - Direction	Bulgaria	Sale of airline tickets and hotel accommodation	167	90%	141	90%
Consortium Bulgaria Air and Direction	Bulgaria	Sale of airline tickets and hotel accommodation	65	70%	55	70%
Varnaferry	Bulgaria	Transport services	-	50%	-	50%
Senshi Academy DZZD	Bulgaria	Sports activity	84	70%	-	-
			2 399		**1 029**	

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:

	2022 BGN '000	2021 BGN '000
Non-current assets	5 226	15 488
Current assets	10 568	6 978
Total assets	**15 794**	**22 466**
Current liabilities	23 904	18 694
Total liabilities	**23 904**	**18 694**
Net assets	**8 110**	**3 772**
Revenues	42 017	18 810
Loss for the period	(2 426)	(3 394)
Loss after taxes	(2 750)	(3 317)
Total comprehensive loss for the year	**(2 750)**	**(3 317)**

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

	2022 BGN '000	2021 BGN '000
Total net assets as of January 1	(5 360)	(2 043)
Profit for the year	(2 750)	(3 317)
Total net assets as of December 31	**(8 110)**	**(5 360)**
Share of the Group (in thousand BGN)	2 399	1 029
Carrying value of investment	**2 399**	**1 029**

All transfers of cash to the Group, e.g., payment of dividends shall be made after the approval of the joint ventures. In 2022 and 2021 no dividend was received.

Financial assets at fair value through profit or loss

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

	2022 BGN '000	2021 BGN '000
Financial assets measured at fair value through profit or loss:		
Corporate shares and rights	1 252 389	1 258 422
Bulgarian corporate bonds	219 003	213 113
Medium-term Bulgarian government securities	52 610	55 258
Long-term Bulgarian government securities	45 643	30 104
Securities issued or guaranteed in other countries	611 699	486 003
Derivatives held for trading	12	70
	2 181 356	**2 042 970**

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

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

Debt instruments at fair value through other comprehensive income

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

	2022 BGN '000	2021 BGN '000
Bonds	413 809	413 303
Government securities	145 636	446 138
Total debt instruments at fair value through other comprehensive income	**559 445**	**859 441**

As of 31 December 2022, the financial assets measured at fair value in other comprehensive income formed a related impairment loss amounting to BGN 4 529 thousand (2021: BGN 4 643 thousand), which is reflected in the equity and did not reduce the book value of the assets.

As at 31 December 2022, government bonds issued by the Bulgarian government are not pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act (2021: BGN

153 546 thousand are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.)

Equity instruments at fair value through other comprehensive income

	2022 BGN '000	2021 BGN '000
Quoted equity instruments	23 653	24 605
Unquoted equity instruments	70 031	45 821
Total equity instruments at fair value through other comprehensive income	**93 684**	**70 426**

Debt instruments measured at amortized cost

As at 31 December 2022, debt instruments measured at amortized cost consist of Bulgarian government bonds, government bonds of EU countries, Bulgarian corporate bonds and foreign corporate bonds, including the amount of accrued interest and discount / premium on the basis of their original maturity, as follows:

	2022 BGN '000	2021 BGN '000
Bulgarian government Bonds	770 428	408 414
Foreign government bonds	544 309	268 525
Bulgarian corporate bonds	7 964	7 964
Foreign corporate bonds	19 652	2 935
Impairment loss	(674)	(654)
Debt instruments measured at amortized cost	**1 341 679**	**687 184**

As of 31 December 2022, government bonds issued by the Bulgarian government amounting to BGN 538 556 thousand (2021: BGN 223 269 thousand) are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.

8. **Information on the loan agreements concluded by the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, by its subsidiary, in their capacity as borrowers, indicating the terms and conditions, including payment deadlines, as well as information on provided guarantees and commitments**

BANK ACTIVITY

Liabilities to depositors are presented as follows:

Analysis by term and type of currency:	**2022 BGN '000**	**2021 BGN '000**
On-demand deposits		
in BGN	2 492 708	2 205 262
in foreign currency	367 073	308 820
	2 859 781	2 514 082
Term deposits		
in BGN	1 250 758	1 226 347
in foreign currency	1 461 738	1 429 564
	2 712 496	2 655 911
Savings accounts		
in BGN	1 198 815	1 192 269
in foreign currency	528 260	544 107
	1 727 075	1 736 376
Other deposits		
in BGN	15 035	11 032
in foreign currency	1 305	479
	16 340	11 511
Total liabilities to depositors	**7 315 692**	**6 917 880**

Analysis by term and type of currency:	**2022 BGN '000**	**2021 BGN '000**
Individual deposits		
in BGN	3 486 870	3 241 091
in foreign currency	2 043 359	1 990 989
	5 530 229	5 232 080
Legal entities deposits		
in BGN	1 468 950	1 382 788
in foreign currency	312 292	288 698
	1 781 242	1 671 486
Deposits of other institutions		
in BGN	1 496	11 032
in foreign currency	2 725	3 282
	4 221	14 314
Total liabilities to depositors	**7 315 692**	**6 917 880**

Other financial liabilities

	Current		Non-current	
	2022	2021	2022	2021
	BGN '000	BGN '000	BGN '000	BGN '000
Financial liabilities measured at fair value				
Derivatives held for trading	677	118	-	-
Financial liabilities measured at amortized cost:				
Bonds and debenture loan	5 104	3 507	74 611	69 450
Bank borrowings	34 844	57 898	88 126	92 614
Other borrowings and financing	17 674	20 092	7 684	6 984
Deposits from banks	10 247	41 146	-	-
Cession liabilities	30 473	10 708	29 772	32 306
Liabilities under repurchase agreements	2 420	2 282	-	11 678
Trade payables	73 163	109 406	1 022	598
Payables to related parties	71 288	48 922	14 366	14 394
Total carrying amount	**245 890**	**294 079**	**215 581**	**228 024**

Bonds and debenture loans

The bond loans received by the Group are as follows:

	Current		Non-current	
	2022 BGN '000	2021 BGN '000	2022 BGN '000	2021 BGN '000
Bonds and debenture loans	5 104	3 507	74 611	69 450

The carrying amount of the Group's debts on the aforementioned debenture loans at 31 December 2022 amounted to BGN 79 715 thousand (2020: BGN 72 957 thousand) and was calculated using the effective interest method.

Bank loans

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	
	2022 BGN '000	2021 BGN '000	2022 BGN '000	2021 BGN '000
Bank loans	**34 844**	**57 898**	**88 126**	**92 614**

Non-current bank borrowings

	2022 BGN '000	2021 BGN '000
Revolving and investment bank loans	**88 126**	**92 614**

Investment loans

The Group has received the following investment loans:

- The Group is a party to a bank investment loan agreement concluded on 05 October 2011 for the amount of BGN 3 000 thousand. The maturity of the loan is on 10 November 2024. The annual interest rate on the loan is 4%, formed on the basis of 1M EURIBOR plus 4%, such as the interest cannot be lower than 4%.
- The Group has received three secured bank loans granted by a Bulgarian commercial bank. The loans are denominated in Bulgarian leva and have an agreed amount of BGN 6 000 thousand, BGN 8 944 thousand, and BGN 3 250 thousand, respectively. The interest rates on the loans are 3.3% and 4%, with maturities in 2023, 2024 and 2025. To secure two of the loans are established pledges of government securities of the Republic of Bulgaria, owned by the Group, with a nominal value of BGN 8 950 thousand and maturity in April 2025 for one loan and a nominal value of BGN 3 500 thousand and maturities of the issue in April 2025. One of the loans is secured by a pledge of cash in the amount of BGN 714 thousand, which is blocked until it is repaid, and "Financial risk" insurance valid until February 2024 in the amount of BGN 5 288 thousand.
- The Group has a contract for a bank investment loan concluded on 23 December 2015. The amount of the granted loan is BGN 78 233 thousand, which has been disbursed in 3 main tranches. Two bank loans to another bank were refinanced with the used credit and an investment project of the Group was financed. The maturity of the loan is on 31 December 2025. The repayment of the principal is in BGN and is according to an agreed repayment plan for the entire term of the contract. The interest rate is formed as the sum of the "Average deposit index" plus a surcharge. The collateral for the loan is a contractual mortgage of a hangar, all receivables of the Group arising from lease agreements concluded with Lufthansa Technik Sofia OOD in its capacity as lessee.
- The Group is a party to a contract for a bank investment loan concluded on 01 November 2016. The amount of the granted loan is BGN 12 713 thousand. The repayment of the principal is in BGN and is according to an agreed repayment plan with a starting date on 31 October 2018. The maturity of the loan is on 30 September 2028. The interest rate is formed as the sum of the "Average deposit index" plus an allowance. Collateral for the loan is a contractual mortgage of land and buildings built on it, a parking lot and two checkpoints, and receivables of the Group arising from a lease agreement concluded with a tenant.
- The Group is a party to an investment bank loan to cover the costs of a complete reconstruction and major repair of a building, concluded on 11 August 2017, with a maturity date on 30 December 2028. The interest on the loan is in the amount of the annual interest determined as the sum of the variable base interest index applicable to the relevant interest period and a surcharge to the interest index in the amount of 2.738%. The loan is secured by a mortgage on real estate in the city of Sofia, a pledge of shares and receivables owned by the Group.
- The Group is a party to an investment bank loan agreement concluded on 14 December 2021, with a maturity date on 31 January 2029. The annual interest is defined as the sum of the variable base interest index applicable to the relevant interest period and an allowance to it in the amount of 2.738%. The loan is secured by a mortgage on real estate in the city of Sofia, a pledge of shares and receivables owned by the Group.
- The Group is a party to a contract for an investment bank loan concluded on 28 April 2021, with a maturity date on 20 April 2025. The interest on the loan is in the amount of the base interest rate in BGN 2.5% plus a contractual allowance for credit risk of 0.35% or in total agreed rate of 2.85%.

Revolving loans

- The Group is a party to an agreement for a revolving bank loan concluded on 30 January 2018 for an amount of EUR 4 950 thousand (BGN 9 675 thousand), with a repayment term on 31

January 2024. The loan is secured by bank deposits. The annual interest rate on the loan is based on the base interest rate plus 0.8%.

- The Group is a party to a revolving bank loan agreement concluded on 21 June 2013, with a maturity date on 20 December 2029. The interest rate 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 capital assets in accordance with the Special Pledges Act.
- The Group is a party to an investment bank loan agreement concluded on 21 June 2013, maturing on 20 December 2029. The interest on the loan is 3m EURIBOR plus a 3-point surcharge, but not less than 6.5 %. The loan is secured by a real estate mortgage, a pledge of capital assets in accordance with the Special Pledges.
- The Group is a party to an agreement for a revolving bank loan concluded on 28 January 2008 with a maturity date on 10 November 2024. The annual interest rate on the loan amounts to one-month EURIBOR plus a 4% surcharge. Collaterals - a mortgage on grain warehouses in the town of Dobrich and the village of General Kolevo (land, buildings and permanently attached machinery and equipment), owned by the Group.
- The Group is a party to a contract for a revolving bank loan concluded on 13 December 2013 with a repayment term on 30 September 2024. The annual interest rate on the loan amounts to the average deposit index (ADI) plus a 2.657% surcharge. The loan is secured by a pledge of the Group's own inventory and property, plant and equipment.
- Bank credit-overdraft agreement concluded on 01 August 2018 for working capital with a repayment term on 20 August 2024. The annual interest rate is 4.2% of the bank's base interest rate plus 12-month Euribor. The loan is secured by a pledge of receivables on payment accounts at the creditor bank and a special pledge on goods intended for duty-free currency trading on board the aircraft and/or in the specialized store. The total value of the goods is up to BGN 147 thousand.

Current bank borrowings

	2022 BGN '000	2021 BGN '000
Current revolving and investment loans	**34 844**	**57 898**

Investment loans

The Group received the following short-term bank loans for investment purposes:

- The Group is a party to an investment bank loan agreement concluded on 14 August 2020. A grace period for the principal repayment until 19 March 2022 has been agreed upon. From 20 March 2022 to 20 August 2023 (inclusive), the loan is to be repaid in seventeen equal monthly instalments and one last instalment, due on 20 August 2023. The annual interest rate is in the amount of the base interest rate in BGN - 2.5% plus a contractual allowance for credit risk of 1% or a total contractual interest rate of 3.5%.
- The Group is a party to an investment bank loan agreement concluded on 8 October 2021. From 15 April 2022 to 15 September 2023 (inclusive), the loan is repaid in 17 (seventeen) equal monthly instalments and one final instalment, due on 15 September 2023. The annual interest rate is equal to the basic deposit index for legal entities in BGN plus a 2.5% surcharge or a minimum total agreed rate of 2.5%.

Revolving loans

- The Group is a party to a bank credit-overdraft agreement concluded on 25 September 2020 for working capital with a maturity date on 20 September 2023. The annual interest rate is 3.8% of the bank's base interest rate plus 12-month Euribor. The loan is secured by a contract for a special lien on receivables.

- The Group has concluded 1 active as of 31 December 2022 bank loan agreement for the purpose of working capital with a repayment term on 31 December 2023. The annual interest rate on the loan is in the amount of 4% of the loan agreement plus 3M Euribor, but not less than 4%. The loan is secured by a pledge of receivables under public procurement contracts for the provision of air tickets, receivables under BSP receipts, receivables under third party.

Other borrowings, financing and liabilities

	Current		Non-current	
	2022 BGN '000	2021 BGN '000	2022 BGN '000	2021 BGN '000
Other borrowings and financing	**17 674**	**20 092**	**7 684**	**6 984**

Other non-current borrowings, financing and liabilities

	2022 BGN '000	2021 BGN '000
Non-current borrowings	7 678	6 878
Financing from State Agricultural Fund	6	106
TOTAL	**7 684**	**6 984**

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

	2022 BGN '000	2021 BGN '000
Current borrowings	17 674	20 092
Financing under operational programs	-	-
TOTAL	**17 674**	**20 092**

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 2023. 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	
	2022 BGN '000	**2021 BGN '000**
Demand deposits – local banks		
-in Bulgarian leva	1 970	16 445
-in foreign currency	2 462	13 677
Term deposits from Bulgarian banks in BGN	-	-
Demand deposits from foreign banks in foreign currency	4 030	8 702
Demand deposits from foreign banks in BGN	27	37
Term deposits from foreign banks in foreign currency	351	381
Term deposits from Bulgarian banks in foreign currency	1 407	1 904
	10 247	**41 146**

9. Information on the loans granted by the issuer, respectively by a person under § 1e of the Additional Provisions of the Law on Public Offering of Securities, or by their subsidiaries, providing guarantees or assuming obligations to one person or his subsidiary, including related parties names or title and UIC of the person, the nature of the relationship between the issuer, respectively the person under § 1e of the additional provisions of the LPOS, or their subsidiaries and the borrower, the amount of outstanding principal, interest rate, contract date, deadline repayment, amount of the commitment, specific conditions other than those specified in this provision, as well as the purpose for which they were granted, if they were concluded as earmarked.

Loans and advances to bank clients

Loans and advances can be summarized as follows:

(a) Analysis by customer type

	2022 BGN '000	**2021 BGN '000**
Individuals:		
In BGN	1 252 295	1 135 195
In foreign currency	273 348	266 552
Legal entities:		
In BGN	1 237 950	1 108 359
In foreign currency	465 975	577 769
Impairment loss	(41 240)	(38 783)
Total loans and advances to bank clients	**3 188 328**	**3 049 092**

Loans and advances to customers as at 31 December 2022 include deposits with international financial institutions under marginal derivative transactions amounting to BGN 1 555 thousand (2021: BGN 1 556 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 and cession receivables

	2022 BGN '000	2021 BGN '000
Loans granted	161 672	133 790
Receivables under cession contracts	48 188	60 677
	209 860	**194 467**

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.

Receivables under repurchase agreements

As at 31 December 2022, the Group has entered into repurchase agreements with a total of BGN 448 044 thousand (2021: BGN 399 895 thousand), including interest receivables.

The collateral ratio of agreements with a repurchase clause, which are secured by a pledge of Bulgarian government securities, is at least 100%. The collateral ratio of repurchase agreements that are secured by a pledge of corporate securities is a minimum of 120%. These agreements are due between January and June 2023. (2021: between January and June 2022).

Related party receivables

	2022 BGN '000	2021 BGN '000
Non-current receivables from:		
- associates	2 942	3 507
- other related parties	12 052	86 302
Total non-current receivables from related parties	**14 994**	**89 809**

Current receivables from:	2022 BGN '000	2021 BGN '000
- owners	9 845	30 389
- associates	1 470	1 222
- joint ventures	3 257	6 493
- other related parties	44 604	37 646
Total current receivables from related parties	**59 176**	**75 750**

10. Information on the use of funds from a new issue of securities during the reporting period.

- No new issue of securities was issued during the reporting period.

11. Analysis of the ratio between the achieved financial results, reflected in the financial report for the financial year, and previously published forecasts for these results.

The Company has not published forecasts for the financial result for 2022. At the same time, the publicly announced intentions of the Company have been fulfilled and the planned goals have been achieved.

For the Companies within the Chimimport group - Not applicable.

12. Analysis and evaluation of the policy on financial resources management with indication of the possibilities for servicing the obligations, possible threats and measures that the issuer, respectively the person under § 1e of the additional provisions of LPOS, has taken or is about to take in order to eliminate them.

- The parent company successfully manages its financial resources and normally and timely serves its obligations.

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

- The companies of the Group have the necessary resources for the realization of their future investment intentions and defines the assessment of the possibilities for realization as positive.

14. Information on changes occurred during the reporting period in the basic principles of management of the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities and its group of enterprises within the meaning of the Accounting Act.

In 2022 there were no changes in the basic principles of management of the issuer.

15. Information on the main characteristics of the system of internal control and risk management system applied by the issuer, respectively the person under § 1e of the additional provisions of LPOS, in the process of preparation of the financial statements

The main features of the internal control system and the risk management system are described in detail in the Consolidated Corporate Governance Statement to this report.

16. Information on changes in the 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 Boards of the Company.

17. Information on the amount of remunerations, awards and/or benefits of each of the members of the management and control bodies for the reporting financial year, paid by the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of the POSA, and its subsidiaries, regardless of whether they were included in the expenses of the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of the POSA, or whether they result from profit distribution, including:
a) sums received and non-monetary rewards;
b) contingent or deferred remuneration arising during the year, even if the remuneration is due at a later time;

c) an amount owed by the issuer, which is not a public company, respectively the person under § 1e of the additional provisions of the Civil Code, or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.

Name	*By Issuer*	*By Subsidiaries*
Supervisory Board	**BGN '000**	**BGN '000**
Mariana Bazhdarova	24	-
Management Board		
Ivo Kamenov	24	198
Nikola Mishev	24	62
Cvetan Botev	24	119
Miroljub Ivanov	24	172
Marin Mitev	24	120
Alexandar Kerezov	24	211
Key management staff - executive directors		
Ivo Kamenov	24	-
Marin Mitev	24	-

18. Information on the shares of the issuer held by the members of the management and control bodies and the procurators, including the shares held by each of them separately and as a percentage of the shares of each class, as well as options provided by the issuer on its securities - type and the amount of the securities on which the options are based, the exercise price of the options, the purchase price, if any, and the term of the options.

Shareholder structure as of 31.12.2022

According to a report from the Central Depository, issued as of 31 December 2022, the members of the Supervisory Board and the Management Board hold 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	173 487 247	72.39%
CCB GROUP EAD	1 296 605	0.54%
MARIANA BAZHDAROVA	199	0.00%

19. Information on the arrangements known to the company (including after the end of the financial year), as a result of which changes in the relative share of shares or bonds held by current shareholders or bondholders may occur in the future.

- The Group is not aware of any agreements, as a result of which changes in the relative share of the shares held by the current shareholders may occur in the future.

20. Information on pending court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer in the amount of at least 10 percent of its equity; if the total value of the issuer's liabilities or receivables in all initiated proceedings exceeds 10 per cent of its own capital, information on each proceeding shall be provided separately.

The Group has no pending litigation, administrative or arbitration cases, receivables or liabilities that together or separately amount to at least 10% of its equity.

21. Information on the Investor Relations Director, including telephone, e-mail and mailing address

Investor Relations Director	Dina Paskova
Telephone	+359 2 981 05 69
E-mail	d.paskova@chimimport.bg
Address	Sofia, 2 Stefan Karadja Str.
Postal code	1000

22. Other information at the discretion of the company

Not applicable.

GENERAL RISKS AND UNCERTAINTIES

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	**2022 BGN'000**	**2021 BGN'000**
Financial assets at fair value through profit or loss:		
- Corporate shares, stocks and rights	1 252 389	1 258 422
- Bulgarian corporate bonds	219 003	213 113
- Medium-term Bulgarian government securities	52 610	55 258
- Long-term Bulgarian government securities	45 643	30 104
- Securities issued or guaranteed in other countries	611 699	486 003
- Derivatives held for trading	12	70
Equity instruments at fair value through other comprehensive income:		
- Quoted equity instruments	23 653	24 605
- Unquoted equity instruments	70 031	45 821
Debt instruments measured at fair value through other comprehensive income:		
- Bonds	413 809	413 303
- Government Securities	145 636	446 138
Debt instruments at amortized cost:		
- Loans	3 350 000	3 182 882
- Cession receivables	48 188	60 677
- Receivables under repurchase agreements	448 044	399 895
- Debt instruments at amortized cost	1 341 679	687 184
- Receivables from related parties	74 170	165 559
- Trade receivables	110 647	116 962
- Others	1 393	22 092
Less: Impairment	(151 181)	(28 163)
- Cash and cash equivalents	2 180 578	2 380 922
	10 238 003	**9 960 847**

Financial liabilities	**2022 BGN'000**	**2021 BGN'000**
Financial liabilities measured at amortised cost:		
Liabilities to depositors	7 315 692	6 917 880
Borrowings	228 043	250 545
Bank deposits	10 247	41 146
Cession payables	60 245	43 014
Obligations under repo agreements	2 420	13 960
Lease obligations	305 454	280 979
Trade and other payables	74 185	110 004
Related party payables	85 654	63 316
	8 081 940	**7 720 844**
Derivatives designated as hedging instruments in cash flow (at fair value):		
Derivatives	677	118
	8 082 617	**7 720 962**

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

Financial instruments risks

Risk management objectives and policies

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

The Group is exposed to different types of risk with regards to its financial instruments.

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 conducted by the Internal Control Directorate in cooperation with the actuaries and the management of the Group.

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

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

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

The Group manages and balances the insurance risks incurred both within the insurance group and outside it. Within the insurance group, this is achieved by balancing the risks assumed in time, in essence, by location, in risk groups and by increasing the number of insured entities, i.e., through the manifestation of the Law of Big Numbers. The Group conducts 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 limit of self-retention is determined. The management of insurance risk is also reflected in the application of constraints in signing procedures - Limits of liability, exclusion of risks to which it can be influenced, use of appropriate methods to assess the necessary bonuses and future obligations, implementation of reinsurance program and monitoring of the insurance business. Regardless of the reinsurance protection, the Group is not relieved of its direct liability to the insured against the risks transferred, resulting in credit risk to the extent that the reinsurers of the relevant reinsurance contract are unable to meet their financial obligations under the reinsurance contract. To minimize the exposure to this credit risk, the Group maintains a register of available quantitative indicators of the financial position of its counterparties.

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

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

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

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

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

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

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

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

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

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

Year of event	**2022 BGN'000**	**2021 BGN'000**	**2020 BGN'000**	**2019 BGN'000**	**2018 BGN'000**	**2017 BGN'000**	**Total BGN'000**
At the end of the period	53 764	50 885	48 597	52 242	48 674	52 390	306 552
1 year later	-	25 232	21 260	25 848	32 826	30 963	136 129
2 years later	-	-	3 776	4 576	5 187	8 066	21 605
3 years later	-	-	-	3 592	3 798	4 179	11 569
4 years later	-	-	-	-	2 131	3 337	5 468
5 years later	-	-	-	-	-	2 825	2 825
Cumulative payments to date	53 764	76 117	73 633	86 258	92 616	101 760	484 148
Overall assessment of benefits	97 781	89 979	81 419	91 326	95 259	101 760	557 524
As of 31 December:							
Payments:							
Evaluation	44 017	13 862	7 786	5 068	2 643	-	73 376
Real Reserves	52 947	16 103	12 800	11 858	10 520	9 250	113 478

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 form the reserve for incurred but not reported claims (IBNR), the Group uses chain-column methods both on the basis of accumulated values of paid claims and on the basis of historically filed claims. For development coefficients, average and weighted average own development coefficients were used, as for almost all insurances the method was applied for the period 2012-2022. When large deviations in the development coefficients for a given year, atypical for the development of claims, are obtained for a certain insurance, the corresponding period is not taken into account when calculating the factors.

On insurances where, due to low frequency of events /Loans, Guarantees, Various financial losses/ or due to a small volume of activity /Property damage/, there are no claims made and based on the chain-pillar method, a zero value of the reserve is determined for the IBNR reserve as of 31.12.2022. The Group used a method based on the volume of premiums earned and market data on the relative share of the reserve for not reported claims in earned premiums, disclosed by the FSC with Decision No. 44 of 17.01.2023.

If there is sufficient data on recovered amounts under recourses, the Group calculates a reserve for expected revenues from recourses, which amount is deducted from the reserve for incurred but not reported damages. As of 31.12.2022, a reserve for recourses has been determined only under "Motor vehicle Casco" insurance due to the significant volume of recovered sums from recourses for this type of activity. To calculate the expected revenue from recourses, a chain-pillar method was used, based on data on the recovered sums under recourses for the last 11 years.

For Motor Third Party Liability insurance the reserve for not reported claims is set separately for property and non-property damages. To calculate the reserve for incurred but unclaimed property damage claims, the Group uses the chain-pillar method based on accumulated paid claims and weighted average development coefficients obtained from its own data. To determine the reserve for non-property claims, a chain-pillar method was used based on accumulated historical values of claimed damages and weighted average development coefficients obtained from own data. The above-described method for calculating the reserve under the "Civil Liability" insurance of motorists as of 31 December 2022 was approved by Decision No. 188 - OH dated 13 February 2022.

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 conduct the calculations separately.

As of 31 December 2022, the Group has not created a reserve for incurred but not reported claims under "Illness", "Rail Vehicles" and "Legal Expenses" insurance, given that there is no 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.

When calculating the value of the unearned premium reserve as of 31 December 2022, the "exact date" method was used. The reserve is calculated automatically by the information system individually for each policy and each annex to it, based on the accrued premium income, accrued acquisition costs, the term of the contract and the coverage period after the end of the reporting period. The unearned premium reserve for Cargo and Carrier's Liability insurance for one-time transport is calculated for the insurance period of one month. For crop insurance, the unearned premium reserve is calculated until the end of the contract, but not later than the end of the agricultural year. Given that the accounting policy does not provide for deferral of acquisition costs, when calculating the reserve from the value of accrued premium is deducted the value of acquisition costs - the value of accrued commissions on the policy and other acquisition costs set in the CRA.

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.

Adequacy of obligations is ensured by periodic evaluation and testing whether the formed reserves are sufficient to cover all future payments. When assessing the adequacy of the reserves, all expected cash flows under the concluded insurance contracts are taken into account, such as: payments in connection with the risk, administrative costs for servicing the contracts, costs for settling claims, etc. The adequacy of the transfer-premium reserve and the reserve for future payments is established through appropriate tests.

The adequacy test of the transfer-premium reserve is carried out according to Art. 85 of Ordinance No. 53, and in the event of a shortage, a reserve is formed for unexpired risks. The latter is allocated to a negative gross technical result, determined according to Appendix No. 6 of Ordinance No. 53 for three consecutive years, and under "Civil Liability" of motorists, the development of risk and costs is examined only for one - the current year. The test is carried out by type of insurance. If there is an established need to create a reserve for unexpired risks, its amount is determined according to Appendix No. 7 of the Ordinance. As of 31.12.2022, the adequacy test of the transfer-premium reserve does not indicate a shortage of premium and the need to create a reserve for unexpired risks.

The adequacy test of the reserve for future payments was performed by means of a run-off analysis. The analysis of the development of the reserve for pending payments formed as of 31.12.2021 shows an excess of the reserved reserve over the value of the claims paid in 2022 and the remaining reserve at the end of 2022 for damages for events that occurred before 01.01.2022.

The influence that the development of the insurance indicators has on the capital adequacy of the Group is simulated in the sensitivity analysis. For the sensitivity analysis presented below, the indicators uncollectible receivables from insurance operations and reserve for pending payments were selected. The starting point for the analysis is the capital position of the Group as of the date of the financial statement.

	Equity BGN'000	**Deviation BGN'000**	**Deviation %**
Equity as of 31.12.2022	107 781		
Increase of expected future claims payments by 10 %	107 195	(586)	(0.55%)
Decrease of expected future claims payments by 10 %	108 367	586	0.54%
Increase of reserve for unreported and unreported claims by 5%	100 481	(7 300)	(7.26%)
Decrease of reserve for unreported and unreported claims by 5%	115 081	7 300	6.34%

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 characterized by a longer claims settlement process, such as Motor Third Party Liability insurance and other types of 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 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	**2022 Damages quota, gross**	**2022 Damages, quota, net**	**2021 Damages quota, gross**	**2021 Damages quota, net**
	%	%	%	%
Accident insurance	10%	24%	14%	12%
Disease	0%	0%	0%	0%
Casco	45%	45%	42%	41%
Rail vehicles	0%	0%	0%	0%
Casco Aircraft	-1%	-13%	-35%	-524%
Casco vessels	-2%	62%	7%	-89%
Freight transport	-1%	-5%	3%	4%
Fire and natural disasters	24%	16%	31%	68%
Property damage	-51%	-51%	-1%	-1%
Third-party vehicle insurance	42%	32%	-6%	-26%
Third-party aviation insurance	-82%	-783%	111%	3 812%
Third party vessels insurance	2 132%	393%	2 120%	1 790%
General third-party insurance	182%	167%	-164%	-161%
Loans and leasing	4%	4%	0%	0%
Insurance of guarantees	8%	8%	0%	0%
Miscellaneous financial losses	3%	3%	0%	0%
Legal costs	0%	0%	0%	0%
Travel Assistance	7%	7%	5%	5%
Total:	**41%**	**40%**	**26%**	**32%**

The insurance with the largest relative share in the Group's portfolio - "Casco of motor vehicles" is characterized by favourable risk development in 2022 - 45% gross claims ratio and 45% - net, although compared to the previous year, when 42% of the premium earned was used to cover risk-related payments, there is a slight increase in claims. A prerequisite for the increase in damage under the insurance is, on the one hand, the removal of the restrictions on motor vehicle traffic introduced in previous years due to COVID-19 and, on the other hand, the reflection of the higher levels of inflation in the current year.

The change in the net loss ratio for the overall activity: 49% - for 2010, 53% - for 2011, 59% - for 2012, 53% - for 2013, 59% - for 2014, 46% - for 2015, 56% - for 2016, 41% - for 2017, 43% - for 2018, 47% - for 2019, 46% - for 2020, 32% - for 2021 and 40% - for 2022, shows a fluctuation in net damage between 32% and 59%, and in recent years there has been a permanent trend of decreasing the indicator, which is also associated with a higher positive net result.

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

Types of insurance	**Number 2022**	**Amount in BGN**	**Average indemnity 2022**	**Number 2021**	**Amount in BGN**	**Average indemnity 2021**
Accident insurance	2 903	1 447 591	499	2 565	861 840	336
Casco	65 695	68 102 023	1 037	61 642	60 726 391	985
Casco of aircrafts	-	-	-	1	93 168	93 168
Casco of vessels	5	52 133	10 427	9	267 405	29 712
Cargo insurance during transportation	14	16 217	1 158	20	73 291	3 665
Fire and natural calamities insurance	2 181	4 071 126	1 867	2 102	4 321 944	2 056
Property damage insurance	-	-	-	-	-	-
Insurance associated with the ownership and usage of motor vehicles	5 385	21 849 345	4 057	5 483	25 931 683	4 729
Third-party aviation insurance	-	-	-	1	7 500	7 500
Third party vessels insurance	3	6 109	2 036	1	15 732	15 732
General third-party insurance	39	268 875	6 894	28	440 238	15 723
Travel assistance	442	283 953	642	768	451 462	588
Total:	76 667	96 097 372	1 253	**72 620**	**93 190 654**	**1 283**

The average paid damage in 2022 is BGN 1 253 and compared to the same indicator for the previous years: BGN 1 283 - for 2021, BGN 1 137 – for 2020 and BGN 1 124 - for 2019 marks an insignificant increase for the last two years. The highest is the amount of the average damage under the "Casco on Vessels" insurance, and the lowest - on the "Accident" and "Travel Assistance" insurances.

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 2022 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 2021 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.

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 2022 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 805 378	98 630	21 589	58 346	1 983 943
Provided resources and advances to banks	161	35 847	11 175	43 293	90 476
Receivables under repurchase agreements	358 946	34 303	-	-	393 249
Financial assets at fair value through profit or loss	178 796	17 146	5 068	9 995	211 005
Loans and advances to customers	2 523 161	504 615	53	239 671	3 267 500
Financial assets measured at fair value in other comprehensive income	339 802	217 208	6 900	833	564 743
Financial assets at amortized cost	408 811	859 088	23 930	49 850	1 341 679
TOTAL ASSETS	5 615 055	1 766 837	68 715	401 988	7 852 595
FINANCIAL LIABILITIES					
Deposits from banks	3 471	10 348	1 616	2 238	17 673
Liabilities to other depositors	5 008 646	1 805 600	224 317	305 619	7 344 182
Issued bonds	-	35 370	-	-	35 370
Other attracted funds	-	-	-	-	-
TOTAL LIABILITIES	5 012 117	1 851 318	225 933	307 857	7 397 225
NET POSTION	602 938	(84 481)	(157 218)	94 131	455 370

The currency structure of financial assets and liabilities at book value as of 31 December 2021 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 808 132	69 823	14 750	70 847	1 963 552
Provided resources and advances to banks	152	18 149	59 849	104 275	182 425
Receivables under repurchase agreements	315 777	41 205	-	-	356 982
Financial assets at fair value through profit or loss	236 468	13 100	6 137	38 278	293 983
Loans and advances to customers	2 294 974	590 163	52	235 449	3 120 638
Financial assets measured at fair value in other comprehensive income	416 380	437 364	4 465	897	859 106
Financial assets at amortized cost	185 146	445 875	-	56 164	687 185
TOTAL ASSETS	**5 257 029**	**1 615 679**	**85 253**	**505 910**	**7 463 871**
FINANCIAL LIABILITIES					
Deposits from banks	21 168	26 609	2 922	2 194	52 893
Liabilities to other depositors	4 681 404	1 728 017	213 577	323 585	6 946 583
Issued bonds	-	25 450	-	-	25 450
Other attracted funds	34 928	16 361	-	7	51 296
TOTAL LIABILITIES	**4 737 500**	**1 796 437**	**216 499**	**325 786**	**7 076 222**
NET POSTION	**519 529**	**(180 758)**	**(131 246)**	**180 124**	**387 649**

Interest risk analysis

Group's policy regarding other than banking activities

The policy of the Group is aimed at minimizing interest rate risk on long-term financing. Therefore, long-term loans are usually with fixed interest rates. As at 31 December 2022, 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 2022 is negative, amounting to BGN 1 809 468 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 32.08%.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Provided resources and advances to banks	87 558	-	-	-	2 918	90 476
Receivables under repurchase agreements	115 756	122 951	154 542	-	-	393 249
Financial assets measured at fair value through profit or loss	-	-	-	-	2 192	2 192
Loans and advances to customers	46 231	110 562	295 920	1 549 257	1 265 530	3 267 500
Financial assets measured at fair value in other comprehensive income	-	-	6 021	222 681	317 059	545 761
Financial assets at amortized cost	9 779	204 648	100 386	450 807	576 059	1 341 679
TOTAL INTEREST-BEARING ASSETS	259 324	438 161	556 869	2 222 745	2 163 758	5 640 857
INTEREST-BEARING LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Liabilities under leasing contracts	1 053	1 959	9 818	29 336	10 934	53 100
TOTAL INTEREST–BEARING LIABILITIES	3 142 862	447 296	1 093 260	2 728 740	38 167	7 450 325
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 883 538)	(9 135)	(536 391)	(505 995)	2 125 591	(1 809 468)

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2021 is negative, amounting to BGN 1 880 731 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 34.20%.

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.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Provided resources and advances to banks	179 507	-	-	-	2 918	182 425
Receivables under repurchase agreements	111 225	114 303	131 454	-	-	356 982
Loans and advances to customers	-	-	-	-	4 062	4 062
Financial assets measured at fair value in other comprehensive income	38 827	68 738	458 739	1 363 017	1 191 317	3 120 638
Financial assets at amortized cost	-	122 858	31 928	258 446	430 967	844 199
TOTAL INTEREST-BEARING ASSETS	9 640	11 097	58 551	217 778	390 119	687 185
	339 199	316 996	680 672	1 839 241	2 019 383	5 195 491
INTEREST-BEARING LIABILITIES						
Deposits from banks						
Liabilities to other depositors	52 893	-	-	-	-	52 893
Issued bonds	3 112 063	451 048	1 153 755	2 228 951	766	6 946 583
Liabilities under leasing contracts	-	-	-	-	25 450	25 450
TOTAL INTEREST–BEARING LIABILITIES	1 038	1 842	8 001	27 500	12 915	51 296
	3 165 994	452 890	1 161 756	2 256 451	39 131	7 076 222
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET						
	(2 826 795)	(135 894)	(481 084)	(417 210)	1 980 252	(1 880 731)

Maintaining a negative imbalance exposes the Group to the risk of a decrease in net interest income when interest rates rise. The impact of the imbalance reported as of 31 December 2022 on net interest income, with a forecast of 2% increase in interest rates over a 1-year horizon, is a decrease in net interest income by BGN 5 781 thousand (2021: BGN 5 373 thousand).

In the tables above, part of the attracted funds on current accounts without residual maturity in the amount of BGN 2 620 520 thousand as of 31 December 2022 (2021: BGN 2 153 008 thousand) 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 in 2022 and 2021.

Credit risk analysis

Group's policy regarding other than banking activities

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

	2022 BGN'000	2021 BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	2 181 356	2 042 970
Equity instruments at fair value through other comprehensive income	93 684	70 426
Debt instruments measured at fair value through other comprehensive income	559 445	859 441
Debt instruments at amortized cost	7 403 518	6 988 010
Carrying amount	**10 238 003**	**9 960 847**

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

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

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

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

Group's policies regarding the banking activities

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

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

Cash, cash equivalents and cash balances in Central bank amounting to BGN 1 983 943 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 90 476 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.

Receivables under repurchase agreements of securities at the amount of BGN 393 249 thousand bear credit risk for the Group, depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 41 878 thousand is secured by government securities issued by the Republic of Bulgaria and bear 0% risk. The remaining receivables amounting to BGN 351 371 thousand are secured by corporate securities and bear respectively: 100% risk depending on the issuer of the securities provided as collateral.

Financial assets measured at fair value through profit or loss in the amount of BGN 211 005 thousand represent equity instruments - shares in non-financial Bulgarian enterprises in the amount of BGN 81 083 thousand and foreign credit institutions in the amount of BGN 9 475 thousand and foreign non-financial enterprises in the amount of BGN 23 260 thousand, whose maximum exposure in percentage terms is 100% risk; units in Bulgarian mutual funds in the amount of BGN 91 516 thousand - with risk weight from 0% to 1250% depending on the type of the underlying asset, debt instruments issued by Republic of Bulgaria in the amount of BGN 5 659 thousand with 0% risk wight; and derivatives in the amount of BGN 12 thousand - 20% risk.

Equity securities measured at fair value in other comprehensive income of BGN 18 982 thousand represent shares in financial and non-financial corporations carrying credit risk with a maximum exposure of 100% or BGN 18 982 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 13 720 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 118 232 thousand bear credit risk for the Group respectively 50% and 100% risk 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 413 809 thousand carry credit risk for the Group, whose maximum percentage exposure is 100% or BGN 413 809 thousand in absolute amount.

Debt securities valued at amortized cost and issued by the Republic of Bulgaria have a carrying amount of BGN 770 429 thousand and bear 0% risk. Debt securities reported at amortized cost and issued by other countries and central banks have a carrying amount of BGN 544 309 thousand and bear 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 27 615 thousand bear credit risk for the Group, bear credit risk for the Group whose maximum exposure in percentage is from 20% to 100% depending on the credit rating of the issuer.

Loans and advances to customers with a carrying amount of BGN 3 267 500 thousand bear 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 2 049 164 thousand.

As of 31 December 2022, the amount of the provisions formed by the Group to cover expected credit losses on loans and advances is BGN 40 684 thousand.

In 2022, and as at the date of these financial statements, businesses have to deal with challenges related to high inflation, disrupted supply chains, shortages of certain types of raw materials, etc., related to the consequences of the global pandemic and the war that broke out on the territory of Ukraine. As of the date of the preparation of these financial statements, the changed monetary policy by the leading central banks, as well as the expectations of a recession, are not reflected in Bulgaria's macroeconomic indicators, nor have they negatively affected the results of economic entities, but on the contrary, the reported results and growth indicators of GDP is a record for the EU. The Group has limited its exposure to the impacted sectors from the geopolitical turbulences and has terminated one significant exposure to a state company trading in gas and as of 31.12.2022 and the date of the preparation of these financial statements it has no exposures to sectors, negatively impacted by the described economic and political factors.

No changes were made to the credit loss assessment models used by the Group due to the onset of the global Covid-19 pandemic, high inflation and the war in Ukraine, as their accuracy and adequacy depend on the risk parameters used to calculate the amount of the expected credit losses and they participate with their actual values as reported by the statistical and financial state authorities.

Based on the Group's assessment in 2022 the quality of the portfolio of exposures of the Bank remains stable and there is no increase in the share of non-performing exposures, the models used to assess credit losses have adequately assessed the size of the ECL.

In accordance with the "Rules for acceptance, evaluation and management of collateral in credit transactions", collateral valuations, including commercial real estate, are updated every 12 months and residential real estate – every three years. If necessary, the Bank may also require a more frequent update, e.g., in case of a change in the parameters of a credit transaction or where the information available indicates that their value has fallen significantly compared to total market prices. Real estate valuations are carried out by independent certified appraisers.

Assets quality

In the tables below, the Group presents the structure and the change in the adjustment for expected credit losses.

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 2022	32	-	-	32
Change in impairment loss	(5)	-	-	(5)
Accrued for the period	27	-	-	27
Derecognised for the period	(32)	-	-	(32)
Impairment loss on 31 December 2022	27	-	-	27

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 2021	30	-	-	30
Change in impairment loss	2	-	-	2

Accrued for the period	16	-	-	16
Derecognised for the period	(14)	-	-	(14)
Impairment loss on 31 December 2021	32	-	-	32

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 2022	1 246	-	-	1 246
Change in impairment loss	90	-	-	90
Accrued for the period	1 336	-	-	1 336
Derecognised for the period	(1 246)	-	-	(1 246)
Impairment loss on 31 December 2022	1 336	-	-	1 336

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 2021	1 245	-	-	1 245
Change in impairment loss	1	-	-	1
Accrued for the period	1 246	-	-	1 246
Derecognised for the period	(1 245)	-	-	(1 245)
Impairment loss on 31 December 2021	1 246	-	-	1 246

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 2022	12 943	420	25 380	38 743
Change in impairment loss recognised in Profit and loss	2 107	(61)	(105)	1 941
– Transfer to Stage 1	204	(89)	(115)	-
– Transfer to Stage 2	(11)	138	(127)	-
– Transfer to Stage 3	(4)	(56)	60	-
– Increase due to change in credit risk	1	58	471	530
– Decrease due to change in credit risk	(2 643)	(122)	(91)	(2 856)
– Increase due to originated or purchased assets	3 583	7	13	3 603
– Change in risk parameters	977	3	529	1 509
– Decrease due to derecognition for uncollectibility	-	-	(845)	(845)
– Decrease due to derecognition for transfer	-	-	-	-
– Interest income adjustment	-	-	-	-
– Currency differences and other adjustments	-	-	-	-
Impairment loss on 31 December 2022	15 050	359	25 275	40 684

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 2021	12 349	809	22 723	35 881
Change in impairment loss recognised in Profit and loss	555	(388)	2 655	2 862
– Transfer to Stage 1	297	(70)	(227)	-
– Transfer to Stage 2	(22)	193	(170)	1
– Transfer to Stage 3	(6)	(44)	50	-
– Increase due to change in credit risk	1	87	972	1 060
– Decrease due to change in credit risk	(2 502)	(583)	(386)	(3 471)
– Increase due to originated or purchased assets	2 473	89	80	2 642
– Change in risk parameters	361	(61)	3 912	4 212
– Decrease due to derecognition for uncollectibility	-	-	(1 489)	(1 489)
– Decrease due to derecognition for transfer	(9)	-	(92)	(101)
– Interest income adjustment	-	-	(1)	(1)
– Currency differences and other adjustments	2	1	6	9
Impairment loss on 31 December 2021	12 944	421	25 378	38 743

Impairment loss – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	654	-	-	654
Change in impairment loss	20	-	-	20
Accrued for the period	960	-	-	960
Derecognised for the period	(940)	-	-	(940)
Impairment loss on 31 December 2022	674	-	-	674

Impairment loss – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2020	200	-	-	200
Change in impairment loss	454	-	-	454
Accrued for the period	560	-	-	560
Derecognised for the period	(106)	-	-	(106)
Impairment loss on 31 December 2020	654	-	-	654

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	4 643	-	-	4 643
Change in impairment loss	(114)	-	-	(114)
Accrued for the period	1 774	-	-	1 774
Derecognised for the period	(1 888)	-	-	(1 888)
Impairment loss on 31 December 2022	4 529	-	-	4 529

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	2 734	-	-	2 734
Change in impairment loss	1 909	-	-	1 909
Accrued for the period	2 032	-	-	2 032
Derecognised for the period	(123)	-	-	(123)
Impairment loss on 31 December 2021	4 643	-	-	4 643

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	668	8	20	696
Change in impairment loss	(279)	(5)	7	(268)
Accrued for the period	614	19	49	682
Derecognised for the period	(893)	(19)	(37)	(949)
Currency and other movements	9	(5)	(5)	(1)
Impairment loss on 31 December 2022	398	3	27	428

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	947	7	23	977
Change in impairment loss	(279)	1	(3)	(281)
Accrued for the period	587	15	85	687
Derecognised for the period	(888)	(17)	(64)	(969)
Currency and other movements	22	3	(24)	1
Impairment loss on 31 December 2021	668	8	20	696

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	18	-	-	18
Change in impairment loss	28	8	-	36
Accrued for the period	44	8	-	52
Derecognised for the period	(16)	-	-	(16)
Impairment loss on 31 December 2022	46	8	-	54

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2021	26	-	-	26
Change in impairment loss	(9)	-	-	(9)
Accrued for the period	22	-	-	22
Derecognised for the period	(31)	-	-	(31)
Impairment loss on 31 December 2021	17	-	-	17

In the tables below, the Group presents the structure and the change in the gross values of the asset categories as of 31.12.2022 and 31.12.2021 and their change until the end of the financial period.

Carrying amount before impairment – Loans and advances granted to banks at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	182 425	-	-	182 425
Change in the gross carrying amount	(91 922)	-	-	(91 922)
Increase for the period	359 898	-	-	359 898
Decrease for the period	(451 845)	-	-	(451 845)
Other movements	25	-	-	25
Gross carrying amount at December 31 December 2022	90 503	-	-	90 503
Impairment loss at 31 December 2022	(27)	-	-	(27)
Carrying amount at 31 December 2022	90 476	-	-	90 476

Carrying amount before impairment – Loans and advances granted to banks at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	188 098	-	-	188 098
Change in the gross carrying amount	(5 641)	-	-	(5 641)
Increase for the period	338 215	-	-	338 215
Decrease for the period	(343 864)	-	-	(343 864)
Other movements	8	-	-	8
Gross carrying amount at December 31 December 2021	182 457	-	-	182 457
Impairment loss at 31 December 2021	(32)	-	-	(32)
Carrying amount at 31 December 2021	182 425	-	-	182 425

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	358 228	-	-	358 228
Change in the gross carrying amount	36 357	-	-	36 357
Increase for the period	394 585	-	-	394 585
Decrease for the period	(358 228)	-	-	(358 228)
Gross carrying amount at December 31 December 2022	394 585	-	-	394 585
Impairment loss at 31 December 2022	(1 336)	-	-	(1 336)
Carrying amount at 31 December 2022	393 249	-	-	393 249

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	360 917	-	-	360 917
Change in the gross carrying amount	(2 689)	-	-	(2 689)
Increase for the period	358 228	-	-	358 228
Decrease for the period	(360 917)	-	-	(360 917)
Gross carrying amount at December 31 December 2021	358 228	-	-	358 228
Impairment loss at 31 December 2021	(1 246)	-	-	(1 246)
Carrying amount at 31 December 2021	356 982	-	-	356 982

Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	3 058 196	23 147	78 038	3 159 381
Change in the gross carrying amount	155 873	(7 860)	1 131	149 144
– Transfer to Stage 1	7 656	(6 891)	(765)	-
– Transfer to Stage 2	(4 414)	4 971	(557)	-
– Transfer to Stage 3	(1 574)	(724)	2 298	-
– Increase due to change in credit risk	41	35	80	156
– Decrease due to change in credit risk	(481 315)	(2 568)	(1 686)	(485 569)
– Increase due to originated or purchased assets	815 228	175	131	815 534
– Change in risk parameters	(179 749)	(2 858)	1 630	(180 977)
– Decrease due to write-off for uncollectibility	-	-	(845)	(845)
– Decrease due to write-off for transfer	-	-	-	-
– Currency differences and other adjustments	494	4	6	504
Gross carrying amount at 31 December 2022	3 214 563	15 291	78 330	3 308 184
Impairment loss at 31 December 2022	(15 050)	(359)	(25 275)	(40 684)
Carrying amount at 31 December 2022	3 199 513	14 932	53 055	3 267 500

Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	2 714 435	27 363	78 543	2 820 341
Change in the gross carrying amount	345 891	(4 222)	1 072	342 741
– Transfer to Stage 1	5 450	(4 522)	(928)	-
– Transfer to Stage 2	(7 242)	8 162	(920)	-
– Transfer to Stage 3	(1 454)	(2 221)	3 675	-
– Increase due to change in credit risk	20	67	21	108
– Decrease due to change in credit risk	(310 790)	(3 995)	(1 125)	(315 910)
– Increase due to originated or purchased assets	814 315	1 414	167	815 896
– Change in risk parameters	(154 408)	(3 127)	182	(157 353)
– Decrease due to write-off for uncollectibility	-	-	(1 489)	(1 489)
– Decrease due to write-off for transfer	(2 371)	-	(90)	(2 461)
– Interest income adjustment	243	6	-	249
– Currency differences and other adjustments	3 058 198	23 147	78 036	3 159 381
Gross carrying amount at 31 December 2021	(12 944)	(421)	(25 378)	(38 743)
Impairment loss at 31 December 2021	3 045 254	22 726	52 658	3 120 638
Carrying amount at 31 December 2021	2 702 085	26 554	55 821	2 784 460

Carrying amount before impairment – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	687 838	-	-	687 838
Change in the gross carrying amount	654 515	-	-	654 515
Increase for the period	919 681	-	-	919 681
Decrease for the period	(265 290)	-	-	(265 290)
Other movements	124	-	-	124
Gross carrying amount at 31 December 2021	1 342 353	-	-	1 342 353
Impairment loss at 31 December 2021	(674)	-	-	(674)
Carrying amount at 31 December 2021	1 341 679	-	-	1 341 679

Carrying amount before impairment – Investments in debt securities at amortised cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2020	463 489	-	-	463 489
Change in the gross carrying amount	224 350	-	-	224 350
Increase for the period	426 813	-	-	426 813
Decrease for the period	(202 463)	-	-	(202 463)
Gross carrying amount at 31 December 2020	687 839	-	-	687 839
Impairment loss at 31 December 2020	(654)	-	-	(654)
Carrying amount at 31 December 2020	687 185	-	-	687 185

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	859 106	-	-	859 106
Change in the gross carrying amount	(294 363)	-	-	(294 363)
Increase for the period	102 739	-	-	102 739
Decrease for the period	(397 102)	-	-	(397 102)
Gross carrying amount at 31 December 2022	564 743	-	-	564 743
Impairment loss at 31 December 2022	(4 529)	-	-	(4 529)

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2021	716 006	-	-	716 006
Change in the gross carrying amount	143 100	-	-	143 100
Increase for the period	348 001	-	-	348 001
Decrease for the period	(204 901)	-	-	(204 901)
Gross carrying amount at 31 December 2021	859 106	-	-	859 106
Impairment loss at 31 December 2021	(4 643)	-	-	(4 643)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2022	243 242	1 110	471	244 823
Change in the amount of loan commitments	(154 772)	(511)	(313)	(155 596)
Increase for the period	31 833	40	46	31 919
Decrease for the period	(186 605)	(551)	(359)	(187 515)
Other movements	235	(280)	70	25
Total amount of loan commitments at 31 December 2022	88 705	319	228	89 252
ECL allowance at 31 December 2022	(398)	(3)	(27)	(428)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2021	251 109	435	383	251 927
Change in the amount of loan commitments	(6 965)	(101)	(49)	(7 115)
Increase for the period	55 756	127	117	56 000
Decrease for the period	(62 721)	(228)	(166)	(63 115)
Other movements	(903)	776	137	10
Total amount of loan commitments at 31 December 2021	243 241	1 110	471	244 822
ECL allowance at 31 December 2021	(668)	(8)	(20)	(696)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of guarantees at 1 January 2022	52 665	-	-	52 665
Change in the gross carrying amount	23 866	143	-	24 009
Increase for the period	45 705	143	-	45 848
Decrease for the period	(21 851)	-	-	(21 851)
Other movements	12	-	-	12
Total amount of guarantees at 31 December 2022	76 531	143	-	76 674
ECL allowance at 31 December 2022	(46)	(8)	-	(54)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of guarantees at 1 January 2021	54 815	-	-	54 815
Change in the gross carrying amount	(2 150)	-	-	(2 150)
Increase for the period	18 911	-	-	18 911
Decrease for the period	(21 061)	-	-	(21 061)
Total amount of guarantees at 31 December 2021	52 665	-	-	52 665
ECL allowance at 31 December 2021	(18)	-	-	(18)

ECL by type of asset	2022 BGN '000	2021 BGN '000
Loans and advances granted to banks at amortised cost	(27)	(32)
Receivables under repurchase agreements of securities	(1 336)	(1 246)
Loans and advances granted to customers at amortised cost	(40 684)	(38 743)
Investments in debt securities at amortised cost	(674)	(654)
Investments in debt securities at FVTOCI	(4 529)	(4 643)
	(47 250)	(45 318)

Loans and advances granted to customers	2022 Gross carrying amount BGN '000	Impairment loss BGN '000	2021 Gross carrying amount BGN '000	Impairment loss BGN '000
0-29 days	3 224 746	(15 634)	3 076 075	(13 702)
30-59 days	5 819	(98)	6 391	(116)
60-89 days	1 268	(127)	971	(64)
90-180 days	837	(210)	881	(215)
Over 181 days	75 514	(24 615)	75 063	(24 646)
Total	3 308 184	(40 684)	3 159 381	(38 743)

	2022 BGN '000	2021 BGN '000
Loans and advances granted to customers at amortised cost	3 308 184	3 159 381
Less impairment for uncollectibility	(40 684)	(38 743)
Total loans and advances granted to customers	3 267 500	3 120 638

	Gross carrying amount BGN '000	ECL impairment BGN '000	31.12.2022 Carrying amount BGN '000	Gross carrying amount BGN '000	ECL impairment BGN '000	31.12.2021 Carrying amount BGN '000
Retail banking						
Mortgages	832 501	(551)	831 950	767 555	(564)	766 991
Consumer loans	670 686	(7 543)	663 143	609 073	(7 014)	602 059
Credit cards	16 727	(1 116)	15 611	17 878	(977)	16 901
Other	2 443	(2 443)	-	2 333	(2 333)	-
Total retail banking	1 522 357	(11 653)	1 510 704	1 396 839	(10 888)	1 385 951
Corporate lending	1 785 827	(29 031)	1 756 796	1 762 542	(27 855)	1 734 687
Total	3 308 184	(40 684)	3 267 500	3 159 381	(38 743)	3 120 638

Placements with, and advances to, banks at amortised cost	2022 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	90 503	-	-	90 503
Total gross carrying amount	90 503	-	-	90 503
Impairment loss	(27)	-	-	(27)
Carrying amount	90 476	-	-	90 476

	2021			
Placements with, and advances to, banks at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	182 457	-	-	182 457
Total gross carrying amount	182 457	-	-	182 457
Impairment loss	(32)	-	-	(32)
Carrying amount	182 425	-	-	182 425

	2022			
Placements with, and advances to, banks at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	394 585	-	-	394 585
Total gross carrying amount	394 585	-	-	394 585
Impairment loss	(1 336)	-	-	(1 336)
Carrying amount	393 249	-	-	393 249

	2021			
Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	358 228	-	-	358 228
Total gross carrying amount	358 228	-	-	358 228
Impairment loss	(1 246)	-	-	(1 246)
Carrying amount	356 982	-	-	356 982

	2022			
Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	3 214 563	15 291	78 330	3 308 184
Total gross carrying amount	3 214 563	15 291	78 330	3 308 184
Impairment loss	(15 050)	(359)	(25 275)	(40 684)
Carrying amount	3 199 513	14 932	53 055	3 267 500

Loans and advances to customers at amortized cost	2021 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	3 058 198	23 147	78 036	3 159 381
Total gross carrying amount	3 058 198	23 147	78 036	3 159 381
Impairment loss	(12 944)	(421)	(25 378)	(38 743)
Carrying amount	3 045 254	22 726	52 658	3 120 638

Investments in debt securities at amortised cost	2022 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	1 342 353	-	-	1 342 353
Total gross carrying amount	1 342 353	-	-	1 342 353
Impairment loss	(674)	-	-	(674)
Carrying amount	1 341 679	-	-	1 341 679

Investments in debt securities at amortised cost	2021 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	687 839	-	-	687 839
Total gross carrying amount	687 839	-	-	687 839
Impairment loss	(654)	-	-	(654)
Carrying amount	687 185	-	-	687 185

Investments in debt securities at FVTOCI	2022 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	564 743	-	-	564 743
Total gross carrying amount	564 743	-	-	564 743
Impairment loss	(4 529)	-	-	(4 529)

Investments in debt securities at FVTOCI	2021 Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Category	859 106	-	-	859 106
Total gross carrying amount	859 106	-	-	859 106
Impairment loss	(4 643)	-	-	(4 643)

Loan commitments	2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	88 705	319	228	89 252
Total gross carrying amount	88 705	319	228	89 252
Impairment loss	(398)	(3)	(27)	(428)

Loan commitments	2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	243 241	1 110	471	244 822
Total gross carrying amount	243 241	1 110	471	244 822
Impairment loss	(668)	(8)	(20)	(696)

Financial guarantee contracts	2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	76 531	143	-	76 674
Total gross carrying amount	76 531	143	-	76 674
Impairment loss	(46)	(8)	-	(54)

Financial guarantee contracts	2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	52 665	-	-	52 665
Total gross carrying amount	52 665	-	-	52 665
Impairment loss	(18)	-	-	(18)

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	2022 BGN‘000	2021 BGN‘000
Concentration by sector		
Central banks	1 085	1 914
Bulgarian commercial banks	2 064	66 767
Foreign commercial banks	87 354	113 776
Total	**90 503**	**182 457**
Concentration by region		
Europe	73 496	172 022
America	12 717	5 146
Asia	4 290	5 289
Total	**90 503**	**182 457**

Receivables under repurchase agreements of securities	2022 BGN‘000	2021 BGN‘000
Corporate:		
Construction	66 978	69 265
Commerce and finance	243 400	207 958
Transport and communications	22 700	21 696
Industry	15 358	14 713
Other	46 149	44 596
Total	**394 585**	**358 228**
Concentration by region		
Europe	394 585	358 228
Total	**394 585**	**358 228**

Investments in debt securities at amortised cost	2022 BGN‘000	2021 BGN‘000
Concentration by sector		
States	1 308 140	670 469
Bank	13 767	6 470
Corporate:		
Commerce and finance	19 772	10 900
Total	**1 341 679**	**687 839**
Concentration by region		
Europe	1 313 282	678 178
Asia	9 684	9 661
America	18 713	-
Total	**1 341 679**	**687 839**

Investments in debt securities at FVTOCI	2022 BGN‘000	2021 BGN‘000
Concentration by sector		
States	131 952	430 894
Corporate:		
Construction	147 723	135 781
Industry	16 469	31 069
Commerce and finance	200 955	214 796
Other	21 354	31 658
Total	**545 761**	**844 198**
Concentration by region		
Europe	545 761	844 198
Total	**545 761**	**844 198**

Loans and advances at amortised cost granted to customers	2022 BGN‘000	2021 BGN‘000
Concentration by sector		
Retail banking:	1 522 358	1 396 839
Mortgage	832 501	767 555
Consumer	670 686	609 073
Credit cards	16 728	17 878
Other	2 443	2 333
Corporate:	**1 785 826**	**1 762 542**
Agriculture and forestry	102 994	96 789
Industry	57 174	60 818
Construction	455 296	502 017
Commerce and finance	960 669	873 153
Transport and communications	104 406	127 500
Other	105 287	102 265
Total	**3 308 184**	**3 159 381**
Concentration by region		
Europe	3 308 106	3 159 225
America	6	5
Middle East and Africa	72	151
Total	**3 308 184**	**3 159 381**

Credit commitments	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	49 363	51 698
Mortgage	883	1 280
Consumer	11 641	11 160
Credit cards	36 839	39 258
Corporate:	39 889	**193 124**
Agriculture and forestry	4 372	8 043
Industry	1 227	27 233
Construction	15 560	35 934
Commerce and finance	11 957	114 623
Transport and communications	5 080	5 430
Other	1 693	1 861
Total	**89 252**	**244 822**
Concentration by region		
Europe	89 226	244 787
America	-	1
Middle East and Africa	26	34
Total	**89 252**	**244 822**

Financial guarantee contracts	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	33	66
Other	33	66
Corporate:	76 641	**52 599**
Agriculture and forestry	1 191	400
Industry	6 925	7 462
Construction	16 922	12 320
Commerce and finance	24 592	19 927
Transport and communications	5 720	6 372
Other	21 292	6 118
Total	**76 674**	**52 665**
Concentration by regions		
Europe	76 674	52 665
Total	**76 674**	**52 665**

Credit exposures with restructuring measures

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

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

- Postponing or rescheduling the payment of principal interest or where applicable fees resulting in a reduction in the amount of the financial commitment;
- Partial or total refinancing of a troubled debt contract which is only allowed when the debtor is in financial difficulties;
- 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:

2022	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	43 597	2 646
Impairment	(6 669)	(461)
Amount after impairment	**36 928**	**2 185**

2021	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	43 407	2 721
Impairment	(8 005)	(414)
Amount after impairment	**35 402**	**2 307**

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	**2022 BGN '000**	**2021 BGN '000**
Below 50%	255 324	187 086
From 50% to 75%	314 820	289 412
From 75% to 90%	199 782	216 569
From 90% to 100%	1 456	8 256
Above 100%	1 883	8 203
Total	**773 265**	**709 526**

Loans granted to legal entities

With respect to loans to legal entities the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. For this the Group has adopted an approach to individual credit assessment and impairment testing of loans to corporates. To ensure additional security in addition to regular monitoring of the financial position of borrowing enterprises the Group also requires collateral to be set up in the credit exposures. The Group accepts collateral for loans to legal persons mortgages on real estate a pledge of a commercial enterprise a special pledge of tangible assets as well as other guarantees and rights of ownership.

The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment the regulatory framework or other occurring circumstances. In the event that there is a decrease in the value of the collateral as a result of which the Group considers that it is not sufficient the Group requires that the debtor be constituted additional collateral by setting a certain period within which the supplementation will be fulfilled.

Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period. The Group 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 2022, the maturities of the Group's contractual obligations (containing interest payments, where applicable) are summarized as follows:

	Current	**Non-current**	
	Within 12 months BGN'000	**From 2 to 5 years BGN'000**	**Over 5 years BGN'000**
Bank and other loans	57 622	155 056	15 365
Related party payables	71 288	14 366	-
Lease liabilities	37 881	130 200	137 373
Liabilities to other depositors	4 967 498	2 347 387	807
Deposits from banks	10 247	-	-
Obligations under repo agreements	2 420	-	-
Liabilities under cession agreements	30 473	29 772	-
Trade and other payables	73 163	1 022	-
Derivatives	677	-	-
Total	**5 251 269**	**2 677 803**	**153 545**

As at 31 December 2021 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	81 497	152 167	16 881
Related party payables	48 922	14 394	-
Lease liabilities	43 684	152 261	85 034
Liabilities to other depositors	4 697 376	2 219 741	763
Deposits from banks	41 146	-	-
Obligations under repo agreements	2 282	11 678	-
Liabilities under cession agreements	10 708	32 306	-
Trade and other payables	109 406	598	-
Derivatives	118	-	-
Total	**5 035 139**	**2 583 145**	**102 678**

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 31.12.2022 amounted to 376.01% (31.12.2021: 357.20%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2022 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 983 943	-	-	-	-	1 983 943
Placements with, and advances to banks	87 559	-	-	-	2 934	90 493
Receivables under repurchase agreements	116 103	123 349	155 133	-	-	394 585
Financial assets at fair value through profit or loss	23 169	-	177 249	3 158	7 429	211 005
Loans and advances to customers, net	46 634	111 145	297 543	1 558 920	1 292 172	3 306 414
Financial assets measured at fair value in other comprehensive income	755	-	6 021	240 908	317 059	564 743
Financial assets at amortized cost	9 779	204 307	100 598	450 702	583 767	1 349 153
TOTAL FINANCIAL ASSETS	**2 267 942**	**438 801**	**736 544**	**2 253 688**	**2 203 361**	**7 900 336**
FINANCIAL LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Provisions for liabilities	-	-	481	-	-	481
Other liabilities	8 517	1 853	9 342	27 493	9 478	56 683
TOTAL FINANCIAL ASSETS	**3 150 326**	**447 190**	**1 093 265**	**2 726 897**	**36 711**	**7 454 389**

The allocation of the Group's financial liabilities as at 31 December 2021 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 963 552	-	-	-	-	1 963 552
Placements with, and advances to banks	179 507	-	-	-	2 918	182 425
Receivables under repurchase agreements	111 225	114 303	131 454	-	-	356 982
Financial assets at fair value through profit or loss	25 379	-	257 829	11 937	(1 162)	293 983
Loans and advances to customers, net	38 827	68 738	458 739	1 363 017	1 191 317	3 120 638
Financial assets measured at fair value in other comprehensive income	753	122 858	31 928	272 600	430 967	859 106
Financial assets at amortized cost	9 640	11 097	58 551	217 778	390 119	687 185
TOTAL FINANCIAL ASSETS	2 328 883	316 996	938 501	1 865 332	2 014 159	7 463 871
FINANCIAL LIABILITIES						
Deposits from banks	52 893	-	-	-	-	52 893
Liabilities to other depositors	3 112 063	451 048	1 153 755	2 228 951	766	6 946 583
Issued bonds	-	-	-	-	25 450	25 450
Provisions for liabilities	-	-	713	-	-	713
Other liabilities	12 285	1 842	8 001	27 500	14 549	64 177
TOTAL FINANCIAL ASSETS	3 177 241	452 890	1 162 469	2 256 451	40 765	7 089 816

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

In the tables above a part of the attracted funds on current accounts with no residual maturity amounting to BGN 2 620 520 thousand as at 31 December 2022 (2021: BGN 2 153 008 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 2022 and 2021.

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

Financial assets used for managing liquidity risk

In assessing and managing liquidity risk the Group recognizes the expected cash flows from financial instruments in particular available cash and trade receivables. Available cash resources and trade and other receivables significantly exceed the current outflow cash flow requirements. Under the contracts entered into all cash flows from trade and other receivables are due within 1 year.

Fair value measurement

Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups are based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data.

A financial asset or liability is classified to the lowest level of significant input information used to determine its fair value.

31 December 2022	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	1 735 379	70 617	375 360	2 181 356
Equity instruments at fair value through other comprehensive income	23 653	-	70 031	93 684
Debt instruments measured at fair value through other comprehensive income	474 656	-	84 789	559 445
Total assets	**2 233 688**	**70 617**	**530 180**	**2 834 485**
Liabilities				
Derivatives	-	677	-	677
Total liabilities	**-**	**677**	**-**	**677**

31 December 2021	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	1 610 512	2 743	429 715	2 042 970
Equity instruments at fair value through other comprehensive income	23 852	753	45 821	70 426
Debt instruments measured at fair value through other comprehensive income	729 286	259	129 896	859 441
Total assets	**2 363 650**	**3 755**	**605 432**	**2 972 837**
Liabilities				
Derivatives	-	118	-	118
Total liabilities	**-**	**118**	**-**	**118**

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies adjusted for specific factors.

c) Derivatives

When derivative financial instruments are traded on stock markets or liquid OTC markets the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

All significant inputs to the model are based on observable market prices namely market interest rates on similar loans with similar risk.

d) loans in BGN

The fair value of loans is determined using valuation techniques.

All significant inputs for the model are based on observed market prices - 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 2022:

31 December 2022	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
- Land, building, machines and equipment	-	-	546 637	546 637
Right of use assets:				
- aircrafts	-	-	320 105	320 105

31 December 2021	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
- Land, building, machines and equipment	-	-	524 884	524 884
Right of use assets:				
- aircrafts	-	-	315 748	315 748

Fair value of the Company's main property assets is estimated based on appraisals performed by independent qualified appraisers.

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:

	2022 BGN'000	**2021 BGN'000**
Shareholders' equity	1 686 411	1 850 767
Equity	**1 686 411**	**1 850 767**
Debt	10 232 479	9 796 353
- Cash and cash equivalents	(2 180 578)	(2 380 922)
Net debt	**8 051 901**	**7 415 431**
Capital to net debt	**1:4.77**	**1:4.01**

In 2022, 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 POSA.

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 2022 and have been published at 15 June 2023.

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

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 aim 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.

<u>INFORMATION REGARDING CORPORATE MANAGEMENT</u>

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

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

Members of the Supervisory Board:
1. Invest Capital AD
2. CCB Group EAD;
3. Mariana Bazhdarova.

Members of the Managing Board:
1. Alexander Kerezov
2. Ivo Kamenov
3. Marin Mitev
4. Nikola Mishev
5. Miroljub Ivanov
6. Tsvetan Botev

Key functions, responsibilities, structure and competence

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

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

Following the requirements of the POSA and the Statute of the Company, the Supervisory Board, if necessary, reassesses the structure of the Managing Board, the division of duties, powers and the remuneration of each member of the MB.

In carrying out its activities, the Supervisory Board members are obliged to perform their duties with due diligence in a manner that reasonably believed is in the interest of all shareholders and by using only information that they reasonably believe is reliable and complete and show loyalty to the Company under POSA.

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

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

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

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

Appointment and dismissal of board members

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

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

Remunerations of the Managing and Supervisory Boards

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

The remuneration paid to the members of the Managing and Supervisory Boards of the Company, may be permanent (fixed) or variable in the form of premiums, bonuses, retirement benefits and other incentives, based on assessment criteria of the conducted activities. The proportion of the fixed remuneration in the total amount of the remuneration shall allow the implementation of flexible policy by the Company on the variable remuneration of the members of the Managing and Supervisory Boards of the Company.

In 2023, the Company shall update the policy with the recommendation of the Code, namely the remuneration of the members of the SB to conform their activities and obligations and not be bound to the results of the Company operations and will present it to the General Meeting of the Shareholders for approval.

The remuneration policy observes the following principles and criteria:

- Consistency of the remunerations with the business goals and development strategy of the Company, the protection of the interests and promotion of the values of Chimimport AD;

- Providing remuneration that allows attraction, retention and motivation of board members with the necessary skills for successful management and development of the Company.

- Excluding discrimination, conflict of interest and unequal treatment of members of the Supervisory Board of the Company in setting and negotiating remunerations;

- Appreciation of the duties and input of each member of the Managing Board in the performance and results of the Company.

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

Conflict of interest

The members of the Supervisory and Managing Boards avoid any real or potential conflict of interest.

Procedures for preventing and detecting conflicts of interest are regulated by the statutes of the Company.

Committees

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

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

INFORMATION REGARDING CONDUCT OF AUDIT AND INTERNAL CONTROL

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

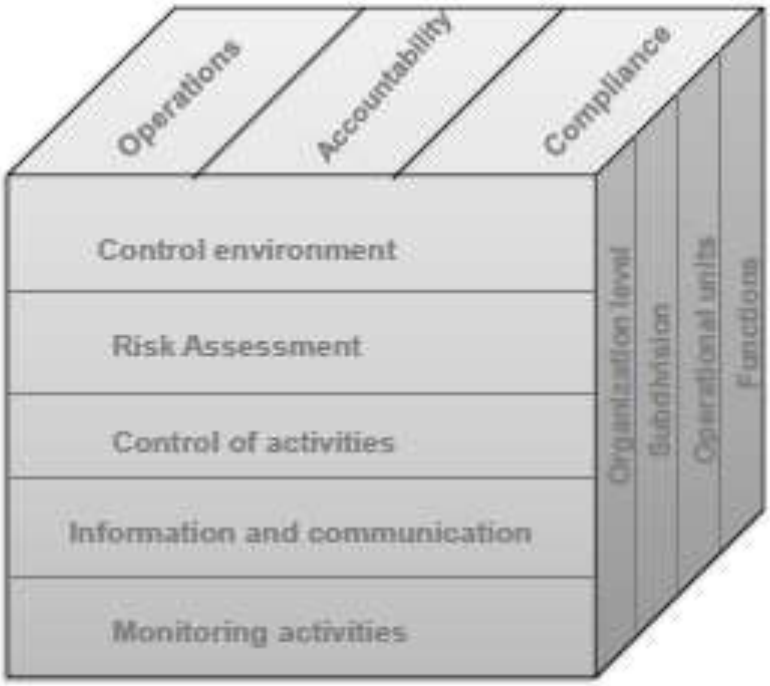
Internal control and risk management are dynamic and iterative processes carried out by management and supervisory bodies designed to provide a reasonable degree of certainty in terms of achieving the organization's objectives in terms of efficiency and effectiveness of operations; Reliability of financial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

The main components of internal control systems are:

• Control environment
• Risk Assessment
• Activity control
• Information and communication

• monitoring activities

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" Cube[1]

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 2022 in accordance with the requirements of the Independent Financial Audit Act.

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

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

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

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

INFORMATION ON PROTECTION OF THE RIGHTS OF SHAREHOLDERS

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

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

The protection of shareholders' rights is ensured through:

- facilitation of the shareholders' effective participation in the work of the General Meetings of shareholders through timely disclosure of all materials for the GMS, on the following websites: www.x3news.com, www.investor.bg and www.chimimport.bg.
- transparent procedures regarding organization and conduct of regular and extraordinary General Meetings of Shareholders;
- established procedures on representation of shareholders at the GMS, including templates of letter of attorney both in Bulgarian and English;
- providing opportunity for participation in the profit distributions to the Company, if the General Meeting of Shareholders adopts a specific resolution for dividend distribution;
- implementing a policy to assist shareholders in exercising their rights.

INFORMATION ON PROCEDURES FOR DISCLOSURE OF INFORMATION

The Company has adopted rules for internal personnel and internal information, that regulate the obligations, order and responsibility for the public disclosure of inside information for Chimimport AD, prohibit insider trading and market manipulation of financial instruments. The public information regarding the activities of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange - Sofia AD and the investing community, distributed through the information agency X3 NEWS - www.x3news.com. Chimimport AD regularly updates its corporate website www.chimimport.bg both in Bulgarian and English, consistent in structure and volume with the information provided with the recommendations of the National Code and established good practices on systems of disclosure of information. The website provides general information about the Company and the segments of operations of all companies within the economic group, current data on the financial and economic situation of the Company, including interim and annual financial statements of Chimimport AD on an individual and consolidated basis, as well as information on the Group structure, corporate governance and management of the company, corporate documents prepared and approved by the Managing Board of the Company and the securities issued. All shareholders, investors and interested parties can obtain information about upcoming and already held important corporate events, meetings of the General Meeting of Shareholders and the planned investment policy of the Company.

INFORMATION ABOUT INTERESTED PARTIES AND RECOGNITION OF THEIR RIGHTS AND INTERESTS

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

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

- bondholders,
- employees,
- clients,
- suppliers,
- bank – creditors;
- the public, in general.

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

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

Characteristics of the internal control and risk management systems

Internal control and risk management

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

Internal control

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

All major plans and programs of the Company require approval by the Managing Board. There are limits to the authority to ensure that the appropriate approvals are obtained if the Board is not required to verify the segregation of duties.

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

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

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

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

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

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

The financial information published by the Company is subject for approval by the Supervisory Board.

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

Analysis and risk management

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

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

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

The risk management system comprises the following activities:

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

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

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

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

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

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

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

As a public company, in accordance with the Independent Financial Audit Act and the National Corporate Governance Code, in Chimimport AD operates an Audit Committee, which is responsible for overseeing financial reporting and the independent financial audit, as well as the effectiveness of the Company's internal audit function and control and risk management systems.

As a public 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.

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 2022, 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 2022 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 31.12.2022 number	**Ordinary shares As a t 31.12.2022 %**
Invest Capital AD	173 487 247	72.39%
Other legal entities not exceeding 5%	48 032 331	20.04%
Other individuals not exceeding 5%	18 126 689	7.57%
TOTAL	239 646 267	100.00%

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

Chimimport AD has no shareholders with special control rights.

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

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

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

The management bodies of the Company are:

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

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

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

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

- be either individuals or legal entities;
- at the moment of election have not been convicted of crimes against property, economy or against the fiscal, tax and insurance authorities of the Republic of Bulgaria or abroad, unless rehabilitated;

- are not members of the managing or supervisory body of a company terminated due to bankruptcy in the past two years preceding the date of the declaration of insolvency, if any unsatisfied creditors remain;

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

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

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

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

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

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

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

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

Capital decrease

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

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

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

The Supervisory Board of Chimimport consists of 3 members who are elected by the General Meeting of the Shareholders for a term of five years.
The Supervisory Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Supervisory Board.
The Managing Board of Chimimport AD consists of six members who are elected by the Supervisory Board for a term of five years.

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

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

The Managing Board:

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

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

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

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

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

5. Description of the diversity policy

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

Consolidated non-financial declaration

NON-FINANCIAL DECLARATION

This Consolidated non-financial declaration is prepared in accordance with the requirements of Art. 48 of the Accountancy Act and is an integral part of the Consolidated Activity report of Chimimport AD for 2022.

The management of Chimimport AD declares its Social Responsibility Policy, which is documented, implemented, maintained, and communicated at all levels of the company structure.

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

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

Company's general principles on social responsibility include:

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

I. Business model

For its more than 75 years of existence, Chimimport AD has become a successful foreign trade company specializing in the trade in chemical products in a large-scale holding company that brings together nearly 70 subsidiaries and associated companies operating in different sectors of the Bulgarian economy.

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

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

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

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

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

II. Policy description

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

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

Ethics Business Code of Chimimport AD

In order to control the ethical aspects of the work of Chimimport AD employees, the Code of Conduct and Professional Ethics of the company has a system of rules that are systematically updated and supplemented. The Code sets out the principles of honesty, loyalty and conscientiousness, as well as stringent requirements for employee behaviour regarding their personal and professional ethics. It contains rules and norms that guide employees in their day-to-day work and set the tone of their relationship both within the company and with third parties.

Anti-Corruption Policy

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

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

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 works 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.

During 2022, more than eighty employees of the Group benefited from the opportunities provided for further academic qualification, namely studying for Masters programmes at one of the leading financial insurance universities.

In no small number of Group companies:

- additional voluntary pension insurance is provided to the employees of CCB Sila in the amount of up to BGN 60 per month.

- additional days of paid leave are granted to long-serving employees:for service of more than 5 years corresponds to one additional day , and for 10 years - two days.

- contracts have been concluded for the performance of periodic preventive medical examinations, in accordance with Regulation No 3/1987 on the examination by an ophthalmologist for those working with a video display for more than 4 hours a day.

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.

The Group takes into account the importance of environmental issues and climate risk, striving to carry out its activities in a way that ensures the protection of the environment and to comply with all laws and regulations aimed at environmental balance. Given the banks that are part of the Group, it is considered that they can play an important role in minimising the impact on climate change through their customers.

The Group also endeavours to minimise its direct impact on the environment and gives priority to the rational consumption of natural resources.

During the year, the Banking sector Group initiated a process to review its strategy, with the aim of including a section related to green lending.

The Group recognises the importance of environmental issues and climate risk and strives to carry out its activities in a manner that ensures the protection of the environment and complies with all laws and regulations aimed at environmental balance. Banks as a whole can play an important role in minimising the impact on climate change through their customers, and the Group also endeavours to minimise its direct impact on the environment and prioritises the rational consumption of natural resources.

Without a doubt, addressing the risks arising from climate change and environmental degradation and achieving sustainable economy targets will be among the Group's main challenges in the coming years. In the context of a changing regulatory framework that has placed even greater emphasis on the topic of climate risk and sustainability reporting requirements.

Disclosure in relation to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (Taxonomy Regulation)

About Banking:

The review includes collecting information on banking activity from borrowers and assessing the activities they undertake, consistent with the taxonomy under Regulation (EU) 2020/852 of the European

Parliament and of the Council of 18 June 2020, and identifying borrowers that may be directly or indirectly exposed to increased climate and environmental risks.

The Group did not provide any financing for carbon generating activities during the 2022 reporting year.

In 2023, the Group plans to integrate climate and environmental risks into its risk management framework by updating underwriting, monitoring and control policies for credit risk, as well as collateral acceptance policies, with a focus on the physical location and energy efficiency of commercial and residential real estate.

As at 31.12.2022, the data for the Group in accordance with the requirements of Article 10 (3) of Delegated Regulation (EU) 2021/2178 on Eligible Economic Activities for the Taxonomy are as follows:

Expositions /%/	2022	
	% of total assets	% of the assets included
Mortgage loans eligible for the taxonomy	1.80%	4.47%
SME loans eligible for the taxonomy	2.54%	6.32%
Taxonomy-eligible loans to non-SME NFIs	2.60%	6.45%
Total credits	40.26%	100.00%

The Group will also set target exposure volumes by major business segments eligible for green lending. As of year-end 2022, an analysis of the client and corporate loan portfolio is underway, with the Group examining and classifying clients with economic activity that qualifies as "contributing significantly to climate change mitigation or adaptation" under Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council.

The Group will explicitly define climate and environmental risks in its risk appetite framework, with quantitative and qualitative indicators to track the achievement of specific targets.

Expositions /%/	% of total assets	
	2022	2021
Financial and non-financial undertakings required to publish a non-financial statement	3.53%	3.89%
Financial and non-financial corporations not required to publish a non-financial statement	36.73%	36.61%
Total individuals, financial and non-financial corporations	40.26%	40.50%
Central governments, central banks and supranational issuers	37.17%	34.49%
Derivatives	0.36%	0.26%
Others	22.21%	24.75%
Total assets	100.00%	100.00%

A first step towards this is the collection of detailed information and data on borrowers needed to assess the vulnerabilities of exposures to climate and environment-related resilience risks in the sectors and segments most affected by climate change. The second step is to develop appropriate limits to efficiently manage climate and environmental risks in line with regular monitoring and escalation rules and integrate them into the overall risk management framework.

Outside banking activities:

The EU Taxonomy Regulation establishes a classification system of environmentally sustainable economic activities. It plays an important role in helping the EU to increase sustainable investment and implement the European Green Deal.

On a thorough review of the Group's activities according to the qualifications of the officially accepted taxonomy, information on turnover, capitalised costs and operating expenses can be summarised as follows

Financial year 2022 г.	Total thousand BGN	Proportion of Environmentally Sustainable Activities (consistent with taxonomy)	Proportion of Activities that are eligible for the taxonomy but are not ecologically sustainable (inconsistent with the taxonomy)	Proportion of activities not eligible for the taxonomy
Turnover	525 003	28.30%	51.68%	18.97%
Capital expenditure (CapEx)	77 173	23.09%	66.15%	9.53%
Operating expenses (OpEx)	7 109	0.66%	62.81%	36.53%

Some of the buildings owned by group companies hold Energy Performance Certificates for building in use.

Actions have been taken for some of the buildings:

- Replacement of the fluorescent lighting fixtures in the offices of the Parent Bank in Sofia and some in the country with diode fixtures, which are lower wattage. Replacement is ongoing.

- The cost of replacing the burnt out fluorescent tubes and the defective electronic units is also being seriously reduced.

- Due to the higher luminous intensity, the number of luminaires themselves has also been reduced by around 40 %.

Regarding the commitments that some of the Group companies are fulfilling in relation to ecology are:

- Disposal of end-of-life electronic and electrical equipment
- Handing over waste grease for treatment
- Tree planting for 2022:
- 10 trees of different species (plane, oak and lime) - through external companies
- 10 pieces (plane, oak and linden) by Group employees - with own funds and labour

The main environmental risks relevant to the Group's activities relate to non-compliance with environmental standards and established rules.

The main social risks faced by the Group are the risk of turnover and the risk of low qualification of new recruits.

In 2023, the Group will continue its work to develop and adapt its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. This will align the taxonomy with the main economic activities and lines of development so that the Group can prepare in a timely and adequate manner for the increased reporting and disclosure requirements that will come into force in 2024.

Impact of a global Covid-19 pandemic

The waning of the global Covid-19 coronavirus pandemic has resulted in the recovery of the Group's operational processes and the removal of some measures, while good practice to protect against direct infection has become sustainable. Economic processes have also recovered in a post-pandemic environment, with sharply accelerated demand, coupled with disruptions in the chains of episodic virus outbreaks, mainly in China, also leading to inflationary effects and increases in commodity and raw material prices. This process has been further accelerated following the outbreak of war in Ukraine.

In 2022, businesses had to deal with challenges related to high inflation, disrupted supply chains, shortages of certain types of raw materials, etc. related to the consequences of the global pandemic and the war that broke out on the territory of Ukraine. The Group has limited its exposure to sectors affected by geopolitical turbulence and has no exposure to sectors negatively impacted by the economic and political factors described, and the results also do not indicate any overstatement of risk in respect of clients affected by pandemic in prior years.

Impact of the war in Ukraine

With regard to the effects of the war in Ukraine and the related measures that have been introduced by the European Union countries, incl. Bulgaria, as well as third countries against the Russian Federation and Belarus and reciprocally - give rise to geopolitical, macroeconomic and market tensions, the expression of which are high prices of goods, energy resources, inflation and market fluctuations. In relation to the restrictive and sanctions regimes imposed on entities in the financial and other sectors of the Russian economy, the Group has analysed the Group's exposure to potential risks associated with the duration of the conflict and the associated prolonged market volatility, changes in the macro environment and potential credit losses arising from exposures to counterparties in the Russian Federation, Belarus and the Republic of Ukraine. In addition to the direct exposure to counterparties from the 3 countries, the Group also analysed indirect exposure arising from potential deterioration in the cash flows of the Group's customers related to the 3 countries.

Future tasks for the Group are:

1.Attracting new qualified personnel.

2.Limiting turnover to a minimum by introducing performance incentives and expanding the social programme.

3.Training of new staff.

The Group complies with all its adopted policies regarding environmental and social issues.

Consolidated report on payments to governments

CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

Consolidated report on payments to governments

The Group, through its subsidiary Oil and Gas Exploration and Production AD, operates in the extractive industry and according to Art. 53 and Art. 58 of the Accounting Act has the obligation to prepare and publish a consolidated report on payments to governments, simultaneously with the consolidated report on its activities.

The main activity of Oil and Gas Exploration and Production AD is carried out on the basis of concession rights granted by the state under 13 concession contracts.

According to the concluded contracts, Oil and Gas Exploration and Production AD is obliged to make concession payments (concession fee) every six months on the basis of sold quantities of crude oil and natural gas, and the payment is due by the end of the month following the six months.

In 2022 Oil and Gas Exploration and Production AD has paid a concession fee to the Ministry of Energy as follows:

- for the second half of 2021 – BGN 1 243 937;
- for the first half of 2022 - BGN 1 710 580;

The stated amounts include value added tax and represent the payments made by the Parent Company in 2021, which differ from the amounts accrued as expenses of the Concession Remuneration Group, specified in Note 28 to the consolidated financial statements.

In 2022 Oil and Gas Exploration and Production AD has paid corporate tax in the amount of BGN 968 and expenses taxes in the amount of BGN 763 under the annual tax return for 2021 and an advance payment of corporate tax in the amount of BGN 180 000 for 2022.

CONTACT US

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Медии за разкриване на информация
www.x3news.com

All current shareholders, interested persons/stakeholders and potential investors may receive the necessary information related to the activitis 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 Comission
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/

Privatization Agency
http://www.priv.government.bg/

www.chimimport.bg

CHIMIMPORT
PUBLIC HOLDING COMPANY

DECLARATION

in accordance to Article 100n, Para. 4, Item 4 from the Public Offering of Securities Act

Today, August 2nd 2023 Sofia

The undersigned,

1. Ivo Kamenov - CEO and Member of the Management Board of Chimimport AD and

2. Alexander Kerezov – Chief accountant of Chimimport AD

in accordance to Article 100n, Paragraph 5 from the Public Offering of Securities Act and Article 32a, Paragraph 1, Item 3 from ORDINANCE № 2 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities

We declare, that to our knowledge:

1. The set of annual consolidated financial statements for the year ending in 2022 are prepared in accordance with the applicable accounting standards and give a true and fair statement of assets and liabilities, financial position and profit or loss of Chimimport AD;

2. The annual consolidated activity report of Chimimport AD for 2022 includes a fair review of the information in accordance to Article 100, Paragraph 4 from the Public Offering of Securities Act.

2nd August 2023
Sofia

Declarants:

Ivo Kamenov Georgiev
Digitally signed by Ivo Kamenov Georgiev
Date: 2023.08.02 14:33:57 +03'00'

1.......................................
/CEO/

Aleksandar Dimitrov Kerezov
Digitally signed by Aleksandar Dimitrov Kerezov
Date: 2023.08.02 15:23:14 +03'00'

2.......................................
/Chief Accountant/

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Chimimport AD
2, Stefan Karadja Str.,
1000 Sofia, Bulgaria

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Chimimport AD and its subsidiaries (the "Group"), which contain the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), adopted by the EU, and Bulgarian legislation.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 13 Other intangible assets to the consolidated financial statements, which describes that as at 31 December 2022, the Group reports intangible assets - property rights related to the aviation industry sector, with carrying amount BGN 93 456 thousand. During the performed annual impairment tests, the Group has not established the need to recognize impairment of these intangible assets. In determining the recoverable amount, forecasts were used, which are based on expectations for the recovery of the aviation sector after the negative consequences of the past Covid-19 pandemic, which largely depend on external factors beyond the Group's control. Assumptions inherent in the current deteriorating macroeconomic environment were used in the assessment. They are the result and combination of the residual negative effects of the pandemic, accelerated inflation, rising interest rates and the geopolitical risks of the military conflict in Ukraine.

In the assessment to determine the recoverable value of these intangible assets, have been taken into account the forecasts and expectations for the recovery of the activity in the aviation sector in the following periods, which are largely based on external factors beyond the control of the Group. The effects of all actions and measures taken and planned by the Management, which are expected to have an impact in response to the worsening economic situation in relation to the Group's activity in the aviation industry sector, disclosed in note 2 Basis for preparing the consolidated financial statements, are also recognized. The change in the business environment as a result of the negative effects in the aviation sector and its accompanying services could lead to the potential negative change in the balance sheet values of the assets and liabilities, and the results of the activity of the Group's investments in the aviation sector, which have been evaluated after carrying out a number of judgments and assumptions by the Group's Management, taking into account the most reliable information available at the date of the estimates.

In 2022, the Group's investments in the aviation industry sector recorded an improvement in performance compared to 2021, however, the impact of the epidemic and the consequences after its termination, as well as the military conflict in Ukraine, are identified as the main risks to the Group’s aviation sector activities.

Our opinion has not been modified on this issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to bank customers	
Notes 15 and 51 to the consolidated financial statements	
Key audit matter	**How this matter was addressed during the audit**
Loans and advances to bank customers represent a significant part (27%) of the total assets of the Group as at 31 December 2022, as their gross carrying amount amounts to BGN 3 229 568 thousand and the accumulated impairment amounts to BGN 41 240 thousand. The Group applies an impairment model based on expected credit losses in accordance with the requirements of IFRS 9 Financial Instruments. The assessment of impairment losses on loans and advances to bank customers requires the Group's management to apply a significant level of judgment, especially with respect to the identification of impaired receivables and the quantification of loan impairments. To determine the amount of impairment for expected credit losses, the Group applies statistical models with input data obtained from internal and external sources. In accordance with the requirements of IFRS 9 “Financial Instruments”, the Group distinguishes three phases of impairment, as the criteria for classification in the individual phases are based on an assessment of the objective characteristics of loans and borrowers and on the Group's subjective judgments. The assessment of classification in the individual impairment phases is the result of a combination of quantitative and qualitative factors. Expected credit losses are calculated using available historical information and expected future developments determined using macroeconomic indicators. The statistical models used are based on the probability of default (PD), the expected amount of the default loss (LGD), and the default exposition (EAD). The input data for the models, calculation methodologies and their application depend on the judgment of the Group's management. As disclosed in notes 15 and 51 to the accompanying consolidated financial statements, the Group has reported as at 31 December 2022 accumulated impairment of loans and advances to bank customers in the amount of BGN 41 240 thousand. We have determined that the impairment of loans and advances to bank customers is a key audit issue due to the following factors: • the significance of the assessment of loans and	During our audit, our audit procedures included, but are not limited to the following: • gaining an understanding of the impairment processes for loans to bank customers applied by the Group. • assessment of the adequacy of the policies, procedures and controls in place in order to develop our further audit procedures in such a way as to be able to address the risks of material misstatement related to the accrued impairment losses on loans and advances to bank customers. • we included in the audit our experts in the areas requiring specific expertise. • review of the quality of the historical data used in the calculation of the risk parameters. For a sample of exposures, we have performed: • assessment of the appropriateness of the methods used to determine impairment; • an independent expectation for the level of required impairments of loans and advances to bank customers as of 31 December 2022 based on a review of internal and external information and compared our expectation with the impairments determined by management and presented in the financial statements; • assessment of the appropriateness of the phase classification, taking into account whether there are factors indicating a significant increase in credit risk. • professional judgment and assessment of the assumptions used in determining impairment and comparing our estimates with those used by the Group regarding bank activity; • analysis of the financial condition of the borrowers and verification of whether there are breaches of contracts and / or deviations in compliance with the contractual terms; • analysis of the main assumptions and judgments of the Group's management, including assessment of the applied scenarios for the expected cash flows from loans and advances to bank customers; • analysis of the impact of current economic conditions, collateral estimates and other factors that may affect the collection of loans and advances to bank customers; • assessment of the adequacy of the Group's assumptions and assessments related to the

advances to bank customers for the consolidated financial statements; • the fact that the assumptions for determining impairment losses inherently involve significant estimates.	macroeconomic changes and the military conflict in Ukraine; • recalculation of the impairment of a sample of exposures, based on the values of the risk parameters obtained as a result of the application of the models. We have assessed the completeness and adequacy of the disclosures in the consolidated financial statements of the Group related to the valuation of loans and advances to bank customers.

Impairment of goodwill	
Note 12 to the consolidated financial statements	
Key audit matter	**How this matter was addressed during the audit**
As of 31 December 2022, the Group's goodwill amounts to BGN 23 737 thousand. We focused on management's estimates used for impairment testing because of the significant assumptions required to predict the expected future cash flows and the applicable discount factors when calculating the recoverable amount of cash-generating units.	During our audit, our audit procedures included, but were not limited to: - assessment of the relevance of key assumptions, including discount factors, expected growth, and other key performance indicators, with our internal valuation experts, by comparing with average market performance of companies with similar activity and the Group's current financial performance; - an assessment of the adequacy of the disclosures in the consolidated financial statements, including the disclosures of the main assumptions and judgments related to recognized goodwill in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual consolidated management report, including the consolidated corporate governance statement, the consolidated non-financial declaration and the consolidated report on payments to governments, prepared in accordance with Bulgarian Accountancy Act and other applicable legal requirements, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon", regarding annual consolidated management report, including the consolidated corporate governance statement, the consolidated non-financial declaration and the consolidated report on payments to governments, we have performed the additional procedures contained in the Guidelines of the professional organization of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been conducted in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act
Based on the procedures performed, we describe the outcome of our work:

(a) the information in the consolidated management report is consistent with the consolidated financial statements for the same reporting period;
(b) the consolidated activity report has been prepared in accordance with the applicable legal requirements. We draw your attention to the fact that in item 8 and item 9 of the information to the consolidated activity report, containing information according to Ordinance №2 / 09.11.2021 in connection with Art. 100 (n), para (7), item 2 of LPOS, the required information regarding the loan agreements under which Chimimport AD or its subsidiaries are borrowers and lenders is not included in full. The Group has presented summary data on borrowed funds and loans related to its banking activities, announcing that due to restrictions arising from Art. 62 of the Credit Institutions Act, concerning banking and professional secrecy, more detailed information cannot be provided. Our opinion has not been modified on this issue.
(c) as a result of the acquired knowledge and understanding of the activities of the Group and the environment in which it operates, we have found no cases of material misrepresentation in the consolidated management report;
(d) the consolidated corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act;
(e) the consolidated non-financial declaration is prepared and made available in accordance with the requirements of Bulgarian Accountancy Act;
(f) the consolidated report on payments to governments is and made available in accordance with the requirements of Bulgarian Accountancy Act.

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act
Based on the procedures performed and our knowledge of the Group and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Group in connection with the financial reporting process and also in the information pursuant to 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 on takeover bids, which are included in the consolidated corporate governance statement, being a component of the consolidated activity report.

Reporting on compliance with the electronic format of the consolidated financial statement included in the annual consolidated financial statement for the activity under Art. 100m, para 5 of Public Offering of Securities Act with the requirements of the EEEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Chimimport Bulgaria AD for the year ended on 31 December 2022 included in the digital file „549300GB265U3RQEQC54-20221231-BG-CON.zip“, with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“ESEF Regulation”). Our opinion is only regarding the electronic format of the consolidated financial statements and does not include the other information contained in the annual consolidated financial report on the activity under art. 100n, para. 5 of Bulgarian Public Offering of Securities Act.

Description of subject matter and applicable criteria
Management has prepared the electronic format of Group’s consolidated financial statements for the year ended 31 December 2022 in accordance with ESEF Regulation in order to comply with Bulgarian Public Offering of Securities Act. The rules for preparation of the consolidated financial statements in this electronic format are described in the ESEF Regulation and in our opinion, they are applicable criteria for providing reasonable assurance.

Responsibilities of management and those charged with governance
Group’s management is responsible for the application of the requirements of ESEF Regulation in preparing the electronic XHTML format of the consolidated financial statements. These responsibilities include the selection and application of suitable iXBRL tags in accordance with the taxonomy of ESEF Regulation, as well as the application of such internal controls, which are necessary for the preparation of the electronic format of

Group's annual consolidated financial statements, which are free from material misstatements in accordance with ESEF Regulation.

Those charged with governance are responsible for the oversight of the process of preparing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's responsibilities
Our responsibility is to obtain reasonable assurance about whether the electronic format of the consolidated financial statements complies with ESEF Regulation. We applied the "Guidance on issuing an opinion on the application of ESEF Regulation by issuers whose securities are admitted to trading on a regulated market in the European Union" and conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised))". The standard requires that we comply with ethical requirements, design and perform audit procedures to obtain reasonable assurance whether the electronic format of Group's consolidated financial statements have been prepared in accordance with the applicable criteria described above. The nature, timing and extent of our procedures depend on our professional judgement, including the risk of material misstatements whether due to fraud or error, in applying the requirements of ESEF Regulation.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAE 3000 (Revised) will always detect a material misstatement when it exists.

Quality Control Requirements
We have applied the requirements of International Standard on Quality Management (ISQM) 1 and accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements of the registered auditors in Bulgaria.

Summary of the Work Performed
The purpose of the designed and performed procedures was to obtain reasonable assurance whether the electronic format of the consolidated financial statements has been prepared in all material aspects in compliance with the requirements of ESEF Regulation. In performing procedures for assessing compliance with the requirements of ESEF Regulation on electronic (XHTML) format of Group's consolidated financial statements, we used professional judgement and applied professional scepticism. We have also:

- получихме разбиране за вътрешния контрол и процесите, свързани с прилагането на Регламента obtained an understanding of the internal control and processes, related to the application of ESEF Regulation in preparing Groups' consolidated financial statements in XHTM format with iXBRL tags;
- checked that the enclosed XHTML format is valid;
- reconciling the data in the electronic format of the consolidated financial statements with the audited consolidated financial statements;
- evaluated the completeness of Group's tagging of the consolidated financial statements using the XBRL markup language;
- evaluated the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluated the use of anchoring in relation to the extension elements in accordance with ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on compliance of the electronic format of the consolidated financial statements with ESEF Regulation

Based on the performed procedures, our opinion is that the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2022, contained in the attached electronic file „549300GB265U3RQEQC54-20221231-BG-CON.zip", has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014
In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD was appointed as statutory auditor of the consolidated financial statements of Chimimport AD for the year ended on 31 December 2022 by the general meeting of shareholders, held on 14 July 2022, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2022 has been made for the twenty first consecutive year of a continuing engagement for statutory audit of the Group, performed by us.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters" of this report.
- We confirm that our audit opinion is consistent with the additional report to the Audit Committee of Chimimport AD, which is in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, in addition to the statutory audit we have not provided any other services to Chimimport AD and its subsidiaries that have not been disclosed in the consolidated activity report or consolidated financial statements.

Mariy Apostolov
Registered auditor, responsible for the audit
Managing partner

MARIY GEORGIEV APOSTOLOV

Digitally signed by MARIY GEORGIEV APOSTOLOV
Date: 2023.08.02 16:24:58+03'00'

Grant Thornton OOD
Audit firm, registration № 032
Sofia
2 August 2023
Bulgaria, Sofia, 26, Cherni Vrah Blvd.