Consolidated Financial Statements
Consolidated Management Report
Consolidated Non-financial Declaration
Consolidated Report on Payments to Governments
Independent Auditor's Report

CHIMIMPORT AD

31 December 2023

Contents

Consolidated statement of financial position as at 31 December

Assets	**Note**	**31.12.2023 BGN'000**	**31.12.2022 BGN'000** ***Restated***
Property, plant and equipment	9	337 210	324 835
Right of use assets	10	497 286	405 602
Investment property	11	575 080	546 637
Goodwill	12	-	23 737
Other intangible assets	13	104 939	108 048
Deferred tax assets	14	24 178	18 922
Investments accounted for using the equity method	7	27 093	26 476
Loans and advances to bank customers	15	3 171 323	3 188 328
Financial assets at fair value through profit or loss	16	2 561 347	2 181 356
Debt instruments at fair value through other comprehensive income	17	602 152	559 445
Equity instruments at fair value through other comprehensive income	18	53 366	93 684
Other financial assets carried at amortized cost	19	2 260 094	2 034 488
Insurance contract assets	29	604	-
Reinsurance contract assets	29	66 910	66 099
Tax receivables	20	2 874	3 542
Other receivables	21	26 436	29 743
Inventories	22	59 105	61 331
Cash and cash equivalents	23	2 263 788	2 180 578
Total assets		**12 633 785**	**11 852 851**

The consolidated financial statements are approved for issue by decision of the Managing Board on 27.05.2024.

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

Equity and liabilities	Note	31.12.2023 хил. лв.	31.12.2022 хил. лв. *Restated*
Equity			
Share capital	24.1	226 463	226 463
Premium reserve	24.2	246 309	246 309
Other reserves	24.3	345 477	293 908
Retained earnings		563 398	563 686
Profit for the year		59 112	37 520
Equity attributable to the shareholders of Chimimport AD		**1 440 759**	**1 367 886**
Non-controlling interest	6.1	345 130	314 458
Total equity		**1 785 889**	**1 682 344**
Liabilities			
Liabilities to depositors	25	7 587 771	7 315 692
Other financial liabilities	26	422 835	464 171
Payables to insured individuals	27	2 063 942	1 757 026
Pension and other employee obligations	28.2	20 328	18 411
Deferred tax liabilities	14	43 089	29 117
Insurance contracts liabilities	29	224 426	213 633
Reinsurance contracts liabilities	30	3 489	10 251
Lease liabilities	31	419 668	305 454
Tax liabilities	32	9 062	6 106
Other liabilities	33	53 286	50 646
Total liabilities		**10 847 896**	**10 170 507**
Total equity and liabilities		**12 633 785**	**11 852 851**

The consolidated financial statements are approved for issue by decision of the Managing Board on 27.05.2024.

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

	Note	2023 BGN'000	2022 BGN'000 *Restated*
Revenue from non-financial activities	34	407 621	408 399
Change in fair value of investment property	11	1 859	4 996
(Loss)/gain on sale of non-current assets	35	(5 608)	29 007
Total revenue from non-financial activities		**403 872**	**442 402**
Insurance revenue	29,36	243 010	216 572
Insurance service expenses	29,36	(190 601)	(189 408)
Net result from insurance contracts issued	29,36	**52 409**	**27 164**
Net result from reinsurance contracts held	30,36	**(18 153)**	**(9 465)**
Insurance service result		**34 256**	**17 699**
Interest income	37	249 072	186 353
Interest expense	38	(33 635)	(40 143)
Net interest income		**215 437**	**146 210**
Net result from operations with financial instruments	39	153 834	(40 273)
Operating and administrative expenses	40	(624 467)	(616 138)
Gain from investments accounted for using the equity method	7	5 174	5 497
Other financial income, net	41	75 368	87 110
Income/(loss) from allocation to social security accounts		(161 431)	16 256
Profit before tax		**102 043**	**58 763**
Income tax expense	42	(19 822)	(8 637)
Net profit for the year		**82 221**	**50 126**
Other comprehensive income/(loss):			
Revaluation of financial assets, net of taxes		23 730	(30 558)
Remeasurement of defined benefit plan liability, net of taxes		(55)	353
Other comprehensive income/(loss), net of taxes		**23 675**	**(30 205)**
Total comprehensive income for the year		**105 896**	**19 921**
Net profit for the year attributable to:			
The shareholders of Chimimport AD		59 112	37 520
Non-controlling interest		23 109	12 606
Total comprehensive income attributable to:			
The shareholders of Chimimport AD		73 544	12 487
Non-controlling interest		32 352	7 434
Earnings per share in BGN	43	0.26	0.17

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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 Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2023	**226 463**	**246 309**	**293 908**	**601 206**	**1 367 886**	**314 458**	**1 682 344**
Business combinations	-	-	(220)	(451)	(671)	(1 680)	**(2 351)**
Transactions with owners	-	-	(220)	(451)	(671)	(1 680)	**(2 351)**
Profit for the year	-	-	-	59 112	59 112	23 109	**82 221**
Other comprehensive income	-	-	14 432	-	14 432	9 243	**23 675**
Total comprehensive income for the year	**-**	**-**	**14 432**	**59 112**	**73 544**	**32 352**	**105 896**
Transfer of retained earnings to other reserves	-	-	37 297	(37 297)	-	-	**-**
Change in specialized reserves	-	-	60	(60)	-	-	**-**
Balance at 31 December 2023	**226 463**	**246 309**	**345 477**	**622 510**	**1 440 759**	**345 130**	**1 785 889**

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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					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**	**330 919**	**1 851 031**
Effect of change in IFRS 17 Note 3.3.	-	-	-	(4 187)	(4 187)	(169)	**(4 356)**
Effect of change in accounting policy	-	-	-	(169 623)	(169 623)	-	**(169 623)**
Balance at 1 January 2022, *restated*	**226 463**	**246 309**	**300 696**	**572 834**	**1 346 302**	**330 750**	**1 677 052**
Business combinations	-	-	(13 147)	22 244	9 097	(23 726)	**(14 629)**
Transactions with owners	-	-	(13 147)	22 244	9 097	(23 726)	**(14 629)**
Profit for the year	-	-	-	37 520	37 520	12 606	**50 126**
Other comprehensive loss	-	-	(25 033)	-	(25 033)	(5 172)	**(30 205)**
Total comprehensive (loss)/income for the year	**-**	**-**	**(25 033)**	**37 520**	**12 487**	**7 434**	**19 921**
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**	**293 908**	**601 206**	**1 367 886**	**314 458**	**1 682 344**

The consolidated financial statements are approved for issue by decision of the Managing Board on 27.05.2024

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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		38 160	173 928
Payments for short-term loans		(23 327)	(160 162)
Proceeds from sale of short-term financial assets		273 305	318 517
Purchase of short-term financial assets		(506 772)	(581 819)
Cash receipt from customers		430 645	427 153
Cash paid to suppliers		(269 128)	(328 455)
Proceeds from insured persons		247 876	194 330
Payments to insured persons		(85 349)	(109 064)
Payments to employees and social security institutions		(139 837)	(118 378)
Cash receipts from bank operations		73 746 165	74 666 494
Cash paid for bank operations		(73 369 826)	(74 306 880)
Cash receipts from insurance operations		266 502	193 094
Cash paid for insurance operations		(192 642)	(141 462)
Income taxes paid		(2 663)	(2 686)
Other cash (outflows)/inflows		(34 874)	4 472
Net cash flow from operating activities		**378 235**	**229 082**
Investing activities			
(Purchase)/sale of subsidiaries and associates		(500)	2 200
Dividends from financial assets received		14 053	19 210
Sale of property, plant and equipment		4 448	60 883
Purchase of property, plant and equipment		(16 829)	(77 790)
Purchase of intangible assets		(829)	(495)
Sale of investment property		2 355	2 029
Purchase of investment property		(1 474)	(10 759)
Sale of non-current financial assets		1 386 442	508 582
Purchase of non-current financial assets		(1 603 680)	(895 842)
Interest payments received		40 391	39 579
Proceeds from loans granted		4 378	56 444
Payments for loans granted		(14 937)	(63 515)
Other cash inflows		8 424	6 626
Net cash flow from investing activities		**(177 758)**	**(352 848)**
Financing activities			
Proceeds from loans received	47	1 075	7 340
Payments for loans received	47	(35 486)	(34 110)
Interest paid	47	(4 919)	(5 246)
Payments for lease contracts	47	(56 919)	(47 929)
Other cash outflow		(20 261)	(1 369)
Net cash flow from financing activities		**(116 510)**	**(81 314)**
Net change in cash and cash equivalents		**83 967**	**(205 080)**
Cash and cash equivalents, beginning of year		**2 180 578**	**2 380 922**
Exchange (loss)/gain on cash and cash equivalents		**(757)**	**4 736**
Cash and cash equivalents, end of year	23	**2 263 788**	**2 180 578**

The consolidated financial statements are approved for issue by decision of the Managing Board on 27.05.2024.

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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/CHIM for ordinary shares with LEI code 549300GB265U3RQEQC54.

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

As of December 31, 2023 the parent company is represented by the executive directors Ivo Kamenov and Marin Mitev jointly and separately. As of January 16, 2024, the Parent Company is represented by the executive director Mirolyub Ivanov. Until January 16, 2024, the Parent Company is represented by Ivo Kamenov Georgiev and Marin Velikov Mitev jointly and separately.

The number of employees of the Group as at 31 December 2023 is 4 478.

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 1 April 2024.

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 2022) unless otherwise stated.

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

2.1. Macroeconomic framework, Covid-19 and the military conflicts in Ukraine and Middle East

The economic environment in 2023 continued to be shaped by the military conflict in Ukraine.

The group has reviewed the exposure to increased credit risk in relation to business partners operating in the affected territories, including and from the sanctions imposed. The management of the Parent Company analyses all facts and circumstances regarding the current activity and operations with these counterparties. During the period, no additional credit losses related to this risk were recognized, which is due to the conservative approach laid down in the changes in the accounting policy of the Parent Company presented in 2022.

The conflict in the Middle East, which erupted in the last quarter of 2023, also brought some uncertainty. Given the Group's holding structure and its investments in the aviation sector, a preliminary review of the data for the fourth quarter of this segment was made, where the largest impact is expected, but the results show that it can be considered insignificant. The management of the Airline, part of the group, is in constant contact with insurers and the civil aviation of Israel in order to follow the real situation in a timely manner, as those suspended on October 26, 2023 were resumed with the summer schedule, or from mid-April, 2024 .

Other influences could also be accounted for by the rise, albeit not at such a rapid pace, in prices and the rise in interest rates on loans, although for Bulgaria their rise was weaker compared to the international money market.

Year-on-year inflation at the global level has declined, with the main reason for this being the reported drop in crude oil and food prices. And this, in turn, led to assessments by the ECB and the Federal Reserve not to undertake changes in their monetary policies in the short term.

A slowdown was also reported for Bulgaria, and as of December 2023, inflation for our country is within 5%.

Despite the reported increase in real GDP of 0.4% for the third quarter of 2023 compared to the second quarter of 2023, on an annual basis there is a slowdown and it is in the range of 1.5% to 1.8%, which cannot be compensated from the increase in investment activity in the country.

For the period of the fourth quarter, the generated GDP was BGN 51.848 billion, calculated on the basis of current prices and according to preliminary data, or BGN 8,053 per person.

According to the latest forecasts of the European Commission, in 2024 growth for the EU is expected to reach levels of 0.9% (1.3% for 2023) and for the Eurozone to be 0.8% (1.2% for 2023), and inflation to report drop from 6.3% for 2023 to 3% for 2024 and to 2.5% for 2025. For Bulgaria, the expectations are as follows: GDP growth 1.9% for 2024 and 2.5% for 2025 and inflation to decrease to 3.4% in 2024 and fall to 2.9% in 2025..

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 Group's operations and its investments , which in the consolidated 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, which came into force onafter 1 January 2023

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by the EU, which are relevant and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2023:

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.
Detailed information for the effect of initial application is presented in Note 3.33.3 Effect from initial application of IFRS 17 Insurance contracts.

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.
The Group did not apply the option to delay the initial application of IFRS 9 up to the date of initial application of IFRS 17 for the insurance entities in the Group.

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 entity's financial statements would need it to understand other material information in the financial statements and if the entity 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 to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

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

The Group 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 IAS 12 "Income taxes: International Tax Reform – Pillar Two Model Rules", effective from 1 January 2023, adopted by the EU
In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules to reform international corporate taxation. Pillar Two aims to ensure that applicable multinationals (global turnover exceeding €750 million) pay a minimum effective corporate tax rate of 15%.
The amendments in International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) are:

- an exception to the requirements in IAS 12 that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes. An entity has to disclose that it has applied the exception.
- a disclosure requirement that an entity has to disclose separately its current tax expense (income) related to pillar two income taxes.
- a disclosure requirement that state that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation.
  The exception is applied mandatory and with immediate effect after publication of the amendments in IAS 12 and with retrospective application in accordance with IAS 8. The Group is not in the scope of the amendments.

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 2023 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.

Amendments to IAS 1 "Presentation of financial statements: Classification of liabilities as current or non-current", effective from 1 January 2024, adopted by the EU

The amendments in the 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 an entity 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 IAS 1 "Presentation of financial statements: Non-current liabilities with covenants", effective from 1 January 2024, adopted by the EU

IAS 1 is amended as follows:

- it specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period (the reporting date) for the purposes of classifying a liability as current or non-current; and
- for non-current liabilities subject to conditions, an entity is required to disclose information about:
  - the conditions (for example, the nature of and date by which the entity must comply with the condition);
  - whether the entity would comply with the conditions based on its circumstances at the reporting date; and
  - whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested.

Amendments to IFRS 16 "Leases: Lease liability in a sale and leaseback", effective not earlier than 1 January 2024, adopted by the EU

Amendments to IFRS 16 requires a Company 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.

Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: Disclosures: Supplier Finance Arrangements", effective from 1 January 2024, not yet adopted by the EU

Amendments to IAS 7 and IFRS 7 will add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Those amendments add two disclosure objectives which will make the entities to disclose in the notes information that enables users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Amendments to IAS 21 "The effects of changes in foreign exchange rates: Lack of exchangeability", effective from 1 January 2025, not yet adopted by the EU

Lack of Exchangeability amends IAS 21 to:

- specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

3.3. Effect of initial application of IFRS 17 Insurance Contracts

After 01.01.2023, IFRS 17 Insurance Contracts is mandatory for application to companies that issue insurance contracts within the scope of the standard. Its introduction aims to eliminate the variety of accounting practices used for accounting for insurance contracts, reflecting national requirements. The aim of the new standard is to create a conditions of competitiveness between insurance companies by aligning the reporting practices in the different national economies in which the Standard is applied. At the base of the development of IFRS 17 are transparency, guaranteed by increased comparability, the quality of financial information and reporting, which are achieved by narrowing information gaps, and cost-effectiveness.

The new standard requires the application of an ongoing valuation model under which estimates are based on a significant amount of historical inputs and developed expectations about future cash flows in groups of insurance contracts that are reviewed in each reporting period.

The new rules have an effect on the financial statements, including the presentation, financial position, cash flows and benchmarks of all companies issuing insurance contracts.

IFRS 17 provides a comprehensive accounting model for insurance contracts, more detailed information is provided in note 4 Material Information on Accounting Policies.

This standard makes significant changes to the accounting for insurance and reinsurance contracts and has a material impact on the financial statements of the Group in the period of initial application.

3.3.1 Non-life insurance

In the process of implementation of the requirements of IFRS 17, the Group assessed portfolios of non-life insurance contracts to determine the approach to the subsequent measurement of insurance contracts, with the result that it chose to apply **the 'premium allocation approach'.**

In analysing portfolios of insurance contracts, the Group did not identify onerous, or contracts that would become onerous.

The coverage period for each contract in the groups for monitoring and measurement (including insurance contract services arising from all premiums within the contract determined at that contract valuation date) shall be one year or less.

The Group does not expect significant variability in fulfilment cash flows that would affect the measurement of the liability for remaining coverage in the period before claims are incurred to groups of insurance contracts issued. In determining the initial effects of applying this standard, the expected variability in fulfilment cash flows increases with the length of the coverage period for the group of contracts.

Using the **'premium allocation approach'** at initial recognition, the carrying amount of the liability for remaining coverage is derived from:

- premiums received on initial recognition, if any, less any cash flows for the acquisition of insurance at that date,
- plus or minus any amount resulting from the derecognition at that date of any insurance cash flow asset and any asset or liability previously recognised for the cash flows associated with the group of contracts.

At the end of each subsequent reporting period, the carrying amount of the liability by group of insurance contracts is determined as the carrying amount at the beginning of the reporting period:

- plus premiums received during the period;
- less cash flows for insurance acquisitions
- plus any amounts related to amortisation of insurance cash flows recognised as an expense during the period;
- plus any adjustment to the financing component;
- minus the amount recognised as insurance revenue for services provided in the period;

The Group does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk because initial recognition expects the period between the provision of each part of the services and the associated maturity of the premium to be no more than one year.

If, at any time during the period of provision of the insurance service, the Group identifies that a group of insurance contracts is onerous, it shall calculate the difference between the carrying amount of the liability for remaining coverage and the fulfilment cash flows associated with the remaining coverage for the group. To the extent that the fulfilment cash flows exceed the carrying amount of the liability for remaining coverage, the Group recognises a loss in profit or loss and increases the liability for remaining coverage.

The Group has chosen to recognise as an expense the indirect cash flows to acquire insurance at the time they are incurred and to include in the amount of the liability for remaining coverage only commissions and other direct cash flows for the acquisition of insurance.

The Group apply the same accounting policies for measuring a group of reinsurance contracts, adapted when necessary to reflect characteristics that differ from those of insurance contracts.

The adoption of IFRS 17 did not change the Group's classification of non-life insurance contracts.

IFRS 17 establishes specific principles for the recognition and measurement of issued insurance contracts and reinsurance contracts held by the Non-life insurance of the Group.

In accordance with IFRS 17, all Group insurance contracts issued and reinsurance contracts held can be measured by applying a Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts compared to the general model in IFRS 17.

The principles for measuring PAA differ from the 'written premium approach' used under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred cash flows from the acquisition of insurance and less amounts recognised in revenue for insurance services provided
- The measurement of a liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk when the maturity date of the premium and the associated service period are more than 12 months apart.
- The measurement of the liability for remaining coverage includes an explicit assessment of the adjustment for non-financial risk when a group of contracts is onerous to calculate a loss component (they may previously have been part of the provision for an unexpired risk reserve)
- Valuation of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a component for the risk of failure of the reinsurer

Insurance acquisition cash flows, excluding commissions and other direct cash flows for insurance acquisitions, are recognised as expenses immediately. The Group allocates acquisition cash flows to groups of insurance contracts that have been issued or are expected to be issued using a systematic and rational basis.

Insurance acquisition cash flows include those directly related to a group and future groups that are expected to arise from the renewal of contracts in that group. When such insurance acquisition cash flows are paid (or when a liability has been recognised using another IFRS Standard) before the recognition of the related group of insurance contracts, an insurance acquisition cash flow asset is recognised. When insurance contracts are recognised, the relevant portion of the insurance cash flow asset is derecognised and included in the measurement on initial recognition of an insurance liability for the remaining coverage of the related group.

Changes in presentation and disclosure — non-life insurance

For presentation in the statement of financial position, the Group summarises the insurance contracts issued and reinsurance contracts held respectively and presents separately:
- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established on initial recognition in accordance with the requirements of IFRS 17.

The line description in the statement of profit or loss and other comprehensive income have changed significantly compared to the previous year. Previously, the Group has taken into account:
- Gross premiums written
- Net premiums written
- Changes in insurance reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires a separate presentation of:
- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

Items of income and expense that have been presented in accordance with IFRS 4 are excluded or presented differently.

The Group provides disaggregated qualitative and quantitative information on:
- Amounts recognised in its financial statements from insurance contracts
- Significant estimates and changes in those estimates in the application of the Standard

For presentation in the statement of financial position, the Group summarises the insurance contracts issued and reinsurance contracts held respectively and presents accordingly.

Transition – non-life insurance

On a transitional date, 1 January 2022, for non-life insurance contracts, the Group shall:

- identify, recognise and measure each group of insurance contracts in such a way if IFRS 17 has always been applied;
- has identified, recognised and measured cash flow assets to acquire insurance as if IFRS 17 had always been applied. However, no assessment of recoverability was performed before the transition date. At the transition date, an assessment of recoverability was carried out and no impairment loss was identified;
- derecognition of existing balances that would not have existed if IFRS 17 had always been applied;
- recognises any net equity difference received.

The net effect resulting from measurement differences in the initial application of IFRS 17 as of 01.01.2022 was negative amounting to BGN 5 022 thousand or BGN 4 520 thousand net of tax effect.

The net effect of the application of IFRS 17 on the financial result for 2022 is positive, amounting to BGN 388 thousand.

3.3.2 Life insurance

In the process of implementing the requirements of IFRS 17, the Group has assessed portfolios of insurance contracts to determine the approach for the subsequent measurement of life insurance contracts, resulting in a "general cash flow approach" that uses current assumptions to measure the amount, timing and uncertainty of future cash flows and explicitly measures the cost of that uncertainty. This model takes into account market interest rates and the influence of policyholders, options and guarantees.

In analysing portfolios of insurance contracts, the Group did not identify onerous, or contracts that would become onerous.

The accounting policies adopted for recognition and derecognition, initial and subsequent measurement are detailed in note 4 Material Information on Accounting Policies.

Changes in presentation and disclosure

For presentation in the statement of financial position, the Group summarises the insurance contracts issued and reinsurance contracts held respectively and presents separately:
- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established on initial recognition in accordance with the requirements of IFRS 17.
The line descptions in the statement of profit or loss and other comprehensive income have changed significantly compared to the previous year. Previously, the Group has taken into account:
- Gross premiums written
- Net premiums written
- Changes in insurance reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires a separate presentation of:
- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

Items of income and expense that have been presented in accordance with IFRS 4 are excluded or presented differently.

The Group provides disaggregated qualitative and quantitative information on:
- Amounts recognised in consolidated financial statements from insurance contracts
- Significant judgments and changes in those judgments in the application of the standard

For presentation in the consolidated statement of financial position, the Group summarises the insurance contracts issued and the reinsurance contracts held respectively and presents accordingly.

Transition – Life insurance

On a transitional date, 1 January 2022, the Group:
- has identified, recognised and evaluated each group of insurance contracts in accordance with the modified retrospective approach;
- derecognition of existing balances that would not have existed if IFRS 17 had always been applied;
- recognises any net equity difference received.

The net effect resulting from measurement differences in the initial application of IFRS 17 as of 01.01.2022 is positive, amounting to BGN 163 thousand. The net effect of the application of IFRS 17 on the financial result for 2022 is expressed in a decrease in the financial result by BGN 98 thousand.

3.3.3 Recalculation of comparable information

The reference data for 2022 in this consolidated financial statement have been restated accordingly.

4. Material information for the 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.

As a result of the initial application of IFRS 17 Insurance Contracts, the Group presents one comparative period. 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 2023. 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 2023, 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 2023, 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, 2023, 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 2024, 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.

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 Group, 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 17.

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 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.

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 4.5 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.

The selected materiality threshold for the Group's intangible assets is BGN 700.

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 excluding aircraft (aircraft group) 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	25-61 years
- Machines	3-5 years
- Fixtures and fittings	4 to 25 years
- Vehicles	4 to 10 years
- Aircrafts	up to 30 years
- Engines	12 years
- Marine vessels	up to 71 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.

The materiality threshold selected for the Group's property, plant and equipment is BGN 700.

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 intangible assets, property, plant and equipment

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 impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss" (ECL) 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 4.35.1.

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 Managing 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 Group 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 Managing 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 2023 represent 0.86% of the assets of the funds (31 December 2022: 0.78%).

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. Accounting treatment of insurance and reinsurance contracts — Non-life insurance

4.32.1. Separation of components from insurance and reinsurance contracts

The Group evaluates its non-life insurance and reinsurance products to determine whether they contain separate components that should be accounted for under another IFRS instead of IFRS 17.

After the separation of all separate components, the Group applies IFRS 17 to all other components of the main insurance contract. Under Automobile Casco insurance, the Company has determined the coverage under the main insurance contract for Casco Assistance as a separate component and reports it separately in accordance with the requirements of IFRS 15.

Some reinsurance contracts issued contain commission agreements. Under these arrangements, there is a minimum guaranteed amount which the policyholder will always receive — either in the form of a commission or as claims, or any other contractual payment, regardless of the insured event. The minimum guaranteed amounts are measured as highly interrelated with the insurance component of reinsurance contracts and are therefore non-separate investment components that are not accounted for separately.

4.32.2. Level of aggregation

IFRS 17 requires the Group to set a level of aggregation for the application of its requirements. Previously, the Group had applied aggregation levels as required by national legislation. The level of aggregation for the Group is first determined by dividing the business recorded into portfolios. Portfolios consist of groups of contracts with similar risks that are managed together.

The following table presents the direct business groups that the Group has formed and their correspondence with Solvency II business lines:

Solvency II business lines	Groups according IFRS 17
Medical expense insurance and proportional reinsurance	Not available
Income protection insurance and proportional reinsurance	Income protection insurance
	Proportional reinsurance in relation to income protection

Workers' compensation insurance and proportional reinsurance	Workers' compensation insurance and proportional reinsurance
Motor vehicle third party liability insurance and proportional reinsurance	MTPL insurance
	Carrier's liability
Other motor insurance and proportional reinsurance	Other motor insurance
	Proportional Other motor reinsurance
Marine, aviation and transport insurance and proportional reinsurance	
including Aviation Casco	Aviation insurance
including Third Party Liability Aviation	
including Marine liability	Marine insurance
including Third Party Liability Marine	
including Carriers Liability	Transport insurance
	Proportional Sea, Aviation and Transport Reinsurance
Fire and other damage to property insurance and proportional reinsurance	Property insurance
	All the risks of the entrepreneur
	Agricultural crops
	Proportional Property reinsurance against fire and other disasters
General liability insurance and proportional reinsurance	General liability insurance
	Professional responsibility of the participants in construction
	Proportional reinsurance in respect of general liability insurance
Credit and guarantees	Credit and guarantees insurance
Legal expenses insurance and proportional reinsurance	not available
Assistance and proportional reinsurance	Assistance
Miscellaneous financial losses insurance and proportional reinsurance	Miscellaneous financial losses insurance
Non-proportional health insurance reinsurance	Non-proportional health reinsurance
	Non-proportional accident reinsurance
Non-proportional liability reinsurance	Not available
Non-proportional marine, aviation and transport reinsurance	Non-proportional marine, aviation and transport reinsurance
Non-proportional property reinsurance	Non-proportional property reinsurance

Portfolios are further separated based on expected profitability at the beginning into three categories: onerous contracts, contracts without significant risk of becoming onerous and the rest. This means that for determining the level of aggregation, the Group identifies the contract as the smallest "unit", i.e. the lowest common denominator. The Group did not identify onerous groups of contracts, assuming that no contracts in the portfolio were onerous on initial recognition.

However, the group assesses whether a series of contracts should be considered together as a whole on the basis of reasonable and accessible information, or whether a single contract contains components that need to be separated and treated as stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered to be a contract for other purposes (i.e. legal or managerial).

IFRS 17 also requires that no group for aggregation level purposes may contain contracts issued more than one year apart.

The Group applies a retrospective approach for the transition to IFRS 17.

Portfolios are further separated by year of issue and profitability for recognition and measurement purposes. Therefore, within each year of issue, the portfolios of contracts are divided into three groups as follows:

- Group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, on initial recognition, do not have a significant possibility of subsequently becoming onerous (if any)
- Group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed through actuarial valuation models that take into account existing and new businesses.

For contracts that are not onerous, the Group assesses at initial recognition that there is no significant possibility of subsequently becoming onerous by assessing the likelihood of changes in the applicable facts and circumstances. The group shall take into account the facts and circumstances in order to determine whether a group of contracts are onerous on the basis of:

- Price information
- Results of similar contracts it has recognised
- Environmental factors, e.g. change in market experience or regulations

The Group separates portfolios of reinsurance contracts by applying the same principles set out above, except that references to onerous contracts refer to contracts for which there is a net gain on initial recognition. For some groups of reinsurance contracts that are held, the Group may consist of a single contract.

The grouping of the purchased reinsurance was carried out on the basis of homogeneous groups of risks and type of reinsurance contract:

Reinsurance groups
Non-proportional reinsurance - Workers' compensation insurance
Proportional reinsurance - Other motor vehicle insurance
Reinsurance of catastrophic risks - Other motor vehicle insurance
Facultative reinsurance - Other motor vehicle insurance
Facultative Reinsurance - Aviation Insurance
Facultative Reinsurance - Marine Insurance
Proportional reinsurance - Marine insurance
Reinsurance of catastrophic risks - Marine insurance
Facultative reinsurance – Cargo
Reinsurance of catastrophic risks – Cargo
Proportional reinsurance – Cargo
Proportional reinsurance - Property insurance
Proportional reinsurance - Entrepreneur's risks
Reinsurance of catastrophic risks - Property insurance
Facultative reinsurance - Property insurance
Proportional reinsurance - MTPL material claims
Proportional reinsurance - MTPL non-material claims
Non-proportional reinsurance - MTPL
Proportional reinsurance - Carrier's liability
Non-proportional reinsurance - General third party liability
Facultative reinsurance - General third party liability

4.32.3. Recognition

The Group recognises groups of insurance contracts it issues from the date of their conclusion, assuming that the first premium payment is due on the date of conclusion of the contract.
The Group shall recognise a group of reinsurance contracts it has entered into from the earlier of the following dates:

- The beginning of the guarantee period of the group reinsurance contracts. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date on which each major insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held)

and

- The date on which the Group recognises an onerous group of major insurance contracts if it has entered into the related reinsurance contract held in the group of reinsurance contracts held on or before that date.

The Group adds new contracts to the group during the reporting period in which this contract meets one of the criteria mentioned above.

4.32.4. Limits of the contract

The Group shall include in the measurement of a group of insurance contracts all future cash flows within each contract in the group. Cash flows are within the limits of the insurance contract if they arise from material rights and obligations that exist during the period during which the Group may compel the policyholder to pay the premiums or in which the Group has a material obligation to provide the policyholder with insurance contract services. The substantive legal obligation to provide services under an insurance contract ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can determine a cost or level of benefits that fully reflect those risks.

or

Both of the following criteria are met:

- The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- Pricing premiums up to the date on which risks are revalued shall not take into account risks relating to periods after the date of revaluation.

A liability or asset associated with expected premiums or claims outside the limits of the insurance contract is not recognised. These amounts relate to future insurance contracts.

4.32.5. Measurement – Premium allocation approach

	IFRS 17 Options	*Approach adopted*
Premium Allocation Approach (PAA) Eligibility	Subject to certain criteria, the PAA can be adopted as a simplified approach to the general model of IFRS 17	The coverage period for insurance contracts is one year or less and so qualifies automatically for PAA. Miscellaneous Financial Losses and Guarantees include contracts with a coverage period greater than one year. However, there is no significant difference in the assessment of the remaining coverage

		obligation between the PAA and the general model, which is why they qualify for the PAA.
Cash flows for the acquisition of insurance for issued insurance contracts	When the coverage period of all contracts within a group is no longer than one year, the cash flows for the acquisition of insurance can either be accounted for as costs as incurred or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise as a result of renewal) and then amortized during the coverage period. of the associated group. For groups containing contracts longer than one year, cash flows from insurance acquisition must be allocated to related groups of insurance contracts and depreciated over the coverage period of the related group.	For all insurance, cash flows on insurance acquisition are allocated to related groups of insurance contracts and depreciated over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and the time value of money	Where there is no significant financing component in relation to LRC or where the time between the provision of each part of the services and the relevant maturity date of the premium is not more than one year, the Company shall not be obliged to make an adjustment for the accumulation of interest on the LRC.	There is no allowance as premiums are earned within one year of the coverage period.
Liability for Incurred Claims (LIC), adjusted for the time value of money	Where liabilities are expected to be repaid within one year from the date of incurrence, it is not required to adjust those amounts for the time value of money.	For all groups, cash flows are adjusted for the time value of money.
Financial income and expenses from insurance	There is an option to disaggregate part of the movement in the LIC as a result of changes in discount rates and a presentation of this in the Other Comprehensive Income (OCI).	For all, the change in LIC resulting from changes in discount rates is reflected in profit or loss.

4.32.6. Insurance contracts – initial measurement

The Group applies the Premium Allocation Approach (PAA) to all non-life insurance contracts it issues and reinsurance contracts it holds, such as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract.

or

- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the liability assessment for remaining coverage for the group containing those contracts under the PAA does not differ materially from the assessment that would be made in applying the common model. In assessing materiality, the Group also took into account qualitative factors such as the nature of the risk and the types of activities.

The group does not apply the PAA if, at the beginning of the group of contracts, it expects significant variability in fulfilment cash flows that would affect the liability for the remaining coverage in the period before the claim arises. Variability in fulfilment cash flows increases, for example, by:

- The extent of future cash flows related to derivatives embedded in contracts
- The length of the coverage period of the group of contracts

For a group of contracts that are not onerous on initial recognition, the Group measures the obligation for remaining coverage as:

- Premiums, if any, received at initial recognition
- Less the cash flows from insurance acquisition at that date, except for contracts that are one year or less where this is an expense,
- Plus or minus any amount arising from the write-off at that date of a cash-flow asset to acquire insurance; and
- Any other asset or liability previously recognised for cash flows relating to the group of contracts that the Company pays or receives prior to the recognition of the group of insurance contracts.

No allowance for the time value of money applies as premiums are earned within one year of the coverage period.

When facts and circumstances indicate that the contracts are onerous on initial recognition, the Group conducts further analysis to determine whether a net outflow is expected from the contract. Such onerous contracts are grouped separately from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the cash flows to perform.

4.32.6.1. Reinsurance contracts held – initial measurement

The group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as the insurance contracts it issues. However, they are adapted to reflect characteristics of reinsurance contracts held that differ from insurance contracts issued, such as the generation of expenses or the reduction of costs rather than revenue.

When the Group recognises a loss on the initial recognition of an onerous group of underlying insurance contracts or when additional onerous underlying insurance contracts are added to the group, the Group shall establish a loss recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group shall calculate the loss/recovery component by multiplying the loss recognised under the underlying insurance contracts and the percentage of claims on the underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. The group shall use a systematic and rational method to determine the proportion of losses recognised in the group on insurance contracts covered by the group of reinsurance contracts held when some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss recovery component adjusts the carrying amount of the asset for the remaining cover.

4.32.6.2. Insurance contracts – subsequent measurement

The group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as a liability for remaining coverage at the beginning of the period:

- Plus the premiums received during the period

- Less insurance acquisition cash flows, excluding indirect insurance cash flows that the Group chooses to account for as costs when incurred
- Plus any amounts related to the amortisation of insurance acquisition cash flows recognised as an expense during the period for the group
- Plus any adjustment to the funding component, where applicable
- Less the amount recognised as insurance income for services rendered during the period
- Less any investment component paid or transferred to claims incurred liability

The group evaluates the liability for claims incurred as fulfilment cash flows related to claims incurred. Execution cash flows shall include in an impartial manner all reasonable and credible information available without undue expense or effort as to the amount, timing and uncertainty of those future cash flows, reflect current estimates from the Company's perspective and include an explicit adjustment for non-financial risk (adjustment for risk).

The group adjusts future cash flows for the time value of money and the effect of financial risk on the liability measurement of claims incurred.

When, during the coverage period, facts and circumstances show that a group of insurance contracts is onerous, the Company shall recognise a loss in profit or loss on net outflow resulting in the carrying amount of the obligation for the group being equal to the fulfilment cash flows.

4.32.6.3. Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held shall follow the same principles as those for issued insurance contracts and shall be adapted to reflect the specific characteristics of the reinsurance contracts held.

Where the Company has identified a loss recovery component, the Company subsequently reduces the loss recovery component to zero in line with the reductions in the onerous group of underlying insurance contracts to reflect that the loss recovery component does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of holdings reinsurance contracts.

4.32.6.4. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, signing and initiating a group of insurance contracts (issued or expected to be issued) that are directly related to the portfolio of insurance contracts to which the group belongs.

The group uses a systematic and rational method of allocating:
(a) Cash flows from insurance acquisitions directly attributable to a group of insurance contracts:
(i) to this group; and
(ii) groups that include insurance contracts that are expected to arise from the renewal of insurance contracts in that group.
(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that cannot be assigned directly to a group of contracts to groups in the portfolio.
When insurance acquisition cash flows are paid or arose before the related group of insurance contracts is recognised in the statement of financial position, a separate asset is recognised for each related group for the insurance acquisition cash flows.

4.32.6.5. Insurance contracts – amendment and write-off

The group writes off insurance contracts when:

- Rights and obligations relating to the contract are extinguished (i.e. released, cancelled or expired)

or

- The contract is amended so that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, changes the contractual boundary materially or requires the modified contract to be included in another group. In such cases, the Group derecognises the original contract and recognises the modified contract as a new contract.

Where an amendment is not treated as a derecognition, the Group shall recognise the amounts paid or received for the modification by the contract as an adjustment to the related liability for remaining cover.

4.32.7. Presentation

The Group has presented separately in the statement of financial position the carrying amount of portfolios of issued insurance contracts that are assets, portfolios of issued insurance contracts that are liabilities, portfolios of reinsurance contracts that are assets and portfolios of reinsurance contracts that are liabilities.

The Group separates the total amount recognised in profit or loss and other comprehensive income into insurance results including insurance income and insurance costs, as well as financial income or expenses arising from insurance.

The Group do not break down the change in the adjustment for non-financial risk between a financial and non-financial part and include the entire change as part of the result from insurance services.

The group shall present separately the revenue or expense of reinsurance contracts from the costs or revenues of issued insurance contracts.

4.32.7.1. Insurance revenue

Insurance revenue for the period is the amount of expected premium receipts (excluding the investment component) allocated to the period. The group allocates the expected premium receipts to each period of services under the insurance contract based on the past time. The expected pattern of risk release during the coverage period is not significantly different from the elapsed time, which does not imply that the allocation is made on the basis of the estimated time of the costs incurred for insurance services.

The group changes the basis for allocation between the two above methods, if necessary, if facts and circumstances change. The change is taken into account prospectively as a change in an accounting estimate.
For the periods presented, all revenue is recognised on the basis of the passage of time.

4.32.7.2. Loss components

The Group assumes that no contracts are onerous at initial recognition, unless the facts and circumstances indicate otherwise. Where this is not the case and if, at any time during the coverage period, the facts and circumstances stated in a note indicate that a group of insurance contracts is onerous, the Company shall establish a loss component as an excess of the fulfilment cash flows that relate to the group's remaining coverage over the carrying amount of the remaining coverage obligation of the group. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

4.32.7.3. Loss Recovery Components

When the Group recognises a loss on initial recognition of an onerous group of major insurance contracts or when additional onerous underlying insurance contracts are added to the group, the Group shall establish a loss recovery component of the remaining coverage asset for a group of reinsurance contracts held reflecting the expected recovery of losses.

The loss recovery component shall subsequently be reduced to zero in line with reductions in the burdensome group of underlying insurance contracts to reflect that the loss recovery component does not exceed the portion of the carrying amount of the loss component of the burdensome group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

4.32.7.4. Insurance finance income and expenses

Financial income or insurance expenses shall include the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money over time and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group does not separate financial income and expenses because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

4.32.7.5. Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered by reinsurers and an allocation of reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contract as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

4.33. Summary of significant accounting policies for insurance and reinsurance contracts - Life Insurance

4.33.1. Summary of measurement approaches

The Group uses a cash flow model (known as General) to measure all types of insurance contracts as well as purchased reinsurance contracts.

The group shall not have reinsurance contracts issued by it to compensate another undertaking for claims arising out of one or more insurance contracts issued by that other undertaking.

4.33.2. Definition and classification

Insurance contracts are contracts under which the Group assumes significant insurance risk by agreeing to compensate the policyholder if a particular uncertain future event adversely affects the policyholder. In making this assessment, all essential rights and obligations, including those arising under a law or regulation, are considered on a contract-by-contract basis.

The Group assesses whether a contract transfers insurance risk (ie whether there is a scenario of commercial substance in which the Company would suffer a loss on a present value basis) and whether the insurance risk assumed is significant.

The Group concludes the following types of insurance contracts:

Life insurance, which includes:

- insurance only for reaching a certain age;
- death insurance only;
- insurance for reaching a certain age or for earlier death;
- life insurance with premium returns.

Additional insurance:

Insurance taken out in addition to life assurance, and in particular:

- insurance against personal injury, including incapacity for work;
- insurance against death caused by an accident;
- insurance against invalidity caused by accident or illness;

***Accident insurance (including accidents at work and occupational* diseases) comprising:**

- Fixed monetary amounts;
- Benefits;
- A combination of the two.

Sickness insurance, including:

- Fixed monetary amounts;
- Benefits;
- A combination of the two.

The group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk arising from the insurance part of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

4.33.3. Level of aggregation of insurance contracts (Reporting units)

When aggregating insurance contracts, the Group defines portfolios of insurance contracts. Each portfolio includes contracts that are subject to similar risks and managed together. The portfolio of insurance contracts issued shall be divided into at least:

- A group of contracts which, on initial recognition, are onerous, if any;
- A group of contracts in respect of which, on initial recognition, there is no significant possibility of becoming subsequently onerous, if any; and
- A group of the remaining contracts, if any.

The group shall not include in the same group contracts between the issue of which more than one year has elapsed. These groups represent the level of summary at which insurance contracts are initially recognised and valued. Subsequently, the groups are not reviewed.

For each portfolio of contracts, the Group shall determine the appropriate level at which reasonable and reasoned information is available to assess whether those contracts are onerous at initial recognition and whether non-onerous contracts have a significant likelihood of becoming onerous. This level of detail defines a set of contracts. The Group uses signifiacnat judgement to determine at what level of detail the Group has reasonable and supported information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without individual assessment of the contract.

Portfolios of purchased reinsurance contracts are grouped separately from insurance contracts issued. Applying the requirements for grouping of reinsurance contracts concluded, the Group brings together reinsurance contracts concluded within one calendar year (annual cohorts) into groups of

(i)contracts that have net gain on initial recognition, if any;
(ii)contracts which, on initial recognition, are not materially likely to have a net profit arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts are assessed for the requirements for aggregation at the individual contract level. The Group tracks internal management information reflecting historical experience of the profitability of similar contracts. This information is used to determine the prices of those contracts so as to result in reinsurance contracts being concluded held under a net cost item without significant margin of net profit arising subsequently.

The transition approach that the Group applies is the modified retrospective approach.

Before the Group accounts for an insurance contract based on the requirements of IFRS 17, it analyses whether the contract contains components that need to be separated. IFRS 17 distinguishes three categories of components that should be accounted for separately:

- cash flows related to embedded derivatives that are required to be segregated;
- cash flows related to identifiable investing components; and
- commitments to transfer goods or non-insurance services.

The Group applies IFRS 17 to all other components of the contract. The Group has no contracts that require further separation or combination of insurance contracts.

4.33.4. Recognition and derecognition

4.33.4.1. Recognition

Groups of insurance contracts issued shall initially be recognised at the earliest of the following dates:
- the beginning of the coverage period;
- the date on which the first payment is due or actually received by the policyholder, if no date is due; and
- where the Company determines that a group of contracts becomes onerous.

A group of reinsurance contracts that cover losses on separate insurance contracts on a pro rata basis (proportional or quota reinsurance) shall be recognised at the latest of the following dates:
- the beginning of the coverage period of the group; or
- the initial recognition of any of the underlying insurance contracts.

The Group does not recognise a group of purchased reinsurance contracts on a quota basis until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts concluded that covers aggregate losses from underlying contracts above a certain amount (Non-proportional reinsurance contracts such as XS loss) is recognised at the beginning of that group's coverage period.

Only contracts that meet the recognition criteria at the end of the reporting period are included in the groups. When contracts meet the criteria for recognition in groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to annual cohorts. The composition of the groups shall not be reviewed in subsequent periods.

4.33.4.2. Modifications and contract write-off

An insurance contract is written off when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is fulfilled or cancelled); or
- the contract has been modified and certain additional criteria are met.

The Group writes off an insurance contract from a group when applying the following requirements:
- Fulfilment cash flows are adjusted to eliminate the present value of future cash flows and the adjustment for risk for non-financial risk associated with rights and obligations that have been derecognised by the group.
- The margine of the group's contractual service is adjusted to reflect the change in fulfilment cash flows, respectively, the loss component is modified.
- The number of units covered for expected remaining services under an insurance contract

shall be adjusted to reflect the covered units that have been written off from the group.

If the terms of an insurance contract are modified as a result of an agreement with the counterparties or because of a change in regulations, the Group treats changes in cash flows caused by the change as changes in estimates of fulfilment cash flows, unless the conditions for derecognition of the original contract are met.

The Group terminates the recognition of an original contract and recognises the modified contract as a new contract if any of the following conditions are met:

- If the changed terms were included when the contract is issued and the Group would conclude that the modified contract: is not within the scope of IFRS 17, results in different identifiable components, results in a different contract boundary or belongs to a different group of contracts.
- The original contract is an insurance contract with direct incremental benefit characteristics, but the modified contract no longer meets that definition, or vice versa;
- The original contract was reported according to the Premium Allocation Approach, but the change means that the contract no longer meets the criteria for applying this approach.

4.33.5. Measurement

4.33.5.1. Initial measurement

The Group applies the so-called General Model for the measurement of the issued insurance contracts. On initial recognition, the Group measures a group of insurance contracts at the total amount of:

- Fulfilment cash flows, which include:
  - Estimates of future cash flows, which include in an unbias manner all reasonable and reasoned information about the amount, timing and uncertainty of those cash flows.
  - the adjustment reflecting the time value of money and the financial risks associated with future cash flows; and
- The adjustment for risk in respect of non-financial risk to reflect the compensation that the Group requires to bear the uncertainty arising from non-financial risks as to the amount and timing of cash flows.
- The margine of the agreed service, which is the unearned profit that the entity will recognise when it provides services under an insurance contract in the future.

4.33.5.2. Subsequent measurement

The carrying amount at the end of each reporting period of a group of insurance contracts issued and reinsurance contracts held shall be the sum of:

- Remaining cover liability (LRC) consisting of:
  - the fulfilment cash flows associated with the future service (including a risk adjustment) allocated to that group at the date; and
  - contractual service margin (CSM) of the group on that date; and
- The liability for incurred claims relating to a past service allocated to the group on that date. It represents the Group's obligation to pay valid claims for insurance events that have already occurred, including events that have occurred but for which claims and other insurance expenses have not been reported.

The Group recognises income and expense for the following changes in the carrying amount of the liability for remaining coverage:

- Insurance revenue – to reduce the liability for remaining coverage as a result of the services provided during the period;
- Insurance service expenses, for losses relating to groups of onerous contracts, and the repayment of such losses; and
- Insurance finance income or expenses – about the effect of the time value of money and the effect of financial risk.

The Group recognises income and expenses for the following changes in the carrying amount of the liability for claims:

- Insurance service expenses – for the increase of the liability due to claims and expenses incurred during the period;
- Insurance service expenses – for any subsequent changes in the execution cash flows related to claims and incurred expenses; and
- Insurance finance income or expense – about the effect of the time value of money and the effect of financial risk.

4.33.5.3. Fulfilment Cash Flows

4.33.5.3.1. Fulfilment cash flows within the contract boundaries

Fulfilment cash flows (FCF) are current estimates of future cash flows within the contract for a group of contracts that the Company expects to collect from premiums and pay for claims and expenses, adjusted to reflect the timing and uncertainty of those amounts.

Estimates of future cash flows:

- are based on a weighted average probability of the full spectrum of possible outcomes;
- be defined from the point of view of the Group, provided that the forecasts correspond to the observed market prices for market variables; and
- reflect the conditions existing at the date of the assessment.

Estimates of future cash flows are adjusted using current discount rates to reflect the time value of money and the financial risks associated with those cash flows if this is not already reflected in the cash flow estimates. Discount rates reflect the characteristics of cash flows arising from groups of insurance contracts, including terms, currency and cash flow liquidity. Determining the discount rate, which reflects the cash-flow characteristics and liquidity characteristics of insurance contracts, requires significant judgment and valuation.

In assessing reinsurance contracts, the probability-weighted present value of future cash flows includes potential credit losses and other disputes by the reinsurer that reflect the norisk of default of the reinsurer.

The group evaluates some of the fulfilment cash flows at the portfolio or higher level and then allocates them to groups of contracts.

The group uses consistent assumptions to measure the estimate of the present value of future cash flows for a group of purchased reinsurance contracts and such estimates for the groups of major insurance contracts.

4.33.5.3.2. Contract boundary

The Group uses the concept of contract framework to determine which cash flows should be considered when assessing groups of insurance contracts. This estimate shall be reviewed each reporting period.

Cash flows are within the boundaries of the insurance contract if they arise from rights and obligations that exist during the period in which the policyholder is required to pay premiums or the Group has an inherent obligation to provide insurance coverage or other services to the insured.

An essential obligation ends when:

- The group has the practical ability to change the cost of a policyholder's risks or to change the amount of benefits so that the price fully reflects those risks; or
- Both of the following criteria are met:
    - The company has the practical ability to change the price of the contract or portfolio of contracts so that the price fully reflects the revalued risk of that portfolio; and
    - The pricing of premiums linked to cover up to the date when risks are revalued does not reflect the risks associated with periods after the date of revaluation.

In determining the practical ability to change the price, account shall be taken of the risks transferred by the policyholder to the Group, such as insurance risk and financial risk; Other risks, such as the risk of early termination, due to non-payment of premiums due or at the initiative of the insured and the risk of the amount of costs, are not included.

Additional coverage (riders) to a basic insurance policy that provides additional coverage to the policyholder for an additional premium and is issued together with the underlying insurance contracts is part of a single insurance contract with all cash flows within its boundaries.

Cash flows beyond the boundary of insurance contracts are attributable to future insurance contracts and are recognised when those contracts satisfy the recognition criteria.

For groups of purchased reinsurance contracts, cash flows are within the boundaries of the contract if they arise from the Group's substantive rights and obligations that exist during the reporting period in which the Group is required to pay amounts to the reinsurer or in which the Group has an integral right to receive services from the reinsurer.

Cash flows that are not directly related to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses when incurred.

4.33.5.3.3. Aquisition Cash Flows (or cash flows for acquisition of insurance contracts)

The Group includes the following acquisition cash flows within the boundary of the insurance contract that arise from the sale, issue and initiation of a group of insurance contracts, and these are:

a) costs directly related to individual contracts and groups of contracts; and

b) costs directly attributable to the portfolio of insurance contracts to which the group belongs and shall be allocated on a reasonable and consistent basis for the measurements of the group of insurance contracts.

Before a group of insurance contracts is recognized, the Company may have paid acquisition costs directly related to their issue. When such prepaid costs are recoverable, in the event of termination of insurance contracts, they are recorded as an asset of deffered acquisition cash flows within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

4.33.5.4. Adjustment for non-financial risk

The adjustment for non-financial risk shall be applied to the present value of expected future cash flows and shall reflect the compensation that the Group requires to accept uncertainty about the amount and timing of non-financial risk cash flows when the Group performs insurance contracts.

For purchased reinsurance contracts, the adjustment of non-financial risk represents the amount of risk transferred by the Group to the reinsurer.

4.33.5.5. Contracted service margin

The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts issued, representing the unrealised profit that the Group will recognise when it provides future coverage.

In the case of initial recognition, the CSM is the amount that does not result in income or expense (unless a group of contracts is onerous) arising from:

- the initial recognition of fulfilment cash flows;
- derecognition at the date of initial recognition of any asset or liability recognised as cash flows; and
- cash flows arising from contracts in the Group at that date.

A negative CSM at the date of issue means that the group of insurance contracts concluded is onerous. The loss on onerous insurance contracts is recognised immediately in profit or loss and the CSM is not recognised in the balance sheet on initial recognition.

For groups of purchased reinsurance contracts, any net gain or loss on initial recognition is recognised as an CSM unless the net purchase cost of the reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For purchased reinsurance contracts, the CSM represents a deferred gain or loss that the Group will recognise as reinsurance expense when it receives reinsurance coverage in the future.

For acquired insurance contracts on initial recognition, an CSM is an amount that does not result in income or expense arising from:

- the initial recognition of fulfilment cash flows; and
- cash flows arising from contracts in the group at that date, including the fair value of groups of contracts acquired at the acquisition date as a substitute for premiums received.

There are no acquired contracts that are defined as onerous.

4.33.5.6. Changes in fulfilment cash flows

FCF are updated by the Group based on current assumptions at the end of each reporting period using current projections of the amount, timing and uncertainty of future cash flows and discount rates.

The way in which changes in FCF judgments are treated depends on which assumption is updated:

- changes relating to a current or past service are recognised in profit or loss; and
- changes related to a future service are recognized by adjusting the CSM or loss component in Remaining Coverage Liabilities according to the policy below.

For insurance contracts under the General Model, the following adjustments relate to future services and thus adjust the CSM:

- experience adjustments arising from premiums received during the period that relate to future services and related cash flows, such as acquisition cash flows;
- changes in the estimates of the present value of future cash flows in the LRC, except as described in the following paragraph;

- differences between each investment component expected to be payable during the period and the actual investment component that becomes payable for the period; and
- changes in the adjustment for non-financial risk related to a future service.

The first three adjustments are calculated using the locked discount rates as described below.

For insurance contracts under the General Model, the following adjustments are not related to a future service and therefore do not lead to adjustments to the CSM:

- changes in the FCF for the time value of money and the effect of financial risk and changes in it;
- changes in FCF related to LIC; and
- adjustments for experience relating to the expenses for insurance services (excluding cash flow allowances).

4.33.5.7. Change in the Contract service margine

For insurance contracts issued at the end of each reporting period (which the Group defines as a three-month interim period), the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

(a) The effect of any new contracts added to the group.

(b) For contracts valued under the General Model, interest is charged on the carrying amount of the CSM.

(c)Changes in FCF related to a future service are recognised through an adjustment to the CSM. Changes in FCF are recognised in the CSM to the extent that the CSM is available. When the increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero and the excess is recognised in the expenses for insurance services and a component of the loss within the LRC is recognised. When the CSM is zero, changes in the FCF adjust the loss component within the LRC, recording the costs of insurance services accordingly. The excess of any reduction in the FCF over the loss component reduces the loss component to zero and restores the CSM.

(d) The effect of any currency differences.

(e)The amount recognised as insurance revenue for services rendered in the period determined after any other adjustments above.

For a group of reinsurance contracts concluded, the carrying amount of the CSM at the end of each reporting period shall be adjusted to reflect changes in FCF in the same way as the group of underlying insurance contracts issued, except that, where the underlying contracts are onerous and thus changes in basic FCF relating to a future service are recognised in insurance expenses by adjusting the loss component, relevant changes in the FCF of reinsurance contracts are also recognised in the result of insurance services.

Accrual of interest on the CSM

Under the General Model, interest is charged on the CSM using discount rates set at initial recognition, which are applied to nominal cash flows that do not vary according to the return on the underlying instruments (locked discount rates).

Adjustment of the CSM for changes in FCF related to future services

The CSM is adjusted for changes in FCF estimated by applying discount rates and as outlined above in the section Changes in fulfilment cash flows.

Release of the CSM into profit or loss

The amount of the CSM recognised in profit or loss for services during the period is determined by the allocation of the CSM remaining at the end of the reporting period between the current and the remaining expected coverage period of the group of insurance contracts on a coverage unit basis.

For issued contracts, the Group defines the coverage period for the recognition of the CSM for issued term and universal life insurance contracts so that it corresponds to the coverage of the policy.

The total number of units of coverage in the group is the amount of coverage provided by contracts in the group during the expected coverage period. Coverage units are determined at the end of each reporting period taking into account the risk profile of each policy (net cash flows), taking into account the expected duration of contract coverage and the respective probabilities used for the calculation of the FCF.

The group uses the amount it expects the policyholder to be able to reasonably assert claims for each period if an insured event occurs as the basis for the amount of benefits. The Company takes into account the type of product for example, products with a fixed sum insured amount or, for example, credit insurances reflecting the expected reduction in the remaining balance of a loan, as well as the type of coverage.

The group reflects the time value of money in allocating the CSM to units of coverage.

For purchased reinsurance contracts, the CSM is released in profit or loss upon receipt of services from the reinsurer during the period.

Onerous contracts – component of loss

When adjustments to a reduction in the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance expenses and records it as a loss component in the LRC.

Where a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the relevant group of contracts based on the ratio of the loss component to the FCF in relation to expected future cash flows:
(a) expected claims and expenses incurred for the period;
(b) changes in the non-financial risk adjustment for the expired risk; and
(c) financial income (expenses) from insurance contracts issued.
The amount of the allocation of the loss component in (a) and (b) above reduces the relevant components of insurance income and is reflected in insurance expenses.
The reduction of the CSM in subsequent periods reduces the remaining loss component and restores the LRC once the loss component falls to zero. An increase in CSM in subsequent periods increases the loss component.

4.33.6. Amounts recognised in comprehensive income

4.33.6.1. Result from insurance services from insurance contracts issued

Insurance revenue

Because the Group provides services from a group of insurance contracts, it reduces LRC and recognises insurance revenue. The amount of insurance revenue recognised during the period shall show the transfer of promised services in an amount that reflects the proportion of the consideration that the Group expects to receive in exchange for those services.

For contracts that are not valued under the PAA, insurance revenue includes the following:

- Amounts related to changes in LRC:

a. Insurance claims and expenses for the period, measured at the amounts expected at the beginning of the period, excluding:
- amounts relating to the loss component;
- payment of investment components;
- amounts for premium taxes collected by the company in their role as an intermediary; and
- insurance aquisition costs;

b. changes in the adjustment for non-financial risk, with the exception of:
- changes included in insurance financial income (expenses);
- changes related to future coverage (which adjust the CSM); and
- amounts allocated to the loss component;

c. amounts of the CSM recognised in profit or loss for services rendered during the period; and

d. experience adjustments arising from premiums received during the period that relate to past and current services and related cash flows such as acquisition cash flows.

The recovery of acquisition cash flows is determined by allocating the portion of premiums associated with the recovery of those cash flows based on the passage of time to the expected coverage of the group of contracts.

Insurance services expenses

The insurance services expenses includes the following:

a. claims and benefits arising excluding the investment components;
b. other direct acquisition costs incurred for insurance services;
c. depreciation of aquisition cash flows;
d. changes related to a previous service (i.e. LIC-related FCF changes); and
e. changes related to future service (ie losses or their reversal for onerous contracts on changes in loss components).

For contracts that are not measured under the PAA, the amortisation of the acquisition cash flows is reflected in insurance expenses by the same amount as the recovery of the acquisition cash flows reflected in insurance revenue as described above.

Other expenses that do not meet the above categories are included in other operating expenses in the profit or loss statement and other comprehensive income.

4.33.6.2. Result of purchased reinsurance contracts

The Group presents the financial results of groups of purchased reinsurance contracts on a net basis in net income/(expense) from purchased reinsurance contracts, including the following amounts:

a) reinsurance expenses;
b) reimbursement of claims that have arisen;
c) other direct costs of insurance services;
d) the effect of changes in the risk of default of reinsurers;
e) changes related to a future service (i.e. changes to FCF that do not adjust the CSM for the underlying insurance contract group); and
f) changes related to a past service (i.e. corrections of claims that have arisen).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance costs recognised during the period indicates the transfer of services received in an amount that reflects the portion of ceded-in premiums that the Group expects to pay in exchange for those services.

For contracts that are not valued under the PAA, the cost of reinsurance shall include the following amounts related to changes in remaining coverage:

a) reimbursement of claims and other expenses during the period, measured by amounts expected to arise at the beginning of the period, without repayment of investment components;

b) changes in the adjustment for non-financial risk, with the exception of:

- changes included in financial income (expenses) from reinsurance contracts; and
- changes related to future coverage (which adjust the CSM);

c) amounts of the CSM recognised in profit or loss for services received during the period; and

d) ceded premiums on adjustments for experience relating to past and current services.

Ceding commissions, which do not depend on claims under the main contracts issued, reduce ceded premiums and are recorded as part of the expenses for reinsurance.

4.33.6.3. Insurance financial income and expenses

Insurance financial income or expense includes the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the value of money over time and changes in the time value of money; and
b) the effect of financial risk and changes in financial risk.

For contracts valued under the GM, the basic amounts within the limits of insurance financial income or expenses are:

a) accrued interest on FCF and CSM;
b. the effect of changes in interest rates and other financial assumptions; and
c. currency differences arising from contracts denominated in foreign currency.

The Group distinguishes changes in the adjustment for non-financial risk between the result of insurance services and insurance financial income or expenses.

Groups of insurance contracts, including CSM, that generate foreign currency cash flows are treated as monetary assets or liabilities.

4.34. 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.

4.35. 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 4.36.

Management bases its judgments, estimates and assumptions on historical experience and various other factors, including expectations of future events that management believes are reasonable under the circumstances. The resulting accounting judgments and estimates will rarely equal the related actual results. Judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

4.35.1. 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.

4.35.2. 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.

4.35.3. 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.

4.35.4. 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 2023 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.

4.35.5. 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.

4.35.6. 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.

4.35.7. Insurance contracts

The new standard IFRS 17 Insurance Contracts, effective from 1 January 2023, requires the application of an measurement model under which judgements are based on a significant volume of historical inputs and developed expectations of future cash flows for groups of insurance contracts that are reviewed at each reporting period.

4.36. 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.

4.36.1. 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 23 737 thousand (2022: BGN 37 thousand), in order to reduce the carrying amount of goodwill to its recoverable amount (see note 12).

4.36.2. 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).

4.36.3. 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 51.1).

4.36.4. Useful life of depreciable assets

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

At 31 December 2023 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.

4.36.5. 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 59 105 thousand (2022: BGN 61 331 thousand) is affected by the future service providing and market realization of inventories, note 22.

4.36.6. 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.

4.36.7. 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.

4.36.8. Business combinations

On initial recognition, the assets and liabilities of acquired companies are included in the consolidated statement of financial position with their fair value. In calculating fair value, management uses estimates of future cash flows and discount factors, which may, however, differ from actual results. Any changes in measurement after initial recognition would affect the amount of goodwill. Information on assets and liabilities acquired is provided in an explanatory statement. 6.

4.36.9. Insurance and reinsurance contracts — Non-life insurance

The Group applies a premium allocation approach to simplify the measurement of non-life insurance contracts. In measuring remaining coverage liabilities, the PAA is broadly similar to the previous accounting treatment under IFRS 4. However, when measuring claims liabilities, the Group discounts cash flows that are expected to arise more than one year after the date on which claims arise and includes an explicit adjustment for risk for non-financial risk.

Liability for remaining coverage

Cash flows on insurance acquisition

Cash flows from insurance acquisitions are allocated to related groups of insurance contracts recognised in the statement of financial position (including the groups that will include insurance contracts that are expected to arise from renewal).

The effect of choosing to recognise the cash flows from acquiring insurance as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous loss on the contract. There will be an increased expense in profit or loss in making the expenses, offset by an increase in profit released during the coverage period.

Onerous groups

For groups of contracts that are onerous, the remaining coverage liability is determined by the fulfilment cash flows. Each loss recovery component shall be determined in relation to the loss component recognised under the underlying contracts and the expected recovery of such claims from reinsurance contracts held.

Time value of money

The group does not adjust the carrying amount of the liability for remaining cover.

Liability for incurred claims

The final value of outstanding claims is calculated by using a set of standard actuarial techniques for predicting claims, such as a statistical method (Chain-Pillar Method) based on the development of paid or reprorted claims, as well as a statistical method based on the damage factor (Bornhuetter–Ferguson), which is suitable for assessing obligations by groups with low frequency of events and lack or limited number of claims.

The basic assumption underlying these techniques is that the Group's experience in the development of past claims can be used to design future claims development and therefore for final claims expenses.

These methods extrapolate the development of losses paid and incurred, average claim expense (including claim handling costs) and the number of claims based on the observed development of earlier years and expected loss ratios. The development of historical claims is mainly analysed by year of occurrence, but types of claims can also be further analysed.

The major claims were not separately considered.

An assumption has been made concerning future inflation rates of claims and liquidation costs. Loss coefficient assumptions are used for insurances with low volume or low frequency of events where there is a lack of sufficiently representative data on claims. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off events, changes in external or market factors such as public attitudes towards claims, economic conditions, levels of claims inflation, judgments and legislation, and as internal factors such as a portfolio mix, policy characteristics and claims handling procedures) to arrive at the final estimated value of claims that represent the probability-weighted expected value outcome from the range of possible outcomes, taking into account any associated uncertainties.

Other key circumstances affecting the reliability of assumptions include fluctuations in interest rates, delays in settlement and changes in foreign exchange rates.

Discount rates

The Group adjusts the carrying amount of the liability for claims incurred to reflect the time value of money and the effect of financial risk using discount rates that reflect the cash flow characteristics of the group of insurance contracts on initial recognition. Cash flows are discounted with their respective risk-free interest rate term structure, published by EIOPA, depending on the currency of the liabilities, without an additional illiquidity premium being added to them.

Correction for non-financial risk

The adjustment for non-financial risk is the compensation that the Group requires to bear the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects the amount that the insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value.

The Group assesses the correction for non-financial risk using a confidence level (probability of sufficiency) approach of the 65th percentile. This means that the Group has assessed its uncertainty impartiality for all product lines (as an indication of the compensation it requires for non-financial risk taking) as equivalent to the 65th percentile with a confidence level minus the average of the expected probability distribution of future cash flows. The Group has measured the probability distribution of future cash flows and the additional amount above the expected present value of future cash flows necessary to meet the target rates.

The correction for non-financial risk is calculated using the Bootstrap method in ResQ (actuarial software for calculation of damage reserves) based on the value of paid claims, applied to the entire business and distributed by portfolios based on calculations for each portfolio separately.

4.36.10. Insurance and reinsurance contracts — Life insurance

The group uses cash flow models for all portfolios and for all types of liabilities (LRC, LIC). In preparing the reports, the company assesses future execution cash flows falling within the contractual boundaries. Estimates are current and are weighted with probability for each scenario designed. In weighting with probability, the Group considers all scenarios, reflecting limits and other contractual elements. The Group complies with the requirements for valuations to be relevant to market variables.

Execution cash flows are measured in each future reporting period with a quarterly step. Current information on size and time and in accordance with discount rate assumptions is used. Changes related to current and past periods are reported in income or expenses.

The group used a mortality table in its projections of savings insurance and assumptions on behaviour of dropout policy holders, using a single annual coefficient of 5%.

In deriving the assumptions, own experience is used, and data on the costs that the Group typically makes to conduct its business, using a systematic methodology and unbiasedly using all reasonable and reasoned information, available without unnecessary costs or effort.

The company applies discount curves in calculating the present value of cash flows. To derive discount rates, the company uses a reference portfolio within the meaning of IFRS B81. The portfolios of assets coincide with those used by the European Insurance and Occupational Pensions Authority (EIOPA) to derive discount rates without adjustments (volatility or compliance). These curves correspond to the most liquid assets and, accordingly, the Group does not adjust them for liquidity. It should be noted that with the introduction of IFRS 17, the Group achieved a higher level of correspondence with the other regulatory regime in insurance, namely Solvency 2.

Currently, estimates of the present value of IFRS 17 fulfilment cash flows correspond with the Solvency 2.

For discount rates, at initial recognition of a group, the corresponding curve at the time is used. Since quarterly reports are created cumulatively from the beginning of the year (for each calendar year), an arithmetically-weighted average curve is calculated, which is the result of the four quarterly curves during the year. These curves are used to recognise the CSM.

The Group improved its cash flow models during the period, introducing more precise forecasts and the accompanying assumptions. The new calculation models introduce a projection step of a quarter and thus reduce the discretionary error. The Group can also apply a monthly calculation for greater precision. The Group's expectation is that in the next reports the projected and actual cash flows will be closer. The estimate of the present value of cash flows is made at the said discount rates, reflecting the time value of money, and serve to achieve the objectives of the Standard to separate an insurance result from that of financing insurance (reinsurance) business.

The Group chose an approach to determining the adjustment for risk for non-financial risk to be made in full, i.e. no breakdown is made into a component of insurance services and a financial component of insurance.

The company has made an accounting choice not to break down between financial income and expenses between profit or loss and other comprehensive income.

The level of confidence that the company has adopted is 54%, with a calculation separately for the LRC and the LIC being made for its derivation and a convention of independence between the two types of liabilities has been adopted.

The techniques used are:

For LRC – stochastic butstrap technique using software solution – ICRFS ELRF;

For LIC – an actuarial technique based on a method of moments was used, a standard deviation was derived. For costs (which are also a random quantity, a lumped stress factor and allocation assumption have been used).

The discount curve range is between 2% and 3% for annual spot. A BGN curve is used, which corresponds to the company's activity (geographically the activity is entirely carried out in Bulgaria), published by EIOPA for each quarter.

5. Changes in accounting policies

After 01.01.2023, IFRS 17 Insurance Contracts is mandatory for application to companies that issue insurance contracts within the scope of the Standard. Its introduction aims to eliminate the variety of accounting practices used for accounting for insurance contracts, reflecting national requirements. The aim of the new standard is to create an equality and competitiveness between insurance companies by aligning the reporting practices in the different national economies in which the Standard is applied. In the foundation of the development of IFRS 17 are transparency, guaranteed by increased comparability, the quality of financial information and reporting, which are achieved by narrowing information gaps, and cost-effectiveness.

The new Standard requires the application of an ongoing valuation model under which estimates are based on a significant amount of historical inputs and developed expectations about future cash flows in groups of insurance contracts that are reviewed in each reporting period.

The new rules have an effect on the financial statements, including the presentation, financial position, cash flows and benchmarks of all companies issuing insurance contracts.

IFRS 17 provides a comprehensive accounting model for insurance contracts, more detailed information is provided in Note 3.3. Effect of initial application of IFRS 17 Insurance Contracts, 4 Material Information on Accounting Policies, 4.32. Accounting treatment of insurance and reinsurance contracts — Non-life insurance 4.33. Summary of significant accounting policies for insurance and reinsurance contracts – Life Insurance.

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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	31.12.2023 Percentage of consolidation	31.12.2023 Nominal percentage	31.12.2022 Percentage of consolidation	31.12.2022 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%	92.25%	92.25%
DPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	92.25%	100.00%
UPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	92.25%	100.00%
PPF CCB Sila	Bulgaria	Finance	92.25%	100.00%	92.25%	100.00%
FIPP CCB Sila	Bulgaria	Finance	92.25%	100.00%	92.25%	100.00%
FRP CCB Sila	Bulgaria	Finance	92.25%	100.00%	92.25%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	68.00%	68.00%	67.98%	67.98%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	49.90%	66.25%	49.89%	66.25%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	49.90%	100.00%	49.89%	100.00%
Slanchevi Iachi Provadia EOOD	Bulgaria	Production, Trade and Services	68.00%	100.00%	67.98%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	49.72%	67.36%	50.66%	68.31%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	49.90%	100.00%	49.89%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	34.93%	70.00%	34.92%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.88%	66.00%	44.87%	66.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.80%	60.00%	40.79%	60.00%
Chimceltex EOOD	Bulgaria	Production, Trade and Services	68.00%	100.00%	67.98%	100.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	49.90%	100.00%	49.89%	100.00%
Zarneni Hrani Grain EOOD	Bulgaria	Production, Trade and Services	68.00%	100.00%	67.98%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	90.00%	90.00%	90.00%	90.00%
Dobrich Fair AD	Bulgaria	Production, Trade and Services	40.78%	59.97%	40.77%	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	68.00%	100.00%	67.98%	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%	80.75%	80.75%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2023 Percentage of consolidation	31.12.2023 Nominal percentage	31.12.2022 Percentage of consolidation	31.12.2022 Nominal percentage
Port Balchik AD	Bulgaria	Sea and River Transport	78.55%	100.00%	78.55%	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%	69.91%	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%	44.41%	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%	80.75%	100.00%
Port Bimas EOOD	Bulgaria	Sea and River Transport	80.75%	100.00%	80.75%	100.00%
Interlihter Slovakia	Slovakia	Sea and River Transport	80.75%	100.00%	80.75%	100.00%
Blue Sea Horizon Corp	Seychelles	Sea and River Transport	80.75%	100.00%	80.75%	100.00%
Bulgarian Airways Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%	99.99%	100.00%
Airport Consult EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Trans intercar EAD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Energoproekt AD	Bulgaria	Real Estate and engineering	98.64%	98.64%	98.64%	98.64%
Energoproekt Utilities OOD in liquidation	Bulgaria	Real Estate and engineering	50.31%	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%	32.43%	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	49.90%	100.00%	49.89%	100.00%
Imoti Activities 1 EOOD	Bulgaria	Real Estate and engineering	68.00%	100.00%	67.98%	100.00%
Imoti Bimas EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	80.75%	100.00%
Imoti BRP EOOD	Bulgaria	Real Estate and engineering	80.75%	100.00%	80.75%	100.00%

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

Segment	**Accumulated non-controlling interests**	
	2023	**2022**
	BGN'000	**BGN'000**
Financial sector	189 224	160 126
Production, trade and services	114 942	112 872
Transport	20 402	20 747
Real estate and engineering	20 562	20 713
	345 130	**314 458**

In 2023 and 2022, 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. Acquisition of non-controlling interest in Zerneni Hrani Bulgaria AD

In 2023, the Group acquired an additional shareholding of 0.02% in its subsidiary Zerneni Hrani Bulgaria AD for an amount of BGN 9 thousand, thereby increasing it controlling interest to 68% (consolidated and nominal).

The carrying amount of the newly acquired net assets of the subsidiary Zerneni Hrani Bulgaria AD, recognised at the acquisition date in the consolidated financial statements, amounts to BGN 53 thousand. The Group recognised a decrease in non-controlling interest of BGN 53 thousand and an increase in retained earnings of 44 thousand.

	2023
	BGN thousand.
Total consideration transferred	(9)
Additionally acquired share in the net assets of Zerneni Hrani Bulgaria AD	53
Increase in retained earnings	**44**

6.3. Acquisition of non-controlling interest in Asenova Krepost AD

In 2023, the Group sold a 0.94% consolidation and nominal interest in its subsidiary Asenova krepost AD for an amount of BGN 681 thousand to the Group, thereby reducing its controlling interest to 49.72% consolidation and 67.36% nominal.

The carrying amount of the net assets of the subsidiary Asenova Krepost AD, recognised at the date of sale in the consolidated financial statements as an increase in non-controlling interest, amounted to BGN 621 thousand. The group recognised an increase in retained earnings in the amount of 255 thousand.

	2023
	BGN thousand.
Remuneration received	621
Sold share in the net assets of Asenova Krepost AD	(366)
Увеличение на неразпределена печалба	**255**

7. Investments accounted for using the equity method

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

	Note	2023 BGN'000	2022 BGN'000
Investments in associates	7.1	23 931	24 077
Investments in joint ventures	7.2	3 162	2 399
Total investments accounted for using the equity method		**27 093**	**26 476**
Gains from investments under equity method	7.1, 7.2	**5 174**	**5 497**

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	2023 BGN'000	Share %	2022 BGN'000	Share %
Lufthansa Technik Sofia OOD	Bulgaria	Aircraft repair activity	8 880	24.90%	9 211	24.90%
Swissport Bulgaria AD	Bulgaria	Ground handling services	3 836	49.00%	6 155	49.00%
Silver Wings Bulgaria OOD	Bulgaria	Catering services	3 649	42.50%	3 569	42.50%
VTC AD	Bulgaria	Maritime and port services	5 203	41.00%	4 094	41.00%
Kavarna Gas OOD	Bulgaria	Gas transmission services	551	35.00%	684	35.00%
Amadeus Bulgaria OOD	Bulgaria	Reservation services	512	44.99%	364	44.99%
DUFRY SOFIA OOD	Bulgaria	Duty free shop	1 300	20.00%	-	-
			23 931		**24 077**	

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:

	2023 BGN '000	2022 BGN '000
Non-current assets	165 673	170 378
Current assets	87 634	73 559
Total assets	**253 307**	**243 937**
Non-current liabilities	112 326	138 453
Current liabilities	67 458	38 263
Total liabilities	**179 784**	**176 716**
Net assets	**73 523**	**67 221**
Revenues	321 439	209 742
Profit for the year	18 959	14 292
Profit after taxes	17 010	12 250
Other comprehensive (loss)/income	(57)	687
Total comprehensive income for the year	**16 953**	**12 937**

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

	2023 BGN '000	2022 BGN '000
Total net assets as of January 1	67 221	68 496
Change from net assets of companies acquired during the period	2 043	-
Profit for the year	17 010	12 250
Other comprehensive (loss)/income for the year	(60)	687
Dividends paid	(12 691)	(14 212)
Total net assets as of December 31	**73 523**	**67 221**
Share participation of the Group (in thousand BGN)	23 840	21 873
Reputation	91	2 204
Carrying value of investment	**23 931**	**24 077**
Share of the Group's profits in profits and losses	**5 547**	**4 105**
Share of other comprehensive income for the Group	(4)	194
Share of total comprehensive income for the Group	**5 543**	**4 299**
Impairment of goodwill	(2 204)	-
Gain of investments in associates recognized in Consolidated statement of profit or loss and other comprehensive income	**3 343**	**4 105**

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. In 2023 and 2022, the Group received dividends amounting to TBGN 3 983 and TBGN 6 002 by 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	2023 BGN '000	Share %	2022 BGN '000	Share %
Nuance BG AD	Bulgaria	Duty free trade	2 583	50%	2 083	50%
Consortium Bulgaria Air - Direction	Bulgaria	Sale of airline tickets and hotel accommodation	205	90%	167	90%
Consortium Bulgaria Air and Direction	Bulgaria	Sale of airline tickets and hotel accommodation	76	70%	65	70%
Varnaferry	Bulgaria	Transport services	-	90%	-	90%
Senshi Academy DZZD	Bulgaria	Sports activity	298	70%	84	70%
			3 162		**2 399**	

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:

	2023 BGN '000	2022 BGN '000
Non-current assets	4 499	5 226
Current assets	9 324	10 568
Total assets	**13 823**	**15 794**
Non-current liabilities		-

	2023 BGN '000	2022 BGN '000
Current liabilities	22 476	23 904
Total liabilities	**22 476**	**23 904**
Net assets	**(8 653)**	**(8 110)**
Revenues	51 182	42 017
Profit/(loss) for the period	2 008	(2 426)
Profit/(loss) after taxes	1 543	(2 750)
Total comprehensive income/(loss) for the year	**1 543**	**(2 750)**

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

	2023 BGN '000	2022 BGN '000
Total net assets as of January 1	(8 110)	(5 360)
Profit for the year	1 543	(2 750)
Dividends paid	(2 086)	-
Total net assets as of December 31	**(8 653)**	**(8 110)**
Share participation of the Group (in thousand BGN)	1 831	1 392
Share of loss not recognised by the Group	(1 906)	(2 708)
Carrying value of investment	**1 831**	**1 392**

All transfers of cash to the Group, example dividend payments, are made subject to the approval of the joint ventures. In 2023, the Group received dividends of TBGN 1 067 from joint ventures respectively.

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 **31.12.2023**	**Transport** **BGN'000**	**Finance** **BGN'000**	**Production, trade and services** **BGN'000**	**Real estate and engineering** **BGN'000**	**Eliminations** **BGN'000**	**Consolidated** **BGN'000**
Income from non-financial activities from external customers	295 727	24 757	72 347	14 790		407 621
Change in fair value of investment property	-	1 907	42	-	(90)	1 859
Result from sale of non-current assets	(3 452)	(237)	39	-	(1 958)	(5 608)
Inter-segment income from non-financial activities	7 809	3 428	18 230	2 753	(32 220)	-
Total income from non-financial activities	**300 084**	**29 855**	**90 658**	**17 543**	**(34 268)**	**403 872**
Insurance service result	-	52 409	-	-	-	52 409
Net result from reinsurance contracts held	-	(18 153)	-	-	-	(18 153)
Net result from insurance	**-**	**34 256**	**-**	**-**	**-**	**34 256**
Interest income	1 955	253 684	6 845	550	(13 962)	249 072
Interest expenses	(23 234)	(14 065)	(7 601)	(2 697)	13 962	(33 635)
Net interest income/expenses	**(21 279)**	**239 619**	**(756)**	**(2 147)**	**-**	**215 437**
Net result from transactions with financial instruments	**7 631**	**176 195**	**1 966**	**1 581**	**33 539**	**153 834**
Operating and administrative expenses	(294 661)	(241 089)	(86 504)	(15 407)	13 194	(624 467)
Net result from equity accounted investments	-	-	-	-	5 174	5 174
Other financial income/(expenses)	4 838	71 712	(539)	(140)	(503)	75 368
Allocation of income to individual insurance accounts	-	(161 431)	-	-	-	(161 431)
Profit/(loss) for the year before tax	**(3 387)**	**149 117**	**4 825**	**1 430**	**(49 942)**	**102 043**
Income tax expense/(income)	(427)	(17 042)	(655)	(664)	(1 034)	(19 822)
Net profit/(loss) for the year	**(3 814)**	**132 075**	**4 170**	**766**	**(50 976)**	**82 221**
Assets of the segment	1 302 548	12 806 249	719 396	328 117	(2 549 618)	12 606 692
Equity accounted investments	21 600	-	363	2	5 128	27 093
Total consolidated assets	**1 324 148**	**12 806 249**	**719 759**	**328 119**	**(2 544 490)**	**12 633 785**
Liabilities of the segment	893 045	10 427 179	274 874	136 294	(883 496)	10 847 896
Total consolidated liabilities	**893 045**	**10 427 179**	**274 874**	**136 294**	**(883 496)**	**10 847 896**

Operating segments 31.12.2022	Transport BGN'000	Finance BGN'000	Production, trade and services BGN'000	Real estate and engineering BGN'000	Eliminations BGN'000	Consolidated BGN'000
Income from non-financial activities from external customers	277 509	27 985	89 182	14 272	(549)	408 399
Change in fair value of investment property	-	5 097	(89)	(12)	-	4 996
Result from sale of non-current assets	28 978	122	(93)	-	-	29 007
Inter-segment income from non-financial activities	7 551	1 704	23 125	**848**	(33 228)	-
Total income from non-financial activities	**314 038**	**34 908**	**112 125**	**15 108**	**(33 777)**	**442 402**
Insurance service result	-	27 164	-	-	-	27 164
Net result from reinsurance contracts held	-	(9 465)	-	-	-	(9 465)
Net result from insurance	**-**	**17 699**	**-**	**-**	**-**	**17 699**
Interest income	2 810	185 712	6 943	660	(9 772)	186 353
Interest expenses	(22 149)	(17 703)	(7 100)	(2 963)	9 772	(40 143)
Net interest income/expenses	**(19 339)**	**168 009**	**(157)**	**(2 303)**	**-**	**146 210**
Net result from transactions with financial instruments	**635**	**(31 730)**	**2 849**	**(371)**	**(11 656)**	**(40 273)**
Operating and administrative expenses	(279 781)	(220 439)	(108 778)	(14 489)	7 349	(616 138)
Net result from equity accounted investments	-	-	-	-	5 497	5 497
Other financial income/(expenses)	(13 179)	101 371	(485)	1 638	(2 235)	87 110
Allocation of income to individual insurance accounts	-	16 256	-	-	-	16 256
Profit/(loss) for the year before tax	**2 374**	**86 074**	**5 554**	**(417)**	**(34 822)**	**58 763**
Income tax expense/(income)	(721)	(7 113)	(774)	(29)	-	(8 637)
Net profit/(loss) for the year	**1 653**	**78 961**	**4 780**	**(446)**	**(34 822)**	**50 126**
Assets of the segment	1 209 516	12 067 133	1 199 716	330 084	(2 496 936)	11 826 375
Equity accounted investments	21 100	-	21 100	2	5 011	26 476
Total consolidated assets	**1 230 616**	**12 067 133**	**1 220 816**	**330 086**	**(2 491 925)**	**11 852 851**
Liabilities of the segment	792 836	9 836 217	786 096	137 612	(871 113)	10 170 507
Total consolidated liabilities	**792 836**	**9 836 217**	**786 096**	**137 612**	**(871 113)**	**10 170 507**

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:

2023	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 2023	**51 665**	**123 629**	**195 875**	**33 572**	**151 352**	**28 101**	**84 412**	**53 939**	**722 545**
Additions:									
- separately acquired	6	607	4 265	1 010	35 925	6	1 728	52 896	**96 443**
Disposals	(129)	(1 842)	(10 121)	(1 986)	(11 981)	(1 852)	(494)	(42 757)	**(71 162)**
- separately disposed									
Transfers	-	7	996	(16)	714	23	9 564	(11 288)	**-**
Revaluation	-	1 698	-	-	-	-	-	-	**1 698**
Balance at 31 December 2023	**51 542**	**124 099**	**191 015**	**32 580**	**176 010**	**26 278**	**95 210**	**52 790**	**749 524**
Depreciation									
Balance at 1 January 2023	**-**	**(41 717)**	**(148 770)**	**(27 820)**	**(101 839)**	**(24 362)**	**(53 202)**	**-**	**(397 710)**
Depreciation of disposed assets:									
- from separately disposed	-	444	9 862	1 282	3 576	1 852	515	-	**17 531**
Depreciation for the year	-	(3 827)	(8 916)	(816)	(14 862)	(449)	(3 265)	-	**(32 135)**
Balance at 31 December 2023	**-**	**(45 100)**	**(147 824)**	**(27 354)**	**(113 125)**	**(22 959)**	**(55 952)**	**-**	**(412 314)**
Carrying amount at 31 December 2023	**51 542**	**78 999**	**43 191**	**5 226**	**62 885**	**3 319**	**39 258**	**52 790**	**337 210**

- for the period ending 31 December 2022:

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**

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 2023	1 471	5 793	5 042	141	12	12 459
Carrying amount as at 31 December 2022	1 173	3 308	3 266	127	1 993	9 867

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 analysed 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 2023	**391 361**	**42 724**	**4 139**	**98 701**	**1 001**	**537 926**
Additions	147 769	158 512	1 142	317	2 324	310 064
Disposals	(19 438)	(152 022)	(1 532)	(5 614)	(49)	(178 655)
Value adjustments during the period	-	-	-	56	-	56
Correction of the value throughout the period	**519 692**	**49 214**	**3 749**	**93 460**	**3 276**	**669 391**
Balance at 31 December 2023						
Depreciation	**(71 256)**	**(20 063)**	**(2 568)**	**(37 465)**	**(972)**	**(132 324)**
Balance at 1 January 2023 Amortisation for the year	(26 288)	(7 441)	(998)	(16 311)	(102)	(51 140)
Disposals	3 121	824	1 369	5 996	49	11 359
Balance at 31 December 2023	**(94 423)**	**(26 680)**	**(2 197)**	**(47 780)**	**(1 025)**	**(172 105)**
Carrying amount at 31 December 2023	**425 269**	**22 534**	**1 552**	**45 680**	**2 251**	**497 286**

	Aircrafts BGN'000	Improvements to leased aircrafts BGN'000	Vehicles BGN'000	Buildings BGN'000	Machinery and equipment BGN'000	Total Right-of-use assets 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**

If the cost model had been applied, the carrying amounts of the revalued assets of the Aircraft Group would have amounted to BGN 330 190 thousand (2022 BGN 216 664 thousand). The revalued amounts include a pre-tax revaluation reserve of BGN 99 084 thousand which is not distributable to the owners of the Parent company.

As at 31 December 2023, the Group's management has reviewed the carrying values, recoverable amounts and useful lives of the assets. It has been determined that as at the valuation date, there is no variance of more than the 5% allowed under the Group's accounting policy.

In 2022, the Group has acquired 3 Embraer aircraft under operating lease agreements for a total cost of BGN 68 320 thousand.

As at 31.12.2022, the Group has commitments to purchase 7 Airbus 220 type aircraft under finance lease agreements with an option to purchase at the end of the lease term, three of the aircraft have been delivered in 2023 at a total cost of BGN 147 769 thousand and the other three are expected to be delivered in 2024. As at 31.12.2023, the Group has transferred deposits for these aircraft to the lessor in the total amount of USD 2 700 thousand.

The Group has no contractual obligations to purchase aircraft other than the four Airbus 220 aircraft mentioned above.

All depreciation expense is included in the statement of profit or loss and other comprehensive income in the line "Depreciation expense on non-financial assets".

Initial costs relating to leased assets of BGN 627 thousand as at 31 December 2023 (2022: BGN 76 thousand) represent costs incurred for major repairs, inspections and maintenance of leased aircraft and/or engines and other aircraft parts covering service cycles for aircraft longer than one year.

Leasehold improvements amounting to BGN 19 251 thousand include repairs to leased aircraft and/or engines and other aircraft parts which, under the terms of the contracts and the technical operation of the aircraft, are added to their value. Some of these may be recoverable under specific contractual clauses.

Lease liabilities corresponding to right-of-use assets are presented in Note 31 Lease liabilities.

The Group's aircraft right-of-use assets have been revalued at the end of the reporting period by an independent valuer. Refer to note 51.2for information on the determination of the fair value of assets in the Right-of-Use Assets group.

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 2022	**524 884**
Newly acquired asset	
- through acquisition costs	8 320
- separately acquired	439
- reclassification from property, plant and equipment	3 341
Other changes	4 771
Gain from change of the fair value of investment property	5 622
Loss from change of fair value of investment property	(626)
Change in fair value of investment properties	**4 996**
Written off assets	(114)
Carrying amount at 31 December 2022	**546 637**
Newly acquired asset	
- through acquisition costs	4 561
- separately acquired	13 739

Assets acquired from collateral	8 291
Gain from change of the fair value of investment property	8 184
Loss from change of fair value of investment property	(6 325)
Change in fair value of investment properties	**1 859**
Written off assets	
- separately derecognized	(7)
Carrying amount at 31 December 2023	**575 080**

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 TBGN 155 920 (2022: TBGN 172 054).

Revenue from investment properties for the year 2023 amounted to TBGN 22 206 (2022: TBGN 22 621) 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 TBGN 2 896 thousand are recognized as "Operating and administrative expenses" (2022: TBGN 3 232).

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
2022	
Carrying amount at 1 January	23 774
Impairment loss recognized for the period	(37)
Carrying amount at 31 December	**23 737**
2023	
Carrying amount at 1 January	23 737
Impairment loss recognized for the period	(23 737)
Carrying amount at 31 December	**-**

For the purpose of annual impairment testing in 2023 the carrying amount of goodwill is allocated to the following cash-generating units:

	2023 BGN'000	2022 BGN'000
Segment "Finance"	-	15 559
Segment "Production, trade and services "	-	7 440
Segment "Transport"	-	566
Segment "Real estate and engineering"	-	172
	-	**23 737**

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 2023 impairment of goodwill was carried of segment “Production, trade and services” BGN 23 737 thousand, presented in note 40 under impairment of goodwill.

In 2022 impairment of goodwill was carried off segment “Production, trade and services” BGN 37 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:

2023	Trade-marks	Licenses and patents	Software products	Customer relationships	Research and development activities	Other	Total
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Gross carrying amount							
Balance at 1 January 2023	**40 818**	**11 776**	**14 456**	**10 184**	**1 138**	**121 259**	**199 631**
Additions:							**-**
- separately acquired	-	1 494	836	-	-	1 423	**3 753**
Disposals							
- separately disposed	-	(5)	(624)	-	-	(18)	**(647)**
- impairment	-	-	(7)	-	-	-	**(7)**
Balance at 31 December 2023	40 818	13 265	14 661	10 184	1 138	122 664	**202 730**
Amortization							
Balance at 1 January 2023	(30 012)	(8 903)	(14 141)	(7 799)	(45)	(30 683)	**(91 583)**
Disposals	-	-	258	-	-	10	**268**
Amortization	(22)	(637)	(954)	(413)	-	(4 450)	**(6 476)**
Balance at 31 December 2023	(30 034)	(9 540)	(14 837)	(8 212)	(45)	(35 123)	**(97 791)**
Carrying amount at 31 December 2023	**10 784**	**3 725**	**(176)**	**1 972**	**1 093**	**87 541**	**104 939**

- For the period ended 31 December 2022:

2022	Trade-marks	Licenses and patents	Software products	Customer relationships	Research and development activities	Survey and evaluation costs	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 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**

Intangible assets - property rights related to the aviation transport industry

As at 31 December 2023, the Group reports in the category Other intangible assets - property rights related to the airline industry sector with a carrying amount of BGN 89 050 thousand (2022: BGN 93 287 thousand). The Group's annual impairment tests have not identified any impairment to be recognised on these intangible assets. In determining the recoverable amount, forecasts have been used which are based on expectations of the recovery of the aviation transport industry following the negative effects of the Covid-19 pandemic, which are largely dependent on external factors beyond the Group's control. Assumptions inherent in the current deteriorated macroeconomic environment have been used in the assessment. They are also the result of a combination of the residual negative effects of the pandemic, accelerated inflation, rising interest rates and the geopolitical risks from the military conflicts in Ukraine and the Middle East.

Software products

The Group's most significant software products are related to flight planning and management systems (Netline), flight load management system (Amadeus Altea Inventory), revenue management system (Amadeus Revenue Management), reservation system (Amadeus Reservation).

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 2023	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2023
	BGN ’000	BGN ’000	BGN ’000	BGN ’000
Assets				
Property, plant and equipment, right of use assets and intangible assets	16 897	170	(3 330)	13 737
Investment property	7 027	-	6 674	13 701
Financial assets	5 193	7	10 451	15 651
Trade and other non-financial receivables	(10 031)	-	(2 788)	(12 819)
Inventories	(13)	-	(58)	(71)
Other assets	(1 568)	-	266	(1 302)
Liabilities				
Pension and other employee obligations	(1 196)	-	(107)	(1 303)
Provisions and trade payables, including lease liabilities	(575)	-	(202)	(777)
Unused tax losses	(5 539)	-	(2 367)	(7 906)
	10 195	**177**	**8 539**	**18 911**
Recognized as:				
Deferred tax assets	**(18 922)**			**(24 178)**
Deferred tax liabilities	**29 117**			**43 089**

Deferred taxes for the comparative period 2022 can be summarized as follows:

Deferred tax liabilities (assets)	**1 January 2022**	**Adjustments related to accounting policy and reclassifications**	**Restated as at 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**

15. Loans and advances to bank customers

Loans and advances can be summarized as follows:

(a) Analysis by customer type

	2023 BGN '000	**2022 BGN '000**
Individuals:		
In BGN	1 352 619	1 252 295
In foreign currency	272 600	273 348
Legal entities:		
In BGN	1 211 028	1 237 950
In foreign currency	382 095	465 975
Impairment loss	(47 019)	(41 240)
Total loans and advances to bank customers	**3 171 323**	**3 188 328**

Loans and advances to customers as at 31 December 2023 include deposits with international financial institutions under marginal derivative transactions amounting to BGN 1 551 thousand (2022: BGN 1 555 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 foreign currencyplus allowance. 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.

Interest rate risks are disclosed in Note 50.3.

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:

	2023 BGN '000	2022 BGN '000
Financial assets measured at fair value through profit or loss:		
Corporate shares, units and rights	1 410 272	1 252 389
Bulgarian and foreign corporate bonds	388 064	219 003
Medium-term Bulgarian government securities	64 675	52 610
Long-term Bulgarian government securities	78 091	45 643
Securities issued or guaranteed in other countries	619 489	611 699
Derivatives held for trading	756	12
	2 561 347	**2 181 356**

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:

	2023 BGN '000	2022 BGN '000
Bonds	574 817	413 809
Government securities	27 335	145 636
Total debt instruments at fair value through other comprehensive income	**602 152**	**559 445**

As of 31 December 2023, the financial assets measured at fair value in other comprehensive income formed a related impairment loss amounting to BGN 5 417 thousand (2022: BGN 4 529 thousand), which is reflected in the equity and did not reduce the book value of the assets.

18. Equity instruments at fair value through other comprehensive income

	2023 BGN '000	2022 BGN '000
Quoted equity instruments	14 052	23 653
Unquoted equity instruments	39 314	70 031
Total equity instruments at fair value through other comprehensive income	**53 366**	**93 684**

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	2023 BGN ‘000	2022 BGN ‘000
Loans granted	19.1	158 964	161 672
Cession receivables	19.1	50 863	48 188
Receivables under repurchase agreements	19.2	499 202	448 044
Debt instruments measured at amortized cost	19.3	1 548 256	1 341 679
Receivables from related parties	45	65 917	74 046
Trade receivables	19.4	104 432	110 647
Other		760	1 393
Impairment loss		(168 300)	(151 181)
		2 260 094	**2 034 488**

19.1. Loans granted and cession receivables

	2023 BGN ‘000	2022 BGN ‘000
Loans granted	158 964	161 672
Receivables under cession contracts	50 863	48 188
	209 827	**209 860**

Loans are provided at annual interest rates of 2% 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. Short-term loans are provided at annual market interest rates and depend on the term of the loan. The maturity term of the granted short-term loans is until 31 of December 2024. As at 31 December 2023, for part of the loans, movable property with a company with a total value of accepted collateral of BGN 4 251 thousand was received as collateral.

19.2. Receivables under repurchase agreements

As at 31 December 2023, the Group has entered into repurchase agreements with a total of BGN 499 202 thousand (2022: BGN 448 044 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 2024. (2022: between January and June 2023).

19.3. Debt instruments measured at amortized cost

As at 31 December 2023, 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:

	2023 BGN ‘000	2022 BGN ‘000
Bulgarian government Bonds	778 432	770 428
Foreign government bonds	733 984	544 309
Bulgarian corporate bonds	7 964	7 964
Foreign corporate bonds	30 137	19 652
Impairment loss	(2 261)	(674)
Debt instruments measured at amortized cost	**1 548 256**	**1 341 679**

As of 31 December 2023, government bonds issued by the Bulgarian government amounting to BGN 521 024 thousand (2022: BGN 538 556 thousand) are pledged as collateral for servicing budget accounts on the grounds of art. 152 of the Public Finance Act.

19.4. Trade receivables

	2023 BGN '000	2022 BGN '000
Trade receivables, gross	120 427	172 721
Impairment loss	(15 995)	(62 074)
Trade receivables	**104 432**	**110 647**

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

	2023 BGN '000	2022 BGN '000
Overpaid corporate tax	683	2 629
VAT recovery	2 156	911
Other overpaid taxes	35	2
	2 874	**3 542**

21. Other receivables

	2023 BGN '000	2022 BGN '000
Noncurrent other receivables		
Prepaid expenses and other receivables	268	582
Noncurrent other receivables	**268**	**582**
Current other receivables		
Advance payments	14 515	18 012
Prepaid expenses	8 150	8 004
Other receivables	3 503	3 145
Current other receivables	**26 168**	**29 161**
Total other receivables	**26 436**	**29 743**

Significant part of short - term advance payments are cash guarantees at the total amount of BGN 14 515 thousand (2022: BGN 18 012 thousand) the paid amounts are under warranty .

Short-term portion of prepaid expenses totalling BGN 8 150 thousand (2022: BGN 8 004 thousand) represent prepaid advertising costs, rent, insurance, etc.

22. Inventories

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

	2023 BGN'000	2022 BGN'000
Materials	11 924	11 631
Production	2 182	2 093
Goods	12 075	7 290
Unfinished production	209	559
Spare parts	9 225	7 790
Assets acquired from foreclosure	23 490	31 968
	59 105	**61 331**

As at 31 December 2023 inventories of the Group amounting to BGN 141 thousand (2022: BGN 148 thousand) are pledged as collateral benefitting banks.

Assets acquired in foreclose amounting to BGN 23 490 thousand (2022: BGN 31 968 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.

Spare parts for aircraft worth BGN 8 427 thousand (2022: BGN 7 009 thousand) include aggregates, blocks, signaling devices, manifolds, cylinders, compensators, sensors, contactors and the like.

As a result of the annual review of the net realizable value of inventories, including aircraft spare parts, based on external and internal sources of information, the Group's management has made an assessment that there are no data and circumstances that would show that their cost exceeds their net realizable value. This judgment is based on the analysis of fluctuations in the selling prices of inventories with a similar purpose.

Spare parts are not pledged as collateral for the Group's liabilities

23. Cash and cash equivalents

Cash and cash equivalents include the following:

	2023 BGN'000	2022 BGN'000
Cash in cash and in banks:		
- BGN	1 832 048	1 765 272
- EUR	293 283	250 465
- USD	53 395	62 605
- other currencies	85 412	102 527
Cash and cash equivalents, gross	**2 264 138**	**2 180 869**
Allowance for expected credit loss and impairment	(350)	(291)
Cash and cash equivalents	**2 263 788**	**2 180 578**

	2023 BGN'000	2022 BGN'000
Cash at the Central Bank	1 623 133	1 626 975
Short-term investments and deposits	153 606	85 079
Provided resources and advances to banks and cash	466 669	461 867
Restricted cash	20 380	6 657
	2 263 788	**2 180 578**

The significant portion of the cash blocked in the amount of BGN 12,173 thousand (2022: BGN 13,347 thousand) is denominated in US dollars, which represents guarantees paid under aircraft operating lease contracts that expire in subsequent reporting periods. The remaining blocked cash represents collateral for letters of credit and bank guarantees issued.

The Group has estimated expected credit losses on cash and cash equivalents.

24. Equity

24.1. Share capital

The share capital of Chimimport AD as at 31 December 2023 consists of 239 646 267 (31.12.2022: 239 646 267) ordinary shares with a par value of BGN 1 per share, including 13 182 738 (31.12.2022: 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.

	2023 Number of shares	2022 Number of shares
Shares issued and fully paid at 1 January:	226 463 529	226 463 529
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:

	2023 Number ordinary shares	2023 %	2022 Number ordinary shares	2022 %
Invest Capital AD	173 487 247	72.39%	173 487 247	72.39%
Other entities	46 439 942	19.38%	48 032 331	20.04%
Global trusties and individuals	19 719 078	8.23%	18 126 689	7.57%
	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.

24.2. Premium reserve

	2023 BGN'000	2022 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 2023 and 2022 there are no changes in the Group's premium reserve.

As at 31 December 2023 premium reserve amounts to BGN 246 309 thousand (2022: 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.

24.3. Other reserves

As at 31 December 2023, the other reserves amounted to BGN 345 477 thousand (2022: BGN 293 908 thousand), including:

- BGN 83 176 thousand revaluation reserve on RUA, (2022: BGN 83 176 thousand)
- BGN 16 472 thousand – Reserve for minimum profitability guarantee (2022: BGN 12 738 thousand),
- BGN 8 912 thousand – Reserve for gross contribution guarantee (2022: BGN 7 541 thousand),
- BGN 246 thousand (2022: BGN 301 thousand) remeasurement of defined benefit plan and other reserves.

25. Liabilities to depositors

Liabilities to depositors are presented as follows:

Analysis by term and type of currency:	**2023 BGN '000**	**2022 BGN '000**
On-demand deposits		
in BGN	2 672 016	2 492 708
in foreign currency	360 853	367 073
	3 032 869	**2 859 781**
Term deposits		
in BGN	1 298 513	1 250 758
in foreign currency	1 498 159	1 461 738
	2 796 672	**2 712 496**
Savings accounts		
in BGN	1 245 112	1 198 815
in foreign currency	507 524	528 260
	1 752 636	**1 727 075**
Other deposits		
in BGN	1 605	15 035
in foreign currency	3 989	1 305
	5 594	**16 340**
Total liabilities to depositors	**7 587 771**	**7 315 692**

Analysis by term and type of currency:	**2023 BGN '000**	**2022 BGN '000**
Individual deposits		
in BGN	3 856 675	3 486 870
in foreign currency	2 084 254	2 043 359
	5 940 929	**5 530 229**
Legal entities deposits		
in BGN	1 360 570	1 468 950
in foreign currency	270 797	312 292
	1 631 367	**1 781 242**
Deposits of other institutions		
in BGN	1	1 496
in foreign currency	15 474	2 725
	15 475	**4 221**
Total liabilities to depositors	**7 587 771**	**7 315 692**

26. Other financial liabilities

		Current		Non-current	
		2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000
Financial liabilities measured at fair value					
Derivatives held for trading	26.1	-	677	-	-
Financial liabilities measured at amortized cost:		-			
Bonds and debenture loan	26.2	5 306	5 104	68 510	74 611
Bank borrowings	26.3	29 315	34 844	64 819	88 126
Other borrowings and financing	26.4	14 795	17 674	7 108	7 684
Deposits from banks	26.5	14 749	10 247	-	-
Cession liabilities		29 803	30 473	13 173	29 772
Liabilities under repurchase agreements	26.6	12 554	4 278	-	-
Trade payables	26.7	88 665	74 005	939	1 022
Payables to related parties	45	56 385	71 288	16 714	14 366
Total carrying amount		**251 572**	**248 590**	**171 263**	**215 581**

26.1. Derivatives held for trading

As at 31 December 2023, derivatives held for trading amounting to BGN 0 thousand (2022: BGN 677 thousand) are presented at fair value and include transactions for the purchase and sale of currency, valuables securities, forward contracts and currency swaps in the open market.

26.2. Debenture loans

The debenture loans received by the Group are as follows:

	Current		Non-current	
	2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000
Debenture loans	5 306	5 104	68 510	74 611
	5 306	**5 104**	**68 510**	**74 611**

The carrying amount of the Group's debts on the aforementioned debenture loans at 31 December 2023 amounted to BGN 73 816 thousand (2022: BGN 79 715 thousand).

Bond loans of subsidiaries include:

1) Bond loan with ISIN code BG2100018188 is an issue of ordinary, non-cash, registered, interest-bearing, unsecured, non-convertible bonds, with a total nominal value of BGN 15 000 thousand, registered for trading on BSE AD from 26 September 2019. The nominal value of one bond is BGN 1 000. The maturity date of the issue is 28.12.2025, and the first principal payment in a series of ten six-monthly payments is due on 28.06.2022. The interest rate is 3.6% on an annual basis , with interest payments due every six months.

2) Bond loan with ISIN code BG2100001218 is an issue of ordinary, non-cash, registered, interest-bearing, unsecured, non-convertible bonds, with a total nominal value of BGN 15 000 thousand, registered for trading on BSE AD from 13 July 2022. The nominal value of one bond is BGN 1 000. The maturity date of the issue is 19.01.2028, and the first principal payment in a series of ten six-monthly payments is due on 19.07.2023. The interest rate is 3.7% on an annual basis, with interest payments due every six months.

3) In March 2019, an issue of convertible bonds was issued by a subsidiary in the amount of EUR 5 000 000, divided into 5 000 bonds with a nominal value of EUR 1 000. The bonds are subordinated,

unsecured, interest-bearing, freely transferable, non-negotiable, convertible into common stock. The bond loan is for a period of 7 years at 2.20% annual interest, with the principal being paid once upon maturity of the principal - 22.03.2026. Interest payments are made once a year with maturities as follows: 22/03/2020, 22/03/2021, 22/03/2022, 22/03/2023, 22/03/2024, 22/03/2025 and 22/03/2026 d. As of 31 December 2023, no bondholder has declared his right to convert the bonds into shares.

4) Bond loan in the amount of BGN 20 000 thousand for 20 000 bonds with a nominal value of BGN 1 000 each. The bond loan was issued on 30 July 2021 and has a term until 30 July 2030. The interest payment dates are 30th of January and 30th July each year.

Payments under the bond loan are handled by Central Depository AD. The first principal payment due date is 30 January 2026.

A general meeting of the bondholders was held on 31.05.2023. The general meeting of the bondholders approves and accepts the received proposal from the issuer to replace the previous collateral under the bond issue, which was insurance in favor of the trustee with the establishment of collateral with real estate.

5) In December 2013, an issue of convertible bonds in the amount of 36 000 000 euros was issued through a public offering, divided into 36 000 bonds with a nominal value of 1 000 euros. The bonds are subordinated, unsecured, interest-bearing, freely transferable, non-negotiable, convertible into common stock. The bond loan was concluded for a period of 7 years at 4.5% annual interest with a one-time payment of the loan principal on the initial maturity of the issue - 10.12.2020. According to the terms of the issue, the bondholders do not have the right to early claimability of interest and principal on the bond loan, including in case of default by the issuer, except in the presence of certain conditions at the time of payment and after prior permission of the BNB. Amendments and additions to the conditions of the bond issue can only be made with the prior written permission of the BNB.

In December 2016, after receiving permission from the BNB, changes were made to the terms of the bond issue, according to which the maturity date of the bond issue was changed from 7 years after the date of the Issue to 10 years after the date of the Issue., maturity date of the bond issue after the change is 10.12.2023, and the interest due on the bond issue changes from 4.5% to 3.6% per annum, starting from 11.12.2016

On 25 February 2019, the increase in the Bank's capital, through the issuance of new shares issued as a result of the conversion of bonds, was entered in the Commercial Register, and was entered in the Bank's account. The capital increase as a result of the conversion of bonds worth BGN 45 002 thousand is in the amount of 13 975 679 ordinary shares with voting rights, with a nominal value of BGN 1 for each share. After the increase, the issued share capital of the Bank consists of 127 129 970 ordinary shares with voting rights, with a nominal value of BGN 1 for each share. All shares are with right to receive dividends and liquidation share and represent one vote in the general meeting of the Bank`s shareholders.

At the General Meeting of the bondholders of the convertible bond issue held on 12.08.2020, a decision was made to amend the terms of the bond loan, which include changing the maturity date of the principal from 10.12.2023 to 10.12.2028, reducing the interest rate from 3.60% at 2.75% per annum, starting from 11.12.2020. The bank has not recognized the effect of modification of the financial liability.

After receiving permission from the BNB and a decision made at the General Meeting of bondholders held on 15.11.2023, the terms of the issue of convertible bonds were amended, which included a change in the maturity date of the principal from 10.12.2028 to 10.12.2033, an increase in the interest rate from 2.75 % at 3.60% per annum, starting from 11.12.2023. The bank has not recognized the effect of modification of the financial liability.

26.3. 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	
	2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000
Bank loans	29 315	34 844	64 819	88 126

26.3.1. Non-current bank borrowings

	2023 BGN'000	2022 BGN'000
Revolving and investment bank loans	64 819	88 126
	64 819	**88 126**

Investment loans

The Group has received the following investment loans:

- 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 4% and 5%, with maturities in 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 an investment bank loan agreement entered into on 28 April 2021 and maturing on 20 April 2025. The loan bears interest at a BGN 2.5% plus a contractual credit risk premium of 0.35% or a total contractual rate of 2.85%.The Group has pledged buildings of the property, plant and equipment group to secure the loan

Revolving loans

- 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 5.2% 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 141 thousand.

26.3.2. Current bank borrowings

	2023 BGN'000	2022 BGN'000
Current revolving and investment loans	29 315	34 844
	29 315	**34 844**

Investment loans

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

- 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%.

Revolving loans

- The Group is a party to a loan - overdraft agreement concluded on 31 January 2020 for an amount of EUR 2,240 thousand (BGN 4,381 thousand) for the repayment period until 31 January 2026. The loan is secured by bank deposits. The annual interest rate on the loan is based on the BIR plus 0.8%.

- The Group is party to a bank overdraft facility agreement entered into on 25.09.2020 for working capital with a maturity date of 20.09.2026. The annual interest rate is 4.8% bank base rate plus 12 month Euribor. The loan is secured by a Special Pledge of Receivables Agreement.

- The Group has 1 bank loan agreement active as at 31.12.2023 for working capital purposes with a maturity date of 30.11.2024. The annual interest rate on the loan is 4% of the loan agreement plus 3M Euribor but not less than 4%. The loan is secured by a pledge of receivables under procurement contracts for the provision of airline tickets, receivables under BSP proceeds, receivables under third party contracts.

- On 02.11.2023, the Group has entered into a working capital bank loan facility agreement in the amount of BGN 500 thousand bearing interest at an annual rate of BDJUL in Euro plus 4 four point markup or a minimum of 4% total contractual interest rate. A grace period of principal is agreed until 20.01.2024. The Group has pledged the plant and machinery of the property, plant and equipment group to secure the loan obtained. The amount due as at 31.12.2023 is BGN 500 thousand

- On 11.08.2023. The Group has entered into a bank loan agreement for working capital in the amount of BGN 250 thousand with an annual interest rate of 3.5% in BGN plus a contractual credit risk premium of 1% or a total contractual interest rate of 4.5%. A principal grace period until 19.03.2024 has been agreed. The Group has pledged a building of the property group to secure the loan. The amount due as at 31.12.2023 is BGN 250 thousand.

26.4. Other borrowings, financing and liabilities

	Current			Non-current		
		2023 BGN'000	2022 BGN'000		2023 BGN'000	2022 BGN'000
Other borrowings and financing	26.4.2	14 795	17 674	26.4.1	7 108	7 684

26.4.1. Other non-current borrowings, financing and liabilities

	2023 BGN'000	2022 BGN'000
Non-current borrowings	7 102	7 678
Financing from State Agricultural Fund	6	6
	7 108	**7 684**

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

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

26.4.2. Other current borrowings

	2023 BGN'000	2022 BGN'000
Current borrowings	14 795	17 674
	14 795	**17 674**

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 2024. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

26.5. Deposits from banks

	Current	
	2023 BGN’000	2022 BGN’000
Demand deposits – local banks		
-in Bulgarian leva	1 070	1 970
-in foreign currency	2 833	2 462
Demand deposits from foreign banks in foreign currency	3 311	4 030
Demand deposits from foreign banks in BGN	126	27
Term deposits from foreign banks in foreign currency	5 895	351
Term deposits from Bulgarian banks in foreign currency	1 514	1 407
	14 749	**10 247**

26.6. Liabilities under repurchase agreements

As at 31 December 2023, the Group has entered into agreements with repurchase clauses with Bulgarian companies for a total amount of BGN 12 554 thousand (2022: BGN 4 278 thousand), including accrued interest payable thereon. The maturity dates of the liabilities are 26 March 2024, 2 April 2024 and 17 April 2024 respectively. The liabilities under the repo transactions are secured by the financial instruments subject to the repo transactions with a total carrying amount of BGN 17 764 thousand. The agreed interest rates for the period between the date of transfer and reacquisition of the securities are within 4.5%.

26.7. Trade payables

	Current		Non-current	
	2023 BGN’000	2022 BGN’000	2023 BGN’000	2022 BGN’000
Trade payables	88 665	74 005	939	1 022

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

27. Payables to insured individuals

	2023 BGN’000	2022 BGN’000
Attracted funds in a voluntary pension fund	117 732	108 721
Attracted funds in a professional pension fund	151 873	139 739
Attracted funds in a universal pension fund	1 782 723	1 508 566
Attracted funds in a life pensions payment fund	5 491	-
Attracted funds in a deferred payments fund	6 123	-
	2 063 942	**1 757 026**

The net assets value of the funds, managed by the subsidiary POAD CCB - Sila AD as at 31 December 2023 amounts to BGN 2 063 942 thousand. The increase at the amount of BGN 306 916 thousand, compared to the liabilities as at 31 December 2022, is a result of 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:

	2023 BGN '000	2022 BGN '000
Beginning of the period	**1 757 026**	**1 708 674**
Change in opening balance / Payables to insured entities	5 235	-
Received UPF for the payment of life pensions	11 381	-
Received UPF from deceased insured persons without heirs	19	-
Received pension contributions	208 734	183 188
Amounts received from pension funds, managed by other Pension Insurance Companies	109 572	65 240
Funds of persons who have resumed their insurance in UPF under the procedure of Art. 124a of CSR	511	260
Funds transferred from the POD reserve to guarantee gross contributions	1	-
Total increase of pension contributions	**335 453**	**248 688**
Positive/ (negative) income from investment of funds	161 431	(16 256)
Result from investment of funds	**161 431**	**(16 256)**
Paid off pensions	(511)	(119)
One-time paid pensions to insured individuals	(5 891)	(5 868)
Deferred payments to persons	(5 043)	-
Funds for disbursement of funds to heirs of insured individuals	(4 853)	(5 356)
Amounts paid to the National Revenue Agency	(4 482)	(4 447)
Amounts paid under social security contracts	**(20 780)**	**(15 790)**
Amounts, paid to insured individuals, transferred to other pension funds	(121 426)	(135 132)
Amounts, paid to individuals that have changed their insurance under Article 46 of the SIC	(14 513)	(7 704)
Transferred taxes	(102)	(136)
Funds transferred to the Lifetime Pensions Fund for the payment of lifetime pensions	(3 830)	(1 648)
Funds transferred to the Lifetime Pensions Fund for the payment of lifetime pensions to insured persons without heirs	(19)	(13)
Funds transferred to the Deferred Payments Fund for making deferred payments	(7 551)	(4 673)
Entrance fee	(6)	(5)
Service fee	(209)	(164)
9% yield fee	(717)	(189)
Service fee (2022: 3.75%; 2023: 3.75%)	(7 545)	(6 600)
Investment fee (2022: 0.75%; 2023: 0.75%)	(13 263)	(12 018)
Withdrawal fee	(7)	(8)
End of the period	**2 063 942**	**1 757 026**

The net assets available for income are distributed as follows:

	2023 BGN '000	2022 BGN '000
Individual accounts	2 045 077	1 742 111
Reserve for minimal return	18 865	14 915
Net assets available for income	**2 063 942**	**1 757 026**

28. Employee remunerations

28.1. Employee benefits expense

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

	2023 BGN'000	2022 BGN'000
Wages expense	(102 276)	(89 840)
Social security costs	(21 629)	(18 147)
Employee benefits expense	**(123 905)**	**(107 987)**

28.2. Pension and other employee obligations

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

	2023 BGN'000	2022 BGN'000
Non-current:		
Pension provisions	4 586	4 588
Non-current pension and other employee obligations	**4 586**	**4 588**
Current:		
Employee benefits obligations	11 234	9 937
Payables to social security institutions	3 198	2 891
Pension provisions	1 310	995
Current pension and other employee obligations	**15 742**	**13 823**
Pension and other employee obligations	**20 328**	**18 411**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2024.

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:

	2023 BGN'000	2022 BGN'000
Pension provisions, beginning of period	5 583	5 832
Expenses for current service	515	411
Expenses for past service	6	-
Interest expenses	317	146
Adjustments - actuarial (gains)/losses from changes in demographic assumptions and financial assumptions	91	(193)
Benefits paid	(616)	(613)
	5 896	**5 583**

29. Insurance assets and liabilities

Information on insurance assets and liabilities by main types of insurance is presented in the following tables:

31.12.2023	Insurance contract assets BGN'000	Insurance contract liabilities BGN'000
Non-life insurance	604	223 059
Life insurance	-	1 367
Total	**604**	**224 426**

31.12.2022	Insurance contract assets BGN'000	Insurance contract liabilities BGN'000
Non-life insurance	-	212 208
Life insurance	-	1 425
Total	**-**	**213 633**

31.12.2023	Insurance contract assets BGN'000	Insurance contract liabilities BGN'000
Other motor insurance	12	(73 657)
Motor vehicle liability insurance	-	(99 473)
Fire and other damage to property insurance	2	(25 369)
Marine, Aviation, Transport insurance	1	(3 851)
Miscellaneous financial loss	-	(7 965)
Life Insurance	-	(1 367)
Other Insurance	589	(12 744)
Total	**604**	**(224 426)**

31.12.2022	Insurance contract assets BGN'000	Insurance contract liabilities BGN'000
Other motor insurance	-	(63 419)
Motor vehicle liability insurance	-	(106 237)
Fire and other damage to property insurance	-	(19 075)
Marine, Aviation, Transport insurance	-	(3 514)
Miscellaneous financial loss	-	(9 437)
Life Insurance	-	(1 425)
Other Insurance	-	(10 526)
Total	**-**	**(213 633)**

Information on changes in the liability for remaining coverage and the liability for incurred claims in the Non-life insurance group is disclosed in the following tables:

	Liabilities for remaining coverage	Liabilities for incurred claims		Total
	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	
	BGN'000	BGN'000	BGN'000	BGN'000
Insurance contract assets as at 01.01.2023	-	-	-	-
Insurance contract liabilities as at 01.01.2023	(66 186)	(139 734)	(6 288)	(212 208)
Net insurance contract liabilities as at 01.01.2023	**(66 186)**	**(139 734)**	**(6 288)**	**(212 208)**
Insurance revenue	**241 050**	**-**	**-**	**241 050**
Incurred claims and other expenses	-	*(44 598)*	*(2 997)*	**(47 595)**
Amortisation of insurance acquisition cash flows	*(59 986)*	-	-	**(59 986)**
Changes that relate to past service ie. changes in the fulfilment cash flows associated with the liability for incurred claims	-	*(81 402)*	*488*	*(80 914)*
Insurance service expenses	**(59 986)**	**(126 000)**	**(2 509)**	**(188 495)**
Net result of issued insurance contracts	**181 064**	**(126 000)**	**(2 509)**	**52 555**
Insurance finance expenses	-	*(4 547)*	-	*(4 547)*
Effect of movements in exchange rates	*(240)*	*21*	*1*	*(218)*
Net finance expenses from insurance contracts	**(240)**	**(4 526)**	**1**	**(4 765)**
Total changes in the statement of profit and loss and comprehensive income	**188 325**	**(138 027)**	**(2 508)**	**47 790**
Cash flows				
Premiums received and set-off for issued insurance contracts	(248 180)	-	-	(248 180)
Claims and other expenses paid	-	128 171	-	128 171
Insurance acquisition cash flows and set-off for issued insurance contracts	61 972	-	-	61 972
Total cash flows	**(186 208)**	**128 171**	**-**	**(58 037)**
Net insurance contract liabilities as at 31.12.2023				
Insurance contract assets as at 31.12.2023	604	-	-	604
Insurance contract liabilities as at 31.12.2023	(72 174)	(142 089)	(8 796)	(223 059)
Net insurance contract liabilities as at 31.12.2023	**(71 570)**	**(142 089)**	**(8 796)**	**(222 455)**

	Liabilities for remaining coverage	Liabilities for incurred claims		Total
	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Excluding loss component
	BGN'000	BGN'000	BGN'000	BGN'000
Insurance contract assets as at 01.01.2022	-	-	-	-
Insurance contract liabilities as at 01.01.2022	(62 295)	(134 353)	(6 046)	(202 694)
Net insurance contract liabilities as at 01.01.2022	**(62 295)**	**(134 353)**	**(6 046)**	**(202 694)**
Insurance revenue	**214 419**	**-**	**-**	**214 419**
Incurred claims and other expenses	-	*(57 897)*	*(2 628)*	*(60 525)*
Amortisation of insurance acquisition cash flows	*(49 132)*	-	-	*(49 132)*
Changes that relate to past service ie. changes in the performance cash flows associated with the liability for incurred claims	-	*(79 475)*	*2 386*	*(77 089)*
Insurance service expenses	**(49 132)**	**(137 372)**	**(242)**	**(186 746)**
Net result of issued insurance contracts	**165 287**	**(137 372)**	**(242)**	**27 673**
Insurance finance expenses	-	*9 674*	-	*9 674*
Effect of movements in exchange rates	*51*	-	-	*51*
Net finance revenue from insurance contracts	**51**	**9 674**	**-**	**9 725**
Total changes in the statement of profit and loss and other comprehensive income	**165 338**	**(127 698)**	**(242)**	**37 398**
Cash flows				
Premiums received and set-off for issued insurance contracts	(220 078)	-	-	(220 078)
Claims and other expenses paid	-	122 317	-	122 317
Insurance acquisition cash flows and set-off for issued insurance contracts	50 849	-	-	50 849
Total cash flows	**(169 229)**	**122 317**	**-**	**(46 912)**
Net insurance contract liabilities as at 31.12.2022				
Insurance contract assets as at 31.12.2022	-	-	-	-
Insurance contract liabilities as at 31.12.2022	(66 186)	(139 734)	(6 288)	(212 208)
Net insurance contract liabilities as at 31.12.2022	**(66 186)**	**(139 734)**	**(6 288)**	**(212 208)**

Information on the change in the liability for remaining coverage and the liability for incurred claims in the Life insurance group is disclosed in the following tables:

	2023			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Insurance contract assets	-	-	-	-
Insurance contract liabilities	162	(1 057)	(530)	(1 425)
Net insurance contract liabilities as at 1st of January	**162**	**(1 057)**	**(530)**	**(1 425)**
Insurance revenue	**1 757**	**-**	**-**	**1 757**
Insurance service expenses				
Incurred claims and other expenses	-	-	(1 096)	(1 096)
Changes that relate to past service - LIC corrections	-	-	16	16

Changes that relate to a future service - Losses on onerous contracts and reversals of those losses	-	514	-	514
Amortisation of insurance acquisition cash flows	(316)	-	-	(316)
Insurance service expenses	**(316)**	**514**	**(1 080)**	**(882)**
Insurance service result	**1 441**	**514**	**(1 080)**	**875**
Insurance finance expenses	(15)	(36)	(19)	(70)
Total changes in the statement of profit and loss	**1 426**	**478**	**(1 099)**	**805**
Cash flows				
Premiums received	(2 359)	-	-	(2 359)
Claims and other expenses paid	-	-	1 079	1 079
Insurance acquisition cash flows	533	-	-	533
Total cash flows	**(1 826)**	**-**	**1 079**	**(747)**
Insurance contract assets	-	-	-	--
Insurance contract liabilities	(238)	(579)	(550)	(1 367)
Net insurance contract liabilities as at 31st of December	(238)	(579)	(550)	(1 367)

	2022			
	Liabilities for remaining coverage			
	Excluding loss component	**Loss component**	**Liabilities for incurred claims**	**Total**
Insurance contract assets	-	-	-	-
Insurance contract liabilities	203	(1 153)	(396)	(1 346)
Net insurance contract liabilities as at 1st of January	**203**	**(1 153)**	**(396)**	**(1 346)**
Insurance revenue	**2 112**	**-**	**-**	**2 112**
Insurance service expenses				
Incurred claims and other expenses	-	-	(787)	(787)
Changes that relate to past service - LIC corrections	-	-	(288)	(288)
Changes that relate to a future service - Losses on onerous contracts and reversals of those losses	-	(54)	-	(54)
Amortisation of insurance acquisition cash flows	(268)	-	-	(268)
Insurance service expenses	**(268)**	**(54)**	**(1 075)**	**(1 397)**
Insurance service result	**1 844**	**(54)**	**(1 075)**	**715**
Insurance finance expenses	44	149	17	210
Total changes in the statement of profit and loss	**1 888**	**95**	**(1 058)**	**925**
Cash flows				
Premiums received	(2 354)	-	-	(2 354)
Claims and other expenses paid	-	-	923	923
Insurance acquisition cash flows	427	-	-	427
Total cash flows	**(1 927)**	**-**	**923**	**(1 004)**
Insurance contract assets	-	-	-	-
Insurance contract liabilities	162	(1 057)	(530)	(1 425)
Net insurance contract liabilities as at 31st of December	**162**	**(1 057)**	**(530)**	**(1 425)**

The reconciliation of the movement of the balances of the components for the assessment of insurance contracts under Life insurance is presented in the following tables:

	31st of December 2023			
	Present value of future cash flows	**Non-financial risk adjustment**	**Contractual service margin**	**Total**
Opening balance of insurance contract assets	-	-	-	-
Opening balance of insurance contract liabilities	(1 095)	(75)	(255)	(1 425)
Net opening balance	**(1 095)**	**(75)**	**(255)**	**(1 425)**
Changes related to current services				
- CSM recognized in profit and loss	-	-	724	724
- Changes in risk adjustment recognized in Profit and loss	-	7	-	7
- Experience adjustments	(147)	(19)	-	(166)
Changes related to future services				
- Contracts recognized during the period	226	-	(238)	(12)
- Changes in the estimated related to the CSM	771	3	(774)	-
- Changes in the estimates on onerous contracts and reversals of those losses	286	21	-	307
Changes related to future services				
Changes for past periods adjusting profit of the contracted service	(11)	26	-	15
Insurance finance expenses at FVPL	(58)	-	(12)	(70)
Total recognized in profit or loss and other comprehensive income	**1 067**	**38**	**(300)**	**805**
Premiums received and set-off	(2 359)	-	-	(2 359)
Claims	1 079	-	-	1 079
Acquisition cash flows	533	-	-	533
Total cash flows	**(747)**	**-**	**-**	**(747)**
Closing balance of insurance contract assets	-	-	-	-
Closing balance of insurance contract liabilities	(775)	(37)	(555)	(1 367)
Net closing balance	**(775)**	**(37)**	**(555)**	**(1 367)**

	31st of December 2022			
	Present value of future cash flows	Non-financial risk adjustment	Contractual service margin	Total
Opening balance of insurance contract assets	-	-	-	-
Opening balance of insurance contract liabilities	(1 218)	(112)	(16)	(1 346)
Net opening balance	**(1 218)**	**(112)**	**(16)**	**(1 346)**
Changes related to current services				
- CSM recognized in profit and loss	-	-	1 238	1 238
- Changes in risk adjustment recognized in Profit and loss	-	36	-	36
- Experience adjustments	243	(10)	-	233
Changes related to future services				
- Contracts recognized during the period	277	(27)	(262)	(12)
- Changes in the estimated related to the profit of the contracted service	1 209	2	(1 211)	-
- Changes in the estimates on onerous contracts and reversals of those losses	(520)	28	-	(492)
Changes related to future services				
Changes for past periods adjusting LIC	(292)	4	-	(288)
Insurance finance expenses at FVPL	211	4	(4)	211
Total recognized in profit or loss and other comprehensive income	**1 128**	**37**	**(239)**	**926**
Premiums received and set-off	(2 355)	-	-	(2 355)
Claims	923	-	-	923
Acquisition cash flows	427	-	-	427
Total cash flows	**(1 005)**	**-**	**-**	**(1 005)**
Closing balance of insurance contract assets	-	-	-	-
Closing balance of insurance contract liabilities	(1 095)	(75)	(255)	(1 425)
Net closing balance	**(1 095)**	**(75)**	**(255)**	**(1 425)**

30. Reinsurance contract assets and liabilities

Information on reinsurance contract assets and liabilities by main types of insurance is presented in the following tables:

31.12.2023	**Reinsurance contract assets**	**Reinsurance contract liabilities**
	BGN'000	**BGN'000**
Non-life insurance	66 910	3 467
Life insurance	-	22
Total	**66 910**	**3 489**

31.12.2022	Reinsurance contract assets	Reinsurance contract liabilities
	BGN'000	BGN'000
Non-life insurance	66 099	10 236
Life insurance	-	15
Total	**66 099**	**10 251**

31.12.2023	Reinsurance contract assets	Reinsurance contract liabilities
	BGN'000	BGN'000
Other motor insurance	16 287	(375)
Motor vehicle liability insurance	34 654	(2 218)
Fire and other damage to property insurance	11 825	(622)
Marine, Aviation, Transport insurance	2 454	(2)
Miscellaneous financial loss	-	-
Life Insurance	-	(22)
Other Insurance	1 690	(250)
Total	**66 910**	**(3 489)**

31.12.2022	Reinsurance contract assets	Reinsurance contract liabilities
	BGN'000	BGN'000
Other motor insurance	18 244	(5 467)
Motor vehicle liability insurance	36 780	(3 236)
Fire and other damage to property insurance	8 794	(1 154)
Marine, Aviation, Transport insurance	978	(111)
Miscellaneous financial loss	-	-
Life Insurance	-	(15)
Other Insurance	1 303	(268)
Total	**66 099**	**(10 251)**

Information on changes in the liability for remaining coverage and the liability for incurred claims in the Non-life insurance group is presented in the following tables:

2023	Remaining coverage	Amounts recoverable on incurred claims		Total
In BGN'000	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 01.01.2023	444	63 821	1 834	66 099
Reinsurance contract liabilities as at 01.01.2023	(10 235)	-	-	(10 235)
Net reinsurance contract liabilities as at 01.01.2023	**(9 791)**	**63 821**	**1 834**	**55 864**
An allocation of reinsurance premiums	**(51 509)**	**-**	**-**	**(51 509)**
Amounts recoverable for incurred	*-*	*21 250*	*1 004*	*22 254*

2023	**Remaining coverage**	**Amounts recoverable on incurred claims**		**Total**
In BGN'000	**Excluding loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	
claims and other expenses				
Changes to amounts recoverable for incurred claims	-	*10 994*	*127*	*11 121*
Amounts recoverable from reinsurers for incurred claims	**-**	**32 244**	**1 131**	**33 375**
Net result from reinsurance contracts held	**(51 509)**	**32 244**	**1 131**	**(18 134)**
Reinsurance finance income	-	1 248	-	1 248
Effect of changes in non-performance risk of reinsurers	-	2	-	2
Effect of movements in exchange rates	171	(1)	-	170
Net financial income from reinsurance contracts held	**171**	**1 247**	**-**	**1 418**
Effect of changes in non-performance risk of reinsurers	-	2	-	2
Total amount of the changes in the statement of profit or loss and other comprehensive income	**(51 338)**	**33 491**	**1 131**	**(16 716)**
Cash flow				
Amounts paid and set-off	59 354	-	-	59 354
Amounts received and set-off	-	(35 058)	-	(35 058)
Total cash flows	**59 354**	**(35 058)**	**-**	**24 296**
Net reinsurance contract liabilities as at 31.12.2023				
Reinsurance contract assets as at 31.12.2023	1 692	62 254	2 965	66 910
Reinsurance contract liabilities as at 31.12.2023	(3 467)	-	-	(3 467)
Net reinsurance contract liabilities as at 31.12.2023	**(1 775)**	**62 254**	**2 965**	**63 444**

2022	**Remaining coverage**	**Amounts recoverable on incurred claims**		**Total**
In BGN'000	**Excluding loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	
Reinsurance contract assets as at 01.01.2022	1 094	58 873	1 691	61 658
Reinsurance contract liabilities as at 01.01.2022	(8 953)	-	-	(8 953)
Net reinsurance contract liabilities as at 01.01.2022	**(7 859)**	**58 873**	**1 691**	**52 705**
An allocation of reinsurance premiums	**(45 639)**	**-**	**-**	**(45 639)**
Amounts recoverable for incurred claims and other expenses	-	*19 654*	*538*	*20 192*
Changes to amounts recoverable for incurred claims	-	*16 407*	*(395)*	*16 012*
Amounts recoverable from reinsurers for incurred claims	**-**	**36 061**	**143**	**36 204**
Net result from reinsurance contracts held	**(45 639)**	**36 061**	**143**	**(9 435)**
Reinsurance finance expense	-	(2 022)	-	(2 022)

2022	Remaining coverage	Amounts recoverable on incurred claims		Total
In BGN'000	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	
Net financial expense from reinsurance contracts held	**-**	**(2 022)**	**-**	**(2 022)**
Effect of changes in non-performance risk of reinsurers	-	(2)	-	(2)
Total amount of the changes in the statement of profit or loss and other comprehensive income	**(45 639)**	**34 037**	**143**	**(11 459)**
Cash flow				
Amounts paid and set-off	43 706	-	-	43 706
Amounts received and set-off	-	(29 089)	-	(29 089)
Total cash flows	**43 706**	**(29 089)**	**-**	**14 617**
Net reinsurance contract liabilities as at 31.12.2022				
Reinsurance contract assets as at 31.12.2022	444	63 821	1 834	66 099
Reinsurance contract liabilities as at 31.12.2022	(10 236)	-	-	(10 236)
Net reinsurance contract liabilities as at 31.12.2022	**(9 792)**	**63 821**	**1 834**	**55 863**

Information on the change in the liability for remaining coverage and the liability for incurred claims in the Life insurance group is presented in the following tables:

	2023		2022	
	LRC	Total	LIC	Total
Opening balance of reinsurance contract assets	**-**	**-**	**1**	**1**
Opening balance of reinsurance contract liabilities	**(15)**	**(15)**	**-**	**-**
Net opening balance	**(15)**	**(15)**	**1**	**1**
Net income and expenses from ceded reinsurance				
Allocated reinsurance premium	(19)	(19)	(29)	(29)
Reimbursement of expected claims and other expenses				
Changes in LIC from past periods				
Changes in performance cash flows that do not change the profit of the contracted service				
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Direct reinsurance expenses				
Financial income from ceded reinsurance on FVPL	(1)	(1)	1	1
Financial income from ceded reinsurance on FVOCI	-	-	-	-
Net income and expenses from exchange rates	-	-	-	-
Investment components	-	-	-	-
Total amount recognized in statement of profit or loss	**(20)**	**(20)**	**(28)**	**(28)**

Cash flows				
Premiums paid to reinsurers net of commissions	13	13	12	12
Direct expenses				
Amounts recoverable from reinsurers	-	-	-	-
Total cash flows	13	13	12	12
Closing balance of reinsurance contract liabilities	**-**	**-**	**(15)**	**(15)**
Closing balance of reinsurance contract assets	**(22)**	**(22)**	**-**	**-**
Net closing balance	**(22)**	**(22)**	**(15)**	**(15)**

31. Lease liabilities

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

	2023 BGN'000	2022 BGN'000
Lease liabilities – non-current portion	361 556	267 573
Lease liabilities – current portion	58 112	37 881
Lease liabilities	**419 668**	**305 454**

The Group leases aircrafts on operative leasing for securing its main operations. All lease agreements are reviewed in accordance IFRS 16, entered into force on 01.01.2019 and respective right-of-use assets are recognised against leasing liabilities. Detailed information on the Group's right of use assets is presented in note 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 non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts..

Future minimum lease payments at 31 December 2023 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 2023							
Lease payments	77 033	73 909	60 232	50 915	47 107	202 949	**512 145**
Finance charges	(18 921)	(16 323)	(13 880)	(11 812)	(9 968)	(21 573)	**(92 477)**
Net present values	**58 112**	**57 586**	**46 352**	**39 103**	**37 139**	**181 376**	**419 668**

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**

Leases payments not recognized as a lease liability are recognized in profit or loss for the period and presented in note 40 Operating and administrative expenses.

As at 31 December 2023 the Group is committed to short-term leases and the total commitment at that date is BGN 1 298 thousand (2022: BGN 1 087 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 2023							
Lease payments for contracts without recognized right-of-use asset	1 022	137	59	11	7	53	**1 289**
31 December 2022							
Lease payments for contracts without recognized right-of-use asset	821	121	54	20	12	59	**1 087**

32. Tax liabilities

Tax payables include the following:

	2023 BGN'000	2022 BGN'000
Corporate income tax	365	391
VAT payables	3 278	1 579
Tax insurance premium	1 168	926
Excise duty	300	253
Other taxes	3 951	2 957
	9 062	**6 106**

33. Other liabilities

Other payables can be summarized as follows:

		Current			Non-current	
		2023 BGN'000	**2022 BGN'000**		**2023 BGN'000**	**2022 BGN'000**
Other payables	33.2	51 177	48 320	33.1	2 109	2 326

33.1. Other non-current payables

	2023	2022

	BGN’000	BGN’000
Trans-European Transport Network financing	15	16
Provisions	955	701
Other	1 139	1 609
	2 109	**2 326**

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

The program includes the purchase of:

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

33.2. Other current payables

	2023 BGN’000	2022 BGN’000
Airfare tickets sold	20 688	19 397
Advances from customers	6 231	5 160
Guarantees	2 047	3 193
Penalties	1 337	1 631
Provisions	2 381	1 353
Other	18 493	17 586
	51 177	**48 320**

Liabilities for airfare tickets sold amounting to BGN 20 688 thousand (2022: BGN 19 397 thousand) represent the tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

34. Revenue from non-financial activities

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

	2023 BGN’000	2022 BGN’000
Income from sale of plane tickets	206 166	153 702
Income from services rendered	100 890	110 129
Income from sale of finished goods	40 020	52 496
Income from sale of trading goods	25 037	27 990
Other	35 508	64 082
	407 621	**408 399**

35. (Loss)/Gain on sale of non-current assets

	2023 BGN’000	2022 BGN’000
Proceeds from sale of non-current assets	2 280	109 607
Carrying amount of non-current assets sold	(7 888)	(80 600)
	(5 608)	**29 007**

36. Result from insurance and reinsurance contracts

	2023 BGN'000	2022 BGN'000
Non-life insurance	**52 555**	**27 673**
Insurance revenue	241 050	214 419
Insurance service expenses	(188 495)	(186 746)
Life insurance	**(146)**	**(509)**
Insurance revenue	1 960	2 153
Insurance service expenses	(2 106)	(2 662)
Total of insurance revenue	**243 010**	**216 572**
Total of insurance service expenses	**(190 601)**	**(189 408)**
Net result from insurance contracts	**52 409**	**27 164**
Non-life insurance	**(18 134)**	**(9 435)**
An allocation of reinsurance premiums	(51 509)	(45 639)
Amounts recoverable from reinsurers for incurred claims	33 375	36 204
Life insurance	**(19)**	**(30)**
An allocation of reinsurance premiums	(19)	(30)
Net result from reinsurance contracts held	**(18 153)**	**(9 465)**
Result from insurance services	**34 256**	**17 699**
Net finance (expenses) / income from insurance contracts	(4 835)	9 935
Net finance (expenses) / income from reinsurance contracts	1 417	(2 021)
Net result from insurance and reinsurance contracts recognized in profit and loss	**30 838**	**25 613**

Net financial income and expenses are presented as part of "Other financial income, net". More information on changes in insurance and reinsurance contract assets and liabilities is presented in Notes 29 and 30.

Insurance income and expenses under Life insurance are presented as follows:

	2023 BGN'000	2022 BGN'000
Insurance revenue		
Changes in LRC		
- Expected incurred claims	380	303
- Expected incurred expenses	333	280
- Non-financial risk adjustments	4	23
- Recognized CSM	724	1 238
Recovery of acquisition cash flows	316	268
Insurance revenue	**1 757**	**2 112**
Other insurance revenue	203	41
Total insurance revenue	**1 960**	**2 153**
Insurance service expenses		
Incurred claims	(1 096)	(787)
Loss on onerous contracts	513	(54)
Changes in liability for remaining coverage	16	(288)
Amortization of acquisition cash flows	(316)	(268)
Total insurance service expenses	**(883)**	**(1 397)**

Other insurance service expenses	(1 223)	(1 265)
Total insurance service expenses	**(2 106)**	**(2 662)**
Net result from insurance contracts	**(146)**	**(509)**
Reinsurance service expenses		
Expected recoverable claims	(41)	(28)
Non-financial risk adjustments	30	(8)
Recognized profit of the contracted services	(8)	6
Net expenses from reinsurance contracts held	**(19)**	**(30)**
Net result from insurance services	**(165)**	**(539)**

37. Interest income

	2023 BGN'000	2022 BGN'000
Interest income by types of sources:		
Legal entities	95 663	82 435
Government securities	65 857	40 752
Banks	30 152	6 783
Individuals	54 539	53 694
Other	2 861	2 689
	249 072	**186 353**

38. Interest expense

	2023 BGN'000	2022 BGN'000
Interest expense due to depositors:		
Legal entities	(24 004)	(24 083)
Individuals	(3 545)	(3 663)
Banks	(4 150)	(5 530)
Other	(1 936)	(6 867)
	(33 635)	**(40 143)**

39. Net result from transactions with financial instruments

	2023 BGN'000	2022 BGN'000
Gains from transactions with securities and investments	982 469	1 024 673
Dividend income	18 395	16 414
	1 000 864	**1 041 087**
Losses from transactions with securities and investments	(847 030)	(1 081 360)
	(847 030)	**(1 081 360)**
Result from transactions with financial instruments, net	**153 834**	**(40 273)**

40. Operating and administrative expense

	Note	2023 BGN'000	2022 BGN'000
Hired services expense		(182 867)	(149 790)
Cost of materials		(91 866)	(103 747)
Cost of goods sold		(21 702)	(32 663)
Employee benefits expense	28.1	(123 905)	(107 987)
Depreciation and amortization expense	9,10,12,13	(89 751)	(109 019)
Change in inventories and work in progress		(317)	574
Impairment of receivables and non-financial assets		(43 370)	(65 750)
Impairment of goodwill	12	(23 737)	-
Other expenses		(46 952)	(47 756)
		(624 467)	**(616 138)**

The costs for the fees for engagements for independent financial audit of the companies in the Group for 2023, carried out by registered auditors, are in the amount of BGN 3 million. The remuneration for the audit of the individual and consolidated statement of the Parent Company is in the amount of BGN 250 thousand, other services are also provided to enterprises controlled by the Parent Company, in connection with a commitment to review interim financial information and commitments to implement agreed procedures in accordance with the requirements of ISAS 4400 (revised) "Commitments for agreed procedures". The services provided under the commitments for agreed procedures are required under the Insurance Code and the Social Security Code.

This disclosure complies with the requirements of Article 30 of the Accounting Act.

41. Other financial income

		2023 BGN'000	2022 BGN'000
Revenue from fees and commissions, net	41.1, 41.2	76 472	74 968
Net result from foreign exchange differences		(4 003)	1 655
Other finance expenses/income from insurance operations, net		(3 418)	7 914
Other finance income, net		6 317	2 573
		75 368	**87 110**

41.1. Revenue from fees and commissions

	2023 BGN'000	2022 BGN'000
Bank transfers in Bulgaria and abroad	35 668	33 661
Maintenance fee on deposit accounts	19 091	18 381
Servicing fee for loans	5 074	6 815
Fee for commitments and contingencies	835	920
Other fees and commissions income, different from banks	22 125	19 001
Other income	18 279	18 545
Revenue from fees and commissions	**101 072**	**97 323**

41.2. Expenses from fees and commissions

	2023 BGN'000	2022 BGN'000
Bank transfers in Bulgaria and abroad	(18 166)	(15 621)
Account maintenance fees	(1 440)	(865)
Release of precious parcels	(444)	(1 982)
Transactions with securities	(446)	(351)
Other fees and commissions expenses, different from banks	(1 645)	(1 559)
Other expenses	(2 459)	(1 977)
Total fees and commissions expenses	**(24 600)**	**(22 355)**

42. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2022: 10%) and the reported tax expense in profit or loss can be reconciled as follows:

	2023 BGN'000	2022 BGN'000
Profit before tax	102 043	58 763
Tax rate	10%	10%
Expected tax expense	**(10 204)**	**(5 876)**
Net effect of adjustments of the financial result for tax purpose	(1 079)	507
Current tax expense	**(11 283)**	**(5 639)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences	(8 539)	(3 268)
Tax expense	**(19 822)**	**(8 637)**
Deferred tax income recognized in other comprehensive income	**177**	**725**

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

43. 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 2023	31 December 2022
Profit attributable to the shareholders of the Group (BGN)	59 112 000	37 520 000
Weighted average number of outstanding shares	226 463 529	226 463 529
Earnings per share (BGN per share)	**0.26**	**0.17**

44. 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.

44.1. Transactions with owners

	2023 BGN '000	2022 BGN '000
Sale of goods and services, interest income and other income		
- interest income	105	273
- sale of services	10	-
- other income	2	1 453
Purchase of services, interest expense and other expenses		
- purchase of services	(66)	(89)
- interest expense	(499)	(340)

44.2. Transactions with associates and other related parties

Sale of goods and services, interest income and other income	2023 BGN '000	2022 BGN '000
Sale of production		
- associated and joint venture companies	1 158	2 117
- other related parties	146	145
Sale of finished goods		
- associated and joint venture companies	837	593
- other related parties	198	909
Sale of services		
- associated and joint venture companies	11 228	11 294
- other related parties	4 155	3 845
Interest income		
- associated and joint venture companies	278	310
- other related parties	2 519	1 459
Other income		
- associated and joint venture companies	369	192
- other related parties	202	297

Purchases of services and interest expense	2023 BGN '000	2022 BGN '000
Purchases of services		
- associated and joint venture companies	(13 892)	(10 186)
- other related parties	(2 943)	(4 724)
Interest expense		
- associated and joint venture companies	(38)	(176)
- other related parties	(86)	(159)

44.3. 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:

	2023 BGN'000	2022 BGN'000
Short-term employee benefits:		
Salaries, including bonuses	(168)	(168)
Social security costs	(16)	(16)
Short-term employee benefits from subsidiaries	(960)	(882)
Total short-term benefits	**(1 144)**	**(1 066)**

45. Related party balances at year-end

	2023 BGN'000	2022 BGN'000
Non-current receivables from:		
- associates	1 889	2 942
- other related parties	13 260	12 052
Total non-current receivables from related parties	**15 149**	**14 994**

Current receivables from:	2023 BGN'000	2022 BGN'000
- owners	3 426	9 845
- associates	1 444	1 346

- joint ventures	4 397	3 257
- other related parties	41 501	44 604
Total current receivables from related parties	**50 768**	**59 052**

Non-current payable to:	**2023 BGN'000**	**2022 BGN'000**
- owners	-	5
- associates	7 375	5 053
- joint ventures	1 777	1 538
- other related parties	7 562	7 770
Total non-current payables from related parties	**16 714**	**14 366**

Current payables to:	**2023 BGN'000**	**2022 BGN'000**
- owners	31 585	49 675
- associates	10 309	5 622
- joint ventures	167	595
- other related parties	14 324	15 396
Total current payables from related parties	**56 385**	**71 288**

46. Contingent assets, contingent liabilities and other commitments

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

	2023 BGN'000	**2022 BGN'000**
Bank guarantees in BGN	27 423	50 746
Bank guarantees in foreign currency	25 534	25 874
Irrevocable commitments	109 011	88 823
Total contingent liabilities	**161 968**	**165 443**

As of 31 December 2023, the Group has contracted loans to customers for the total amount of TBGN 109 330 (2022: TBGN 88 823), respectively. The future disbursement of this amount is subject to the borrowers meeting certain criteria, including no record of default on previous tranches of loans, provision of collateral of a certain quality and liquidity, etc.

The Group's contingent liabilities in respect of non-banking activities are as follows:

As at 31.12.2023, in connection with the requirements of IFRS 9, the Group has recognised a liability of TBGN 693 (2022: TBGN 978) for provisions for expected credit losses related to the Group's contingent liabilities.

As of 31 December 2023 the Group has pledged investment properties with a carrying value of TBGN 169 757.

The Group is a jointly liable under the following bank credit agreements

- loan agreements between a commercial bank and M Car Sofia OOD dated 02.08.2016 with a present value of the liability of BGN 18 213 thousand and maturity on November 2, 2029; The fair value of the collateral owned by the borrower amounts to BGN 38 489 thousand.
- loan agreements between commercial bank and M Leasing EAD dated 09.08.2019. with present value of the liability BGN 25 647 thousand and maturity on December 30, 2028; The collaterals provided by the borrower are: pledge of all receivables under leasing contracts; pledge of cash receivables on all accounts.

- loan agreements between commercial bank and Finance Info Assistance EOOD from 01.09.2021 with a present value of the liability of BGN 14 395 thousand and maturity on 01.04.2024; The fair value of the assets / receivables / pledged as collateral, owned by the borrower, amounts to BGN 17 994 thousand.

On 26.06.2020, a bank guarantee No. 116DSK13926 in the amount of BGN 100 000 was issued by DSK Bank EAD, securing the Group's obligations in connection with its registration under the Law on Administrative Regulation of Economic Activities Related to Petroleum and Petroleum Products. The guarantee is valid until 24.06.2022.

Amendment No. 1 to Bank Guarantee No. 116DSK13926 extends the term to 24.12.2023. Amendment No. 2 dated 28.11.2023 to bank guarantee No. 116DSK13926 extends the term until 24.06.2025.

The Group has entered into a bank guarantee agreement as security for a possible claim for reimbursement of an advance payment made in favour of the Employer in respect of an obligation of Consortium Energoproekt - Royal Haskoning under a contract for the design of an Intermodal Terminal in the amount of TBGN 1 684, reduced to TBGN 1 200. Validity until 30.06.2024 inclusive. Bank guarantees and pledge on receivables;

The Group has entered into an agreement for a bank guarantee for good performance in favour of the Employer regarding the performance of the obligation of Consortium Energoproekt - Royal Haskoning under the contract for the design of the Intermodal Terminal in the amount of TBGN 263 and with a validity period until 30 June 2024. The collateral provided is a surety agreement

The Group has a guarantee issued by Eurobank IG Bulgaria JSC in the amount of BGN 2,600 thousand in favour of the Customs Agency with a validity period until 5 April 2024.

Bank guarantees for a total amount of TBGN 455, secured by a pledge on deposits receivable, have been maintained in connection with concession contracts.

The Group has signed a Surety Agreement with a bank, which covers the performance of obligations under a Credit Agreement in the form of a credit limit for the issue of bank guarantees and letters of credit between a subsidiary and the same bank

Pursuant to the concession agreement of the "Lom Port Terminal", part of the Lom Public Transport Port, the Group is required to maintain bank guarantees in the prescribed amount:

- bank guarantee for the implementation of the Investment Programme for the ninth investment year in the amount of TBGN 170;
- a bank guarantee for good performance to ensure the fulfilment of the obligations under the contract, in the amount of TBGN 455.

No contingent liabilities have arisen for the Group in respect of associates.

During the year, various legal claims were filed by the Group. The Group's management believes that the claims made are without merit and that the likelihood of them resulting in costs to the Group in settlement is remote. This management judgement is supported by the opinion of independent legal advisers. None of the aforementioned claims are set out herein in detail so as not to seriously affect the Group's position in resolving the disputes.

In order to ensure the fulfilment of its obligations for the final exit from the concession areas, under the concession agreements, the Group sets aside annually amounts representing annual contributions to an "Exit Fund".

Future payments in respect of contributions to the Exit Fund as at 31 December are as follows:

	Up to 1 year BGN'000	From 1 to 5 years BGN'000	Above 5 years BGN'000	Total BGN'000
2023 year.	32	122	185	**339**
2022 year.	9	37	96	**142**

On 20 October 2010, the agreement signed between aCompany part of the Group and the Ministry of Transport, Information Technology and Communications regarding the concession of the service on the port terminal "Vidin - North" and the port terminal "Vidin Ferry Complex", parts of the port for public transport of national importance Vidin, entered into force. The contract is for a period of 30 years. On 24.02.2021 an Additional Agreement was signed to extend the term to 40 years.
The concession fee includes:

- a one-off concession fee of TBGN 100.
- annual concession royalties, which contain a fixed and a variable part.

The fixed annual concession fee amounts to EUR 44 thousand (TBGN 87).
Under the Concession Agreement, the Group undertakes:

- operate and maintain the concession site at its own risk;
- to carry out an update of the master plan of the Port of Vidin concerning the port terminals - the Concession Object;
- make investments in accordance with the annual investment programmes;
- develop and submit for approval by the Concessionaire annual investment programmes by 30 October of the preceding year;
- to coordinate in advance and obtain the approval of the Minister of Transport, Information Technology and Communications to carry out improvements to the Concession Object not provided for in the relevant annual investment programme;
- not change the purpose of the concession object;
- provide and maintain bank guarantees;

The concession agreement shall be terminated upon expiry of the term of the agreement, by mutual consent, due to circumstances under the Concession Act or in case of culpable default of one of the parties.
During the period from 1 January 2023 to 31 December 2023 the Group has undertaken to make investments in the port terminals "Vidin - North" and "Vidin Ferry Complex" in the amount of TBGN 110. The book (settled) value as at 31 December 2023 of the investments made in the terminal amounted to TBGN 139.

In 2013, an agreement signed between a Company part of the Group and the Ministry of Transport, Information Technology and Communications regarding a service concession for the provision of a service concession on the port terminal Port Terminal Nikopol, part of the public transport port of national importance Ruse, entered into force. The contract is for a period of 35 years and also provides for a grace period of 60 (sixty) months starting from the date of entry into force of the concession contract.
The concession fee includes:

- a one-off concession fee of TBGN 5.
- annual concession royalties, which contain a fixed and a variable part.

The annual concession payment consists of two parts:

- a fixed part of the annual concession payment of TBGN 3 (excluding VAT).
- a variable part equal to 3% of the total net revenue from all activities for the current year related to the use of the object of the concession.

For the duration of the concession, the Group undertakes to carry out construction and installation works and activities defined by direction, type, volume and value for the maintenance, rehabilitation, reconstruction and extension of the port terminal and the provision and maintenance of port equipment and other assets and programmes in the amount of TBGN 57 excluding VAT.
Under the concession agreement, the Group undertakes to:

- manage the port services and the concession site.
- to implement the proposed plans and programmes.
- to achieve an average annual cargo turnover of at least 1 600 (one thousand six hundred) notional transport units within the first 5 years from the entry into force of the concession contract and to achieve an average annual cargo turnover of not less than the proposed average annual cargo turnover within each two-year period of the remaining term of the concession;
- provide and maintain confirmed unconditional irrevocable annual guarantees issued by banks approved by the Concessionaire;

- insure and maintain adequate and sufficient insurance for the business to be carried on at the concession site, at its own expense for the benefit of the Concessionaire.

The concession agreement shall be terminated upon expiry of the term of the agreement, by mutual consent, due to circumstances under the Concession Act or in case of culpable default of one of the parties.

1 January 2023 - 31 December 2023 A company part of the Group has undertaken to make investments in the Nikopol Port Terminal, part of the public transport port of national importance Ruse, in the amount of BGN 7.8 thousand. The book (settled) value as at 31 December 2023 of the investments made in the terminal amounted to TBGN 12.

Bank guarantees for a total amount of TBGN 455 are to be maintained in connection with concession contracts concluded.

On 06 March 2013, a contract signed between the Group and the Ministry of Transport, Information Technology and Communications for the concession of the "Lom Port Terminal" - part of the Lom Public Transport Port, of national importance - public state property for a period of 35 years came into force.

Under the Concession Agreement, the Group undertakes to:

- pay the concession fees due (a one-off concession fee of TBGN 150 excluding VAT and annual concession payments containing a fixed and variable part);
- carry out the port services at its own risk, creating conditions for continuity of the provision of the services and ensuring access to the terminals and the port services provided by them not less than 8 hours a day;
- maintain and operate the concession site at its own risk, with the care of a good manager and in accordance with the requirements of the legislation in force governing activities and actions arising from the concession contract;
- for the period from 01 January 2023 to 31 December 2023, investments have been made in the amount of TBGN 134 ;
- publicly disclose the prices and conditions of the port services it provides and any discounts;
- maintains the port terminal infrastructure in good operational condition, carrying out the necessary repairs at its own expense.

On 05 November 2010, Ruse Municipality and the Group signed an Access Agreement for the provision of port services in the public transport port of regional importance "Pristis".

The Group is committed to providing port services in the Port of Priestis by using and maintaining the port area and the facilities constructed on it - public municipal property. Pursuant to a supplementary agreement signed on 08 December 2015, the agreement has a term of validity until the completion of the procedure for granting a concession for the Port of Pristis, but not exceeding 5 years.

As a result of an open procedure for granting a concession for the public transport port of regional importance "Pristis" and by virtue of Resolution No. 707 of the Municipal Council - Ruse, adopted by Minute No. 28 of 14 December 2017, the Group was appointed as the concessionaire of the port "Pristis". On 04.01.2018, the Municipal Council - Ruse, represented by the Mayor of Ruse Municipality and the Group signed a Concession Agreement for the public transport port of regional importance "Pristis" - public municipal property. The contract comes into force on 01 April 2019 and has a term of 35 years.

Upon the entry into force of the concession contract, the contract for granting access for the provision of port services in the public transport port of regional importance "Pristis" shall be terminated.

Under the Concession Agreement, the Group has obligations to:

- make annual concession payments consisting of two parts - a fixed part in the amount of TBGN 53(as of 01.01.2022) and a variable part depending on the activity performed;
- manage and maintain the concession object at its own risk, in accordance with good engineering and operational practice, with the care of a good manager and in compliance with

the requirements of the legislation in force governing activities and actions arising from the concession contract;

- maintain the port in working order and the port infrastructure in good operational condition by carrying out the necessary repairs at its own expense;
- perform the port services at its own risk, ensuring their continuity for at least 8 hours a day;
- make investments in accordance with the annual investment programmes provided for;
- carry out an annual cargo turnover defined in notional transport units, a notional transport unit being each passenger and/or ship call handled at the port multiplied by 10.

In 2023, the Group generated a turnover of 49157 notional transport units and made a variable concession payment of TBGN 7.

During 1 January 2023 - 31 December 2023 the Group has committed to make investments of TBGN 125. In 2023 the following investments were made: rehabilitation of the water and sewerage network, purchase of equipment, repairs amounting to TBGN 253 .

For 2024, the investment programme amounts to TBGN 25.

In accordance with the concession agreement for the public transport port of regional importance "Pristis" - public municipal property, the Group has been issued a bank guarantee for the good performance of the concession agreement, with an amount of BGN 100 000 and a validity period until 01 March 2028.

On July 29, 2021, a contract was signed between Port Bimas EOOD and the Ministry of Transport, Information Technology and Communications regarding the concession for construction of the "Port Terminal with Wintering Facility - Ruse, part of the public transport port Ruse - public state property. Concession period 35 years.
The concession fee includes:

- a one-off concession fee of TBGN 7 .
- annual concession royalties, which contain a fixed and a variable part.

The amount of the fixed annual concession fee is TBGN 22 and the variable fee is 2% of the total revenue.
Under the concession agreement, the Group is obliged to:

- to provide asset management services at the Port Terminal with wintering yard - Ruse;
- to handle cargo and mail;
- to provide port technical services.

During 1 January 2023 - 31 December 2023 the Group has committed to make investments of TBGN 564.

In 2023, the following investments were made: preparation of a master plan, commencement of construction of a port terminal.

For 2024, the investment programme amounts to TBGN 891.

Bank guarantees in the total amount of TBGN 455, secured by a pledge on deposits receivable, were maintained in connection with the concession contracts concluded.

Pursuant to the Concession Agreement, the Group is obliged to operate, maintain and make investments for the development of the Lesport Port Terminal; to implement Annual Investment Programmes, to maintain a certain average annual cargo turnover, to maintain bank performance guarantees for the term of the agreement and to implement a certain social programme in respect of the personnel.

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

- -Guarantee for the implementation of the Investment Programme in the amount of 15% of the value of the planned investments for the respective year;
- Guarantee in the amount of EUR 256 thousand (TBGN 501) for the performance of the contract, including the obligation to pay concession royalties, cargo turnover, the obligation to pay interest and penalties set out in the contract.

As at 31 December 2023, the Group has entered into a framework agreement for the issue of bank guarantees with a commercial bank for a total amount of TBGN 500 with a term until 28 January 2028. Bank guarantees are included within this contract:

- in the amount of TBGN 50 for the fulfilment of the obligations for 2023 in favour of the Ministry of Transport and Communications with a validity period until 30 May 2024.

- TBGN 29 for the fulfilment of the obligations for 2024 in favour of the Ministry of Transport and Communications, valid until 30 May 2025.

As of 31 December 2023, 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 Contract is valid until 28 January 2028.

According to the supplementary agreement of 23 January 2020, an integral part of the concession agreement signed between a Company part of the Group and the Ministry of Transport and Communications, the investments approved for implementation in 2024 amount to TBGN 195 and are in the following areas:

- Operational Capability for a total amount of TBGN 55;
- Consultancy on the implementation of the concession contract in the amount of TBGN 140.

The investment implementation period is until 31 December 2024.

As at 31 December 2023, the Group owes a penalty to the Ministry of Transport and Communications in the amount of TBGN 147 for the average annual turnover for the last two years lower than the base turnover set in the concession contract and the additional agreements signed (2022: TBGN 70).

47. 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 loans BGN'000	Bank loans BGN'000	Other loans BGN'000	Lease obligations BGN'000	Total BGN'000
1 January 2023	**74 611**	**88 126**	**6 984**	**305 454**	**475 175**
Cash flows:					
Repayment	(4 500)	(30 057)	(929)	-	**(35 486)**
Payments for lease contracts	-	-	-	(56 919)	**(56 919)**
Proceeds	-	750	325	-	**1 075**
Interest paid	(1 926)	(2 964)	(29)	-	**(4 919)**
Non-cash:					
New obligations under leasing contracts	-	-	**-**	152 874	**152 874**

Interest accrued and foreign exchange differences	1 251	3 197	65	7 991	**12 504**
Reclassification	(926)	5 767	692	10 268	**15 801**
31 December 2023	**68 510**	**64 819**	**7 108**	**419 668**	**560 105**

	Debenture loan BGN'000	Bank loans BGN'000	Other loans BGN'000	Lease obligations BGN'000	Total BGN'000
1 January 2022	**69 450**	**71 729**	**25 981**	**280 979**	**448 138**
Cash flows:					**-**
Repayment	(3 000)	(25 614)	(5 496)	-	**(34 110)**
Payments for lease contracts	-	-	-	(47 929)	**(47 929)**
Proceeds	-	1 703	5 637	-	**7 340**
Interest paid	(1 575)	(3 174)	(497)	-	**(5 246)**
Non-cash:					**-**
New obligations under leasing contracts	-	-	**-**	68 357	**68 357**
Interest accrued foreign exchange differences	1 672	4 123	497	26 641	**32 933**
Offsets	-	-	-	(30 736)	**(30 736)**
Reclassification	8 064	39 359	(19 138)	8 142	**36 427**
31 December 2022	**74 611**	**88 126**	**6 984**	**305 454**	**475 175**

48. 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 2023, the Group has recognized assets with the right to use a total value of BGN 83 thousand (2022: BGN 86 thousand).
- The Group has offset lease liabilities at the amount of BGN 49 thousand (2022: 30 736 thousand) loan receivables of BGN 79 thousand.
- The Group has closed interest payable to Oil and Gas Exploration and Production AD by offsetting trade receivables totalling BGN 3 thousand.
- Transformation of trade payables into trade loans amounting to BGN 5 447 thousand (2022: BGN 4 424 thousand).
- 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 671 thousand with the Ministry of Transport and Communications for a recognized annual investment program for 2022 and annual investment program for 2023 approved for implementation (2022: BGN 451 thousand)
- In 2023, the Gruop made offsets of receivables against liabilities with related parties in the amount of BGN 26 202 thousand and has transferred commercial liabilities into loans in the amount of BGN 5 447 thousand.
-

49. 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**	**2023 BGN'000**	**2022 BGN'000**
Financial assets at fair value through profit or loss:	16		
- Corporate shares, units and rights		1 410 272	1 252 389
- Bulgarian corporate bonds		388 064	219 003
- Medium-term Bulgarian government securities		64 675	52 610
- Long-term Bulgarian government securities		78 091	45 643
- Securities issued or guaranteed in other countries		619 489	611 699
- Derivatives held for trading		756	12
Equity instruments at fair value through other comprehensive income:	18		
- Quoted equity instruments		14 052	23 653
- Unquoted equity instruments		39 314	70 031
Debt instruments measured at fair value through other comprehensive income:	17		
- Bonds		574 817	413 809
- Government Securities		27 335	145 636
Debt instruments at amortized cost:			
- Loans	15, 19.1	3 330 287	3 350 000
- Cession receivables	19.1	50 863	48 188
- Receivables under repurchase agreements	19.2	499 202	448 044
- Debt instruments at amortized cost	19.3	1 548 256	1 341 679
- Receivables from related parties	45	65 917	74 046
- Trade receivables	19.4	104 432	110 647
- Others	19	760	1 393
Less: Impairment	*19*	(168 300)	(151 181)
- Cash and cash equivalents	23	2 263 788	2 180 578
		10 912 070	**10 237 879**

Financial liabilities	**Note**	**2023 BGN'000**	**2023 BGN'000**
Financial liabilities measured at amortized cost:			
Liabilities to depositors	25	7 587 771	7 315 692
Borrowings	26.2, 26.3, 26.4	189 853	228 043
Bank deposits	26.5	14 749	10 247
Cession payables	26	42 976	60 245
Obligations under repo agreements	26.6	12 554	4 278
Lease obligations	31	419 668	305 454
Trade and other payables	26.7	89 604	75 027
Related party payables	45	73 099	85 654
		8 430 274	**8 084 640**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	26.1	-	677
		8 430 274	**8 085 317**

See note 4.20 for information on accounting policy for each category of financial instruments. The methods used to measure fair values are described in note 51. A description of Group's policy and objectives for risk management is presented in note 50.

50. 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 Group'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 49. The most significant financial risks to which the Group is exposed to are described below.

50.1. Insurance risk

Non-life insurance

Insurance risk is the risk of occurrence of insured events as a result of the portfolio of insurance contracts, in which case the amount of damages and the compensation due exceed the amount of the insurance reserves set aside. This depends on the frequency with which the insured events occur, the type of insurance portfolio, the amount of insurance claims. To mitigate this risk, the diversity of the insurance portfolio and probability theory is of great importance. The Group strives to make a relatively even distribution of insurance contracts, as well as to analyze the different types of insurance risks, which is reflected in the general terms and conditions. Through various methods of assessment and control, the Head of Internal Control Department carries out regular risk assessment and monitors the accumulation of insurance amounts by group of clients and regions. Risk management is carried out by the Internal Control Directorate in cooperation with the actuaries and management of the Group. The main factors on which the positive financial result of the Group depends are the damage quota, the quota of expenses and the income from investments.

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

Every insurance undertaking shall endeavour to ensure that sufficient insurance liabilities are set aside to cover its commitments.

The group manages and equalises the risks assumed both within and outside the insurance population. Within the insurance population, this is achieved by equalizing the risks assumed at the time, in essence, by place in risk groups and by increasing the number of insured units, i.e. by manifesting the law of large numbers. The Group conducts a systematic analysis of the risks undertaken, their temporal and territorial diversification, offers new insurance products and strives to constantly include new units in the insurance population with a good expected risk manifestation.

Outside the insurance population, the Group equalises risk by using reinsurance contracts. According to the specifics of the specific insurance products, the choice of reinsurance contract and the respective limits of self-retention are determined. The management of insurance risk is also reflected in the application of restrictions in underwriting procedures – limits on liability are introduced, exclusion of risks that may be affected, use of appropriate methods to assess the necessary premiums and future obligations, implementation of a reinsurance program and monitoring of insurance business. Notwithstanding reinsurance protection, the Group shall not be exempted from its direct obligations to insured persons in respect of the risks transferred, with the result that there is credit risk to the extent consistent with the inability of the reinsurers under the relevant reinsurance contract to meet their financial obligations under it. In order to minimise the manifestation of this credit risk, the Group maintains a register of available data on quantifiable indicators of the financial position of its counterparties.

The Group offers over 70 types of insurance products, thus striving to achieve a diverse and balanced, aggregated insurance portfolio. Ten of the products offered cover risks in Motor Insurance; 18 cover risks in Property Insurance; 40 – in Liability Insurance, Accident and Travel Assistance; 10 are the insurances under Transport Insurance and Financial Risks and a number of other insurances in different areas of non-life insurance. The term of the contracts concluded in the aggregated insurance portfolio is mainly one-year, but there are also such contracts in it, which have a shorter or longer term than one year.

Motor Insurance covers mainly risks related to road accidents, natural disasters and illegal human activity. Risks are material and non-material. The risks covered cover to the fullest extent the insurance coverage needs of owners, users and holders of vehicles. The territorial scope of insurance includes the whole of Europe.

Property insurance covers mainly risks related to fire, natural disasters, accident of machinery and equipment, illegal human activity, etc. In the case of property insurance, the assessment and reinsurance protection with regard to catastrophic risks is essential. In the assessment of these risks, the emphasis is placed on the adequate determination of the sum insured, the prevention carried out, the periodic inspection of the insured objects. The provided territorial coverage for them is only for the territory of the Republic of Bulgaria.

In addition to Third Party Liability, a large number of Professional Liability are covered under Liability Insurance, which are largely mandatory by virtue of various regulations. The coverage under these insurances is provided only for the territory of the Republic of Bulgaria.

Accident and Travel Assistance Insurance cover risks related to: death, permanent and temporary disability of the insured persons as a result of an accident and assisted assistance in case of health risk conditions. The territorial coverage provided for different products in this group varies from coverage only for the Republic of Bulgaria to coverage for the whole world.

Annually, the range of insurance products offered is analyzed, depending on the results of each product, the risk interest of the Group, market needs and other factors, adaptation, supplementation of existing products or development of new products in order to meet specific needs. The latter is carried out after a thorough analysis of consumer demand and market segmentation.

The main assumption underlying the assessments of obligations is that the development of future claims against the Group will generally follow the experience of the development of claims in past years. This includes assumptions about the frequency and severity of each claim, as well as an assessment of the inflation factor for each year of insured events. In addition, a qualitative and quantitative assessment of the degree of bias that can be expected when applying trends from the past into the future is carried out. The group takes into account 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 risk manifestations, in particular with regard to catastrophic events, appropriate reinsurance protection shall apply. Reinsurance contracts allocate risk and minimize the effect of significant losses, which guarantees the capitalization of the Group.

When selecting a reinsurer, the Group shall take into account the relative safety of the reinsurer, as assessed on the basis of public ratings and from studies carried out.

Insurance risk is reflected not only in the pricing process but also in the process of settling claims and setting aside reserves. The table below is an estimate of the provision for outstanding payments included in the financial statements on the basis of claims made and paid, spread over time by year of occurrence of the damage. The table provides a historical overview of the sufficiency of the constituted reserve for outstanding claims. Due to the inherent uncertainty in the reserve determination process, it cannot be assured with absolute certainty that these reserves will suffice as a final result.

	Before 2019	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Claims assessment (gross, undiscounted)	582 481	86 801	77 797	81 112	90 858	107 316	1 026 365
At the end of the event year	-	101 879	85 448	76 784	103 679	107 316	-
After year 1	-	90 580	78 694	80 334	90 858	-	-
After year 2	-	86 663	77 792	81 112	-	-	-
After year 3	580 757	85 616	77 797	-	-	-	-
After year 4	571 259	86 801	-	-	-	-	-
After year 5	582 481	-	-	-	-	-	-

Paid claims	532 174	78 656	67 281	69 489	73 525	53 977	875 102
Undiscounted LIC	**50 307**	**8 145**	**10 516**	**11 623**	**17 333**	**53 339**	**151 263**
Discounting effect	(2 628)	(607)	(766)	(786)	(1 336)	(3 051)	(9 174)
Correction of non-financial risk	3 120	447	577	688	1 008	2 956	8 796
Liability for Incurred Claims (LIC)	**50 799**	**7 985**	**10 327**	**11 525**	**17 005**	**53 244**	**150 885**

In the calculation of insurance liabilities, certain assumptions are made. Assumption determination is the process of calculating neutral estimates of the most likely or expected outcome of insured events. The sources of information on which assumptions are made are based on in-depth studies of the Group's experience. In cases where there is insufficient inside information for the preparation of a reliable assessment of the development of insurance claims, market data acquired from own surveys or published by the Financial Supervision Commission may be used.

With regard to the liability for claims incurred, the expertise of the liquidation specialists is also essential. They review damages in relation to the circumstances of occurrence and right to compensation. On the basis of historically proven experience of the extent of such damage an estimate is made. This assessment shall be reviewed regularly and, where new information becomes available, updated.

To establish the liability for claims incurred, the Group uses various statistical methods based on the accumulated values of the claims paid and on the basis of historical claims. Own data for the period 2008-2023 are used. When large deviations in the development coefficients for a given year are obtained for a given year, not typical for the development of the claims, the respective period is not taken into account in the calculation of the development factors.

For insurances where due to low frequency of or low volume of activity there are no claims and on the basis of a chain-pillar method a zero value of the reserve for incurred but unsettled claims is obtained, the company uses the Bonhütter-Ferguson method, which is based on the volume of premiums earned and claims paid and filed for the period 2008 -2023.

The part of the reinsurers in the Claims Reserve is formed on the basis of the calculations of the reserves under each of the reinsurance contracts, following the methodology for direct business.

The remaining coverage liability is formed to cover claims and administrative expenses that are expected to arise under the relevant insurance or reinsurance contract after the reporting period. In its calculation, unearned premiums under insurance contracts are also taken into account, as well as the outstanding commission obligations of intermediaries.

The remaining coverage part of reinsurers in the liability side is formed on the basis of the reserve calculations for each of the reinsurance contracts, following the direct business methodology.

The adequacy of liabilities shall be ensured by periodic assessment and testing of sufficient reserves to cover all future payments. When assessing the adequacy of reserves, all expected cash flows of concluded insurance contracts are taken into account, such as: risk payments, administrative costs of servicing contracts, claims costs, etc. The adequacy of the remaining coverage liability and the liability for damage shall be established by appropriate tests.

The liability adequacy test for incurred claims was performed by means of a run-off analysis. The analysis of the development of liabilities as of 31.12.2022 shows an excess over the value of the claims paid in 2023 and the remaining at the end of 2023 reserve for damages on events occurring before 1.1.2023 of 10,156 thousand. representing 7% of the liability formed.

The impact of the development of insurance indicators on the capital adequacy of the Group is simulated in the sensitivity analysis. For the sensitivity analysis presented below, the indicators Liability for Remaining Coverage and Liability for incurred claims have been selected. The starting point for the analysis is the Group's capital position at the financial statement date.

	2023		
	Change in assumptions	Equity impact, gross from reinsurance	Equity impact, net from reinsurance
Expense increase	+10%	(6 276)	(6 027)
Expense decrease	-10%	6 276	6 027
Increase of loss ratio	+10%	(6 357)	(4 018)
Decrease of loss ratio	-10%	6 357	(4 061)
Increase in inflation rates	+1%	(1 719)	(1 359)
Decrease in inflation rates	-1%	1 423	1 069

Of the scenarios examined, the largest impact on the Group's capital is the one with a change in the amount of liability for claims incurred. This scenario reflects the inherent uncertainty in the measurement of the liability because it is a present assessment of expected future claims payments. This uncertainty is most valid with regard to claims that have occurred but not been filed and with regard to insurance characterized by a longer claims settlement process, such as compulsory motor third party liability insurance and other types of liability insurance.

50.1.1. 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 carry the risk of sensitive losses as a result of the occurrence of single insurance events and those of a catastrophic nature. This objective shall be achieved through continuous analysis of the structure of the insurance portfolio, ensuring the accumulation of risks assumed for coverage in amounts not exceeding the financial capacity of the Group.

The 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 the accumulation of risks, including catastrophic risks;
- covers almost all risks and classes of businesses recorded by the Group. The types of reinsurance protections and the limits of the contracts are fully consistent with the risk appetites of the Company, the type of portfolio and the underwriting rules of the Group;
- define precisely and clearly the specific risk transfer needs as well as the correct type of specific contracts;
- determines the levels of self-retention by individual classes of business;
- aims at the continuous optimisation of reinsurance contracts in order to alleviate capital pressures through the application of different reinsurance options that can partially or fully achieve optimisation of capital adequacy;
- reduces fluctuations in the event of insurance events;
- evaluates and equalizes the risks of different types of insurance coverage.

The Group reinforces some of its risks in order to control its exposures to losses and to protect its capital resources. All optional reinsurance contracts are approved in advance by management. Before concluding a reinsurance contract, the Group shall analyse the credit rating of the reinsurers concerned. Reinsurers with a high credit score are selected to control exposure to losses resulting from a single insured event. The Group shall periodically analyse the current financial situation of reinsurers with whom reinsurance commitments have been concluded.

50.1.2. Claims settlement process

In 2023, the gross liability ratio for the total activity is 42%, which, after taking into account the effect of reinsurance, amounts to 40% net amount.

The following table presents the gross and net claims ratio, which makes it possible to follow the development of risk during the reporting periods by separate types of insurance:

Type of insurance	2023 Loss ratio, gross	2023 Loss ratio, net	2022 Loss ratio, gross	2022 Loss ratio, net
Income protection insurance	44%	49%	21%	30%
Workers' compensation insurance	65%	60%	10%	24%
Motor Third Party Liability Insurance	37%	32%	42%	32%
Other motor vehicle insurance	43%	42%	45%	45%
Marine, aviation and transport insurance	17%	22%	5%	-186%
Fire and other damage to property insurance	52%	44%	24%	16%
General liability insurance	83%	85%	182%	167%
Credit and guarantees insurance	1%	1%	4%	4%
Assistance	24%	24%	7%	7%
Miscellaneous financial loss insurance	3%	3%	3%	3%
Total	**42%**	**40%**	**41%**	**40%**

The insurance with the largest relative share in the Group's portfolio – "Casco of Vehicles" is characterized by a favorable risk development in 2023 - 43% gross claims quota and 42% - net and compared to the previous year, when 45% of the premium earned was intended to cover payments related to the risk there is a decrease in damages.

The change in the net damage 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 and 2023, shows a fluctuation of net damage between 32% and 59%, with a lasting trend of decrease in the indicator in recent years, which is also associated with a higher positive net result.

The following table presents the development of the average amount of paid claims by type of insurance:

Type of insurance	Number 2023	Amount in BGN	Average claims 2023	Number 2022	Amount in BGN	Average claims 2022
Accident	2 721	1 727 352	635	2 903	1 447 591	499
Other motor insurance	66 297	79 306 127	1 196	65 695	68 102 023	1 037
Aviation insurance	1	171 645	171 645	-	-	-
Marine insurance	7	126 106	18 015	5	52 133	10 427
Transport insurance	20	26 221	1 311	14	16 217	1 158
Fire and other disasters insurance	2 458	4 374 079	1 780	2 181	4 071 126	1 867
Property damage insurance	-	-	-	-	-	-
Motor vehicle liability insurance	5 402	21 364 865	3 955	5 385	21 849 345	4 057
Aviation liability insurance	-	-	-	-	-	-
Marine liability insurance	2	208 316	104 158	3	6 109	2 036
General liability insurance	32	635 924	19 873	39	268 875	6 894
Assistance	800	514 753	643	442	283 953	642
Total:	**77 740**	**108 455 388**	**1 395**	**76 667**	**96 097 372**	**1 253**

The average damage paid in 2022 is BGN 1,395. and compared to the same indicator for the previous years: BGN 1,253 for 2022, BGN 1,283 for 2021, BGN 1,137. – for 2020 and BGN 1 124 – for 2019 marks an increase for the last two years. The highest is the amount of average damage under insurance "Casco of aircraft" and the lowest - under "Accident" and "Travel Assistance" insurance.

Life insurance

Insurance risk is the risk of occurring insured events resulting from the portfolio of insurance contracts held in which the amount of claims and compensations due exceeds the amount of the insurance reserves set aside.

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

The main risks to which the Group is exposed are:

- Mortality – risk of loss as a result of increasing the mortality of the insured persons above the expected;
- Morbidity – risk of loss as a result increasing the morbidity of the insured persons above the expected;
- Survival – risk of loss as a result of survival of the insured persons with rent insurances above the expected;
- Risk associated with return on investments made - risk of loss when the return on investments differs from expected.
- Cost risk – risk of loss when costs differ from what is expected;
- Risk of loss for errors related to insured persons - when individuals terminate their insurance contracts.

For a portfolio of insurance contracts that are subject to the probability theory of pricing and provisioning, the main risk the Group faces in its insurance contracts is that actual claims and claims payments may exceed the book value of liabilities under insurance contracts. This may occur because the frequency or amount of claims and benefits or the amount of future costs is greater than expected. Insured events are incidental and the actual number and amount of claims and benefits vary from year to year from the level established using statistical techniques. The purpose of statistical methods is to minimize the deviation of real figures from those expected.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative volatility of the expected outcome will be. In addition, a less diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance strategy to diversify the type of insurance risks accepted and to achieve a large enough population of risks in each of these categories to reduce the variability of the expected outcome.

For contracts where death is the insured risk, the most important factors that could increase the overall frequency of claims are epidemics or widespread lifestyle changes such as poor diet, smoking and insufficient exercise, resulting in earlier or more claims than expected. Currently, these risks do not vary significantly depending on the location of the insured.

The Group strives to make a relatively even distribution of insurance contracts, as well as to analyze the different types of insurance risks, which is reflected in the general terms and conditions. Through various assessment and control methods, those performing the roles of key functions in the Group perform and assist in carrying out a regular risk assessment, as appropriate, and report promptly to the Group Management. The main factors on which the positive financial result of the Group depends are the damage quota, the cost quota and investment income.

Claims Settlement Process

The claims table and, in particular, the relevant percentage of the claims quota makes it possible to obtain a more accurate picture of the development of risk during the reporting periods:

Type of insurance	2023		2022	
	Loss ratio, gross	Loss ratio, net	Loss ratio, gross	Loss ratio, net
	%	%	%	%
Risk insurances : „Life insurance “	43,23%	37,39%	56,69%	47,79%
Combined insurances: „Life insurance “	147,94%	147,94%	118,77%	97,23%
Risk insurances : „Life“ to borrowers	28,71%	27,63%	20,04%	17,57%
"Medical expense insurance"	74,38%	72,80%	106,17%	86,91%
Total	**39,34%**	**36,64%**	**40,07%**	**33,93%**

Developing of claims:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2015	315	102	5	2	-	-	-
2016	430	168	26	11	11	1	-
2017	355	82	16	1	-	-	-
2018	516	223	49	37	2	0	-
2019	406	183	74	37	32	-	-
2020	396	187	35	21	-	-	-
2021	509	211	62	-	-	-	-
2022	772	339	-	-	-	-	-
2023	378	-	-	-	-	-	-
Total	**4 077**	**1 495**	**267**	**109**	**45**	**1**	**-**

50.2. 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.

Information on significant positions in currencies other than the BGN and the Euro in the pension activity at 31 December 2023 is as follows:

	USD	Other	Total
FINANCIAL ASSETS			
Cash in hand and bank	2 573	133	2 706
Corporate bonds of foreign issuers	27 963	-	27 963
Debt securities issued or guaranteed by third countries or countries specified in a regulation of the FSC and their central banks	44 200	-	44 200
Shares and units of collective investment schemes and alternative investment funds	345	-	345
Shares and rights of foreign issuers	41 686	33 915	75 601
Shares and units of collective investment schemes and alternative investment funds of foreign issuers	16 243	-	16 243
Debt securities issued or guaranteed by Member States and their central banks, by the ECB and/or by the EIB	139 884	-	139 884
Receivables	374	-	374
TOTAL ASSETS	**273 268**	**34 048**	**307 316**

Information on significant positions in currencies other than the BGN and the Euro in the pension activity at 31 December 2022 is as follows:

	USD	Other	Total
FINANCIAL ASSETS			
Cash in hand and bank	14 332	197	14 529
Corporate bonds of foreign issuers	-	55	55
Debt securities issued or guaranteed by third countries or countries specified in a regulation of the FSC and their central banks	19 222	-	19 222
Shares and units of collective investment schemes and alternative investment funds	3 806	-	3 806
Shares and rights of foreign issuers	364	-	364
Shares and units of collective investment schemes and alternative investment funds of foreign issuers	45 287	29 071	74 358
Debt securities issued or guaranteed by Member States and their central banks, by the ECB and/or by the EIB	10 990	-	10 990
Receivables	125 872	1 064	126 936
TOTAL ASSETS	**219 873**	**30 387**	**250 260**

<u>Group's policies regarding the banking activities</u>

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 2023 in financial instruments denominated in currencies other than leva or euro is less than 2% of the capital base and no foreign exchange risk capital requirements on the part of the Group with respect to banking activities.

Due to the low size of this position, the potential effect of changes in exchange rate will not lead to significant effects on equity and therefore the risk-weighted effect on capital will be below the materiality threshold for the Group and the regulatory framework – EU Regulation 2013/575.

The currency structure of financial assets and liabilities at book value as of 31 December 2023 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and cash balances with the Central Bank	1 805 017	138 298	27 080	51 925	2 022 320
Provided resources and advances to banks	140	122 832	11 960	19 661	154 593
Receivables under repurchase agreements	404 405	37 315	-	-	441 720

Financial assets at fair value through profit or loss	193 154	15 803	4 227	8 213	221 397
Loans and advances to customers	2 605 524	415 483	29	239 477	3 260 513
Financial assets measured at fair value in other comprehensive income	420 468	178 713	8 178	831	608 190
Financial assets at amortized cost	418 128	1 020 214	44 577	65 336	1 548 255
TOTAL ASSETS	**5 846 836**	**1 928 658**	**96 051**	**385 443**	**8 256 988**
FINANCIAL LIABILITIES					
Deposits from banks	1 776	14 602	999	2 379	19 756
Liabilities to other depositors	5 288 511	1 847 024	202 699	308 533	7 646 767
Issued bonds	-	35 391	-	-	35 391
Lease liabilities	-	-	-	-	-
Other liabilities	28 389	13 069	-	9 347	50 805
TOTAL LIABILITIES	**5 318 676**	**1 910 086**	**203 698**	**320 259**	**7 752 719**
NET POSTION	**528 160**	**18 572**	**(107 647)**	**65 184**	**504 269**

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
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**

50.3. 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 2023, 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 2023 is negative, amounting to BGN 1 700 790 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 28.34%.

	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	151 675	-	-	-	2 918	154 593
Receivables under repurchase agreements	133 379	138 232	170 109	-	-	441 720
Financial assets measured at fair value through profit or loss	-	-	-	3 334	4 479	7 813
Loans and advances to customers	43 125	119 099	333 475	1 567 377	1 197 437	3 260 513
Financial assets measured at fair value in other comprehensive income	-	-	20 024	154 725	413 481	588 230
Financial assets at amortized cost	185 168	61 667	76 915	557 240	667 265	1 548 255
TOTAL INTEREST-BEARING ASSETS	513 347	318 998	600 523	2 282 676	2 285 580	6 001 124
INTEREST-BEARING LIABILITIES						
Deposits from banks	19 756	-	-	-	-	19 756
Liabilities to other depositors	3 306 221	421 373	1 036 430	2 881 702	1 041	7 646 767
Issued bonds	-	168	-	9 760	25 463	35 391
Lease liabilities	-	-	-	-	-	-
TOTAL INTEREST–BEARING LIABILITIES	3 325 977	421 541	1 036 430	2 891 462	26 504	7 701 914
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 812 630)	(102 543)	(435 907)	(608 786)	2 259 076	(1 700 790)

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%.

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	хил. лв.	хил. лв.	хил. лв.	хил. лв.	хил. лв.	хил. лв.
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
Lease liabilities	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)

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 2023 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 6 030 thousand (2022: BGN 5 781).
In the tables above, part of the attracted funds on current accounts without residual maturity in the amount of BGN 2 806 239 thousand as of 31 December 2023 (2022: BGN 2 620 520 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 2023 and 2022.

50.4. 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:

	2023 BGN'000	2022 BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	2 561 347	2 181 356
Equity instruments at fair value through other comprehensive income	53 366	93 684
Debt instruments measured at fair value through other comprehensive income	602 152	559 445
Debt instruments at amortized cost	5 431 417	5 222 816
Cash and cash equivalent	2 263 788	2 180 578
Carrying amount	**10 912 070**	**10 237 879**

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 2 022 320 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 154 593 thousand are primarily deposits with international and Bulgarian financial institutions with a maturity of up to 7 days.

Receivables under repurchase agreements of securities at the amount of BGN 441 720 thousand bear credit risk for the Group, depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 39 415 thousand is secured by government securities issued by the Republic of

Bulgaria. The remaining receivables amounting to BGN 402 305 thousand are secured by corporate securities and bear risk depending on the issuer of the securities provided as collateral.

Financial assets carried at fair value through profit or loss amounted to BGN 221 397 thousand, represent: equity instruments (shares) in Bulgarian companies in the amount of BGN 82 014 thousand and in foreign credit institutions in the amount of BGN 7 585 thousand and foreign non-financial companies in the amount of BGN 20 630 thousand; shares in Bulgarian mutual funds in the amount of BGN 105 240 thousand - with a risk weight depending on the type of underlying asset; debt instruments issued by the Republic of Bulgaria in the amount of BGN 5 172 thousand; and derivatives - BGN 756 thousand.

Equity securities carried at fair value through other comprehensive income amounting to BGN 19 960 thousand represent shares in financial and non-financial entities that carry credit risk.

Debt securities carried at fair value through other comprehensive income and issued by the Republic of Bulgaria amounting to BGN 13 414 thousand.

Debt securities carried at fair value through other comprehensive income and issued by domestic and foreign companies amounting to BGN 574 816 thousand carry credit risk for the Group, the maximum exposure to which in percentage terms is 100% or BGN 574 816 thousand in absolute amount.

Debt securities valued at amortized cost and issued by the Republic of Bulgaria have a carrying amount of BGN 777 839 thousand and bear credit risk depending on the original currency of the issue. Debt securities reported at amortized cost and issued by other countries and central banks have a carrying amount of BGN 732 358 thousand and bear credit risk for the Group depending on the credit rating of the issuing country.

Debt securities carried at amortised cost and issued by domestic and foreign companies with a carrying amount of BGN 38 058 thousand carry credit risk for the Group, the maximum exposure to which is dependent on the credit rating of the issuer.

Loans and advances to customers with a carrying amount of BGN 3 260 513 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 1 965 218 thousand.

As of 31 December 2023, the amount of the provisions formed by the Group to cover expected credit losses on loans and advances is BGN 46 602 thousand.

In 2023, and at the date of these consolidated financial statements, the business has 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 ongoing war in the territory of Ukraine and the crisis in the Red Sea provoked by the military actions in the territory of Gaza. At the date of preparation of these consolidated financial statements, the changed monetary policy by the leading central banks as well as the expectations of recession have not been reflected in the macroeconomic indicators of the Republic of Bulgaria, the country of operation of the Parent Bank, and have not negatively affected the results of the business entities. The Group has limited its exposure to sectors affected by the trends described and as at 31 December 2023 and the date of this report has no exposure to sectors negatively affected by the economic and political factors described.

No changes have been made to the credit loss estimation models used by the Group in relation to specific macroeconomic, political and geopolitical trends insofar as their accuracy and adequacy depend on the risk parameters used to calculate the amount of expected credit losses and they participate with their actual values as reported by statistical and financial government authorities.

Based on the Group's assessment in 2023 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 current "Rules for the acceptance, valuation and management of collateral in credit transactions", collateral valuations, incl. Commercial real estate is updated every 12 months and residential real estate is updated every three years. If necessary, the Bank may require more frequent updates, e.g. when the parameters of a loan transaction change or when information available to it indicates that their value has fallen significantly relative to general market prices. Real estate valuations are performed by independent certified appraisers and reviewed by the Group.

50.4.1. 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 2023	**27**	**-**	**-**	**27**
Change in impairment loss	6	-	-	6
Accrued for the period	25	-	-	25
Derecognized for the period	(19)	-	-	(19)
Impairment loss on 31 December 2023	**33**	**-**	**-**	**33**

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 – 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 2023	**1 336**	**-**	**-**	**1 336**
Change in impairment loss	216	-	-	216
Accrued for the period	1 552	-	-	1 552
Derecognized for the period	(1 336)	-	-	(1 336)
Impairment loss on 31 December 2023	**1 552**	**-**	**-**	**1 552**

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
Derecognized for the period	(1 246)	-	-	(1 246)
Impairment loss on 31 December 2022	**1 336**	**-**	**-**	**1 336**

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 2023	**15 051**	**358**	**25 275**	**40 684**
Change in impairment loss recognized in Profit and loss	**1 248**	**(7)**	**5 701**	**6 942**
– Transfer to Stage 1	189	(114)	(75)	-
– Transfer to Stage 2	(13)	186	(173)	-
– Transfer to Stage 3	(5)	(9)	14	-
– Increase due to change in credit risk	21	145	445	611
– Decrease due to change in credit risk	(2 037)	(129)	(269)	(2 435)
– Increase due to originated or purchased assets	2 906	7	199	3 112
– Change in risk parameters	187	(93)	5 560	5 654
Decrease due to derecognition for uncollectibility	-	-	**(839)**	**(839)**
Decrease due to derecognition for transfer	-	-	**(180)**	**(180)**
Interest income adjustment	-	-	**(5)**	**(5)**
Currency differences and other adjustments	-	-	-	-
Impairment loss on 31 December 2023	**16 299**	**351**	**29 952**	**46 602**

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)**	**740**	**2 786**
– 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)**
Impairment loss on 31 December 2022	**15 050**	**359**	**25 275**	**40 684**

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 2023	**674**	-	-	**674**
Change in impairment loss	**1 586**	-	-	**1 586**
Accrued for the period	1 652	-	-	1 652
Derecognized for the period	(66)	-	-	(66)
Impairment loss on 31 December 2023	**2 260**	-	-	**2 260**

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 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 2023	**4 529**	-	-	**4 529**
Change in impairment loss	**888**	-	-	**888**
Accrued for the period	2 315	-	-	2 315
Derecognized for the period	(1 427)	-	-	(1 427)
Impairment loss on 31 December 2023	**5 417**	-	-	**5 417**

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 – 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 2023	**398**	**3**	**27**	**428**
Change in impairment loss	**(98)**	**-**	**(11)**	**(109)**
Accrued for the period	737	10	33	780
Derecognized for the period	(843)	(10)	(36)	(889)
Currency and other movements	8	-	(8)	-
Impairment loss on 31 December 2023	**300**	**3**	**16**	**319**

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	**(270)**	**(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 – 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 2023	**46**	**8**	**-**	**54**
Change in impairment loss	**(36)**	**(6)**	**-**	**(42)**
Accrued for the period	12	2	-	14
Derecognized for the period	(48)	(8)	-	(56)
Impairment loss on 31 December 2023	**10**	**2**	**-**	**12**

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**

In the tables below, the Group presents the structure and the change in the gross values of the asset categories as of 31.12.2023 and 31.12.2022 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 2023	**90 503**	**-**	**-**	**90 503**
Change in the gross carrying amount	**64 123**	**-**	**-**	**64 123**
Increase for the period	1 255 464	-	-	1 255 464
Decrease for the period	(1 191 341)	-	-	(1 191 341)
Other changes	-	-	-	-
Gross carrying amount at December 31 December 2023	**154 626**	**-**	**-**	**154 626**
Impairment loss at 31 December 2023	(33)	-	-	(33)
Carrying amount at 31 December 2023	**154 593**	**-**	**-**	**154 593**

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 – 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 2023	**394 585**	**-**	**-**	**394 585**
Change in the gross carrying amount	**48 687**	**-**	**-**	**48 687**
Increase for the period	443 272	-	-	443 272
Decrease for the period	(394 585)	-	-	(394 585)
Gross carrying amount at December 31 December 2023	**443 272**	**-**	**-**	**443 272**
Impairment loss at 31 December 2023	(1 552)	-	-	(1 552)
Carrying amount at 31 December 2023	**441 720**	**-**	**-**	**441 720**

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**

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 2023	**3 214 564**	**15 289**	**78 331**	**3 308 184**
Change in the gross carrying amount	**36 905**	**(651)**	**(36 228)**	**26**
– Transfer to Stage 1	26 627	(2 906)	(23 721)	-
– Transfer to Stage 2	(6 525)	7 277	(752)	-
– Transfer to Stage 3	(1 157)	(329)	1 486	-
– Increase due to change in credit risk	14	35	20	69
– Decrease due to change in credit risk	(298 683)	(2 400)	(398)	(301 481)
– Increase due to originated or purchased assets	565 674	664	7	566 345
– Change in risk parameters	(249 045)	(2 992)	(12 870)	(264 907)
– Decrease due to write-off for uncollectibility	-	-	(839)	(839)
– Decrease due to write-off for transfer	-	-	(256)	(256)
– Currency differences and other adjustments	-	-	-	-
Gross carrying amount at 31 December 2023	**3 251 469**	**14 638**	**41 008**	**3 307 115**
Impairment loss at 31 December 2023	(16 299)	(351)	(29 952)	(46 602)
Carrying amount at 31 December 2023	**3 235 170**	**14 287**	**11 056**	**3 260 513**

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**

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 2023	**1 341 738**	**-**	**-**	**1 341 738**
Change in the gross carrying amount	**208 777**	**-**	**-**	**208 777**
Increase for the period	631 541	-	-	631 541
Decrease for the period	(422 764)	-	-	(422 764)
Other changes	-	-	-	-
Gross carrying amount at 31 December 2023	**1 550 515**	**-**	**-**	**1 550 515**
Impairment loss at 31 December 2023	(2 260)	-	-	(2 260)
Carrying amount at 31 December 2023	**1 548 255**	**-**	**-**	**1 548 255**

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 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 2023	**564 743**	**-**	**-**	**564 743**
Change in the gross carrying amount	**43 447**	**-**	**-**	**43 447**
Increase for the period	230 162	-	-	230 162
Decrease for the period	(186 715)	-	-	(186 715)
Gross carrying amount at 31 December 2023	**608 190**	**-**	**-**	**608 190**
Impairment loss at 31 December 2023	(5 417)	-	-	(5 417)

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)

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 2023	**88 704**	**319**	**228**	**89 251**
Change in the amount of loan commitments	**20 255**	**(83)**	**(92)**	**20 080**
Increase for the period	42 247	64	39	42 350
Decrease for the period	(21 992)	(147)	(131)	(22 270)
Other movements	(93)	15	78	-
Total amount of loan commitments at 31 December 2023	**108 866**	**251**	**214**	**109 331**
ECL allowance at 31 December 2023	**(300)**	**(3)**	**(16)**	**(319)**

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)

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	**76 531**	**143**	**-**	**76 674**
Change in the gross carrying amount	**(23 574)**	**(131)**	**-**	**(23 705)**
Increase for the period	18 615	12	-	18 627
Decrease for the period	(42 189)	(143)	-	(42 332)
Other changes	-	-	-	-
Total amount of guarantees at 31 December 2022	**52 957**	**12**	**-**	**52 969**
ECL allowance at 31 December 2022	(10)	(2)	-	(12)

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 changes	12	-	-	12
Total amount of guarantees at 31 December 2022	**76 531**	**143**	**-**	**76 674**
ECL allowance at 31 December 2022	(46)	(8)	-	(54)

ECL by type of asset	2023 BGN '000	2022 BGN '000
Loans and advances granted to banks at amortized cost	(33)	(27)
Receivables under repurchase agreements of securities	(1 552)	(1 336)
Loans and advances granted to customers at amortized cost	(46 602)	(40 684)
Investments in debt securities at amortized cost	(2 260)	(674)
Investments in debt securities at FVTOCI	(5 417)	(4 529)
	(55 864)	**(47 250)**

Loans and advances granted to customers	2023 Gross carrying amount BGN '000	2023 Impairment loss BGN '000	2022 Gross carrying amount BGN '000	2022 Impairment loss BGN '000
0-29 days	3 261 998	(16 820)	3 224 746	(15 634)
30-59 days	4 562	(84)	5 819	(98)
60-89 days	776	(85)	1 268	(127)
90-180 days	725	(156)	837	(210)
Over 181 days	39 054	(29 457)	75 514	(24 615)
Total	**3 307 115**	**(46 602)**	**3 308 184**	**(40 684)**

	2023 BGN '000	2022 BGN '000
Loans and advances granted to customers at amortized cost	3 307 115	3 308 184
Less impairment for uncollectibility	(46 602)	(40 684)
Total loans and advances granted to customers	**3 260 513**	**3 267 500**

	31.12.2023			31.12.2022		
	Gross carrying amount BGN '000	ECL impairment BGN '000	Carrying amount BGN '000	Gross carrying amount BGN '000	ECL impairment BGN '000	Carrying amount BGN '000
Retail banking						
Mortgages	848 177	(582)	847 595	832 501	(551)	831 950
Consumer loans	755 867	(7 942)	747 925	670 686	(7 543)	663 143
Credit cards	16 621	(1 092)	15 529	16 727	(1 116)	15 611
Other	2 479	(2 479)	-	2 443	(2 443)	-
Total retail banking	**1 623 144**	**(12 095)**	**1 611 049**	**1 522 357**	**(11 653)**	**1 510 704**
Corporate lending	**1 683 971**	**(34 507)**	**1 649 464**	**1 785 827**	**(29 031)**	**1 756 796**
Total	**3 307 115**	**(46 602)**	**3 260 513**	**3 308 184**	**(40 684)**	**3 267 500**

Placements with, and advances to, banks at amortized cost	**2023** **Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Category	154 626	-	-	154 626
Total gross carrying amount	**154 626**	**-**	**-**	**154 626**
Impairment loss	**(33)**	-	-	**(33)**
Carrying amount	**154 593**	**-**	**-**	**154 593**

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**

Receivables under repurchase agreements of securities	**2023** **Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Category	443 272	-	-	443 272
Total gross carrying amount	**443 272**	**-**	**-**	**443 272**
Impairment loss	(1 552)	-	-	(1 552)
Carrying amount	**441 720**	**-**	**-**	**441 720**

Receivables under repurchase agreements of securities	**2022** **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**

Loans and advances to customers at amortized cost	**2023** **Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Category	3 251 469	14 638	41 008	3 307 115
Total gross carrying amount	**3 251 469**	**14 638**	**41 008**	**3 307 115**

Impairment loss	(16 299)	(351)	(29 952)	(46 602)
Carrying amount	**3 235 170**	**14 287**	**11 056**	**3 260 513**

		2022		
Loans and advances to customers at amortized cost	**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**

		2023		
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**
Category	1 550 515	-	-	1 550 515
Total gross carrying amount	**1 550 515**	**-**	**-**	**1 550 515**
Impairment loss	(2 260)	-	-	(2 260)
Carrying amount	**1 548 255**	**-**	**-**	**1 548 255**

		2022		
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**
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**

		2023		
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**
Category	608 190	-	-	608 190
Total gross carrying amount	**608 190**	**-**	**-**	**608 190**
Impairment loss	(5 417)	-	-	(5 417)

		2022		
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**
Category	564 743	-	-	564 743
Total gross carrying amount	**564 743**	**-**	**-**	**564 743**
Impairment loss	(4 529)	-	-	(4 529)

		2023		
Loan commitments	**Stage 1 12-month ECL BGN '000**	**Stage 2 Lifetime ECL BGN '000**	**Stage 3 Lifetime ECL BGN '000**	**Total BGN '000**
Category	108 866	251	214	109 331
Total gross carrying amount	**108 866**	**251**	**214**	**109 331**
Impairment loss	(300)	(3)	(16)	(319)

		2022		
Loan commitments	**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)

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**
Category	52 957	12	-	52 969
Total gross carrying amount	**52 957**	**12**	**-**	**52 969**
Impairment loss	(10)	(2)	-	(12)

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)

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	2023 BGN '000	2022 BGN '000
Concentration by sector		
Central banks	683	1 085
Bulgarian commercial banks	(11 862)	2 064
Foreign commercial banks	165 805	87 354
Total	**154 626**	**90 503**
Concentration by region		
Europe	137 150	73 496
America	10 529	12 717
Asia	6 947	4 290
Total	**154 626**	**90 503**

Receivables under repurchase agreements of securities	2023 BGN '000	2022 BGN '000
Corporate:		
Construction	71 282	66 978
Commerce and finance	266 569	243 400
Transport and communications	26 013	22 700
Industry	28 289	15 358
Other	51 119	46 149
Total	**443 272**	**394 585**
Concentration by region		
Europe	443 272	394 585
Total	**443 272**	**394 585**

Investments in debt securities at amortized cost	2023 BGN '000	2022 BGN '000
Concentration by sector		
States	1 504 660	1 308 140
Bank	18 805	13 767
Corporate:		
Commerce and finance	24 790	19 772
Total	**1 548 255**	**1 341 679**
Concentration by region		
Europe	1 504 505	1 313 282
Asia	9 695	9 684
America	34 055	18 713
Total	**1 548 255**	**1 341 679**

Investments in debt securities at FVTOCI	2023 BGN '000	2022 BGN '000
Concentration by sector		
States	13 414	131 952
Banks	8 539	18 189
Corporate:		
Construction	168 287	147 723
Industry	11 380	16 469
Commerce and finance	309 766	200 955
Transport and communications	7 911	9 119
Agriculture and forestry	30 120	-
Other	38 813	21 354
Total	**588 230**	**545 761**
Concentration by region		
Europe	588 230	545 761
Total	**588 230**	**545 761**

50.4.2. Credit risk concentration

Loans and advances at amortized cost granted to customers	2023 BGN '000	2022 BGN '000
Concentration by sector		
Retail banking:	**1 623 143**	**1 522 358**
Mortgage	848 177	832 501
Consumer	755 867	670 686
Credit cards	16 620	16 728
Other	2 479	2 443
Corporate:	**1 683 972**	**1 785 826**
Agriculture and forestry	82 748	102 994
Industry	47 529	57 174
Construction	473 373	455 296
Commerce and finance	891 111	960 669
Transport and communications	95 059	104 406
Other	94 152	105 287
Total	**3 307 115**	**3 308 184**
Concentration by region		
Europe	3 306 979	3 308 106
America	76	6
Asia	60	72
Total	**3 307 115**	**3 308 184**

Credit commitments	2023 BGN '000	2022 BGN '000
Concentration by sector		
Retail banking:	**53 298**	**49 363**
Mortgage	1 288	883
Consumer	13 066	11 641
Credit cards	38 944	36 839
Corporate:	**56 033**	**39 889**
Agriculture and forestry	4 425	4 372
Industry	4 173	1 227
Construction	26 433	15 560
Commerce and finance	13 876	11 957
Transport and communications	6 444	5 080
Other	682	1 693
Total	**109 331**	**89 252**
Concentration by region		
Europe	109 309	89 226
America	-	-
Middle East and Africa	22	26
Total	**109 331**	**89 252**

Financial guarantee contracts	2023 BGN '000	2022 BGN '000
Concentration by sector		
Retail banking:	**43**	**33**
Other	43	33
Corporate:	**52 926**	**76 641**
Agriculture and forestry	398	1 191
Industry	6 893	6 925
Construction	8 253	16 922
Commerce and finance	25 114	24 592
Transport and communications	7 994	5 720
Other	4 274	21 292
Total	**52 969**	**76 674**
Concentration by regions		
Europe	52 969	76 674
Total	**52 969**	**76 674**

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:

2023	Corporate customers BGN'000	Individuals BGN'000
Amount before impairment	13 122	1 361
Impairment	(8 656)	(277)
Amount after impairment	**4 466**	**1 084**

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**

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	2023	2022
	BGN '000	BGN '000
Below 50%	308 895	255 324
From 50% to 75%	310 149	314 820
From 75% to 90%	166 201	199 782
From 90% to 100%	1 386	1 456
Above 100%	1 934	1 883
Total	**788 565**	**773 265**

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.

50.4.3. Analysis of credit risk

The Group's reinsurance policy is aimed at progressively optimising reinsurance costs through the flexible use of appropriate reinsurance methods consistent with the improving financial stability of individual insurance and in line with the circumstances of the reinsurance market.

In 2023, the priority of the proportional method of reinsurance is maintained in the well-balanced LRCulations of the property industry with an appropriate level of self-retention and its respective protections. In this way, the company protects the assumed responsibilities in case of large fluctuations – especially in the frequency of events.

A trend will be to further expand the capacity of protections under Non-proportional contracts to protect the Group's portfolio against catastrophic risks. This is necessary not only because of the continuous increase in the volume of activity of the company, including the accumulation of large responsibilities, but also in view of the rapidly changing climatic conditions worldwide.

In 2023, reinsurance of risks under "Car Casco" is maintained on a proportional assignment basis in combination with an accident contract.

Aviation risk reinsurance covers reinsurance of risks at airlines and airports insured with the Group, either alone or in co-insurance jointly with other insurers. Reinsurance is carried out primarily on an optional basis in the case of reinsurers in the London reinsurance market. Due to the high liability values exceeding USD 100 million, the amount of the ceded cession is significant (almost 100%) and is decided immediately before the conclusion of each individual contract. For this type of insurance, the Group strictly adheres to the specific requirements of the international reinsurance market for each particular client, as well as the nature of the single risks.

Reinsurance of other classes of insurance, beyond those described above, for all types of insurance coverage, for which no contractual contracts have been concluded, are protected on a case-by-case basis. The type of reinsurance cover is chosen depending on the class of insurance, liability limits, risks covered and other factors affecting the particular case.

The reinsurance policy of the Group is in direct relation to the latest trends in the international reinsurance market. The partners with whom the Company works and will continue to work are financially stable, internationally recognized, proven their professionalism and first-class reinsurance protection. This applies not only to reinsurance companies, but also to intermediaries through whom reinsurance contracts are concluded, as well as to surveying companies and those who settle damages. The reinsurer companies involved in the Group's reinsurance contracts are mainly rated AA and A.

The following tables provide an analysis of the credit quality of the Group's reinsurance contract assets held.

	Credit rating AAA	**Credit rating AA**	**Credit rating A**	**Credit rating BBB**	**Credit rating BB**	**No credit rating**	**Total**
	000' BGN	**000' BGN**	**000' BGN**	**000' BGN**	**000' BGN**	**000' BGN**	**000' BGN**
31 December 2023 г.							
Reinsurance contract assets	-	40 984	24 197	1 714	7	8	66 910
Total assets	**-**	**40 984**	**24 197**	**1 714**	**7**	**8**	**66 910**

	Credit rating AAA 000' BGN	**Credit rating AA 000' BGN**	**Credit rating A 000' BGN**	**Credit rating BBB 000' BGN**	**Credit rating BB 000' BGN**	**No credit rating 000' BGN**	**Total 000' BGN**
31 December 2022 г.							
Reinsurance contract assets	-	40 999	22 921	2 138	15	26	66 099
Total assets	**-**	**40 999**	**22 921**	**2 138**	**15**	**26**	**66 099**

50.4.4. 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.

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.

50.5. 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 2023, 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	Within 12 months BGN‘000
Bank and other loans	49 416	127 645	12 792
Related party payables	56 385	16 714	-
Lease liabilities	58 112	180 180	181 376
Liabilities to other depositors	4 724 590	2 862 148	1 033
Deposits from banks	14 749	-	-
Obligations under repo agreements	12 554	-	-
Liabilities under cession agreements	29 803	13 173	-
Trade and other payables	88 665	939	-
Derivatives	-	-	-
Total	**5 034 274**	**3 200 799**	**195 201**

As at 31 December 2022 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	Within 12 months 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	4 640 141	2 673 775	1 776
Deposits from banks	10 247	-	-
Obligations under repo agreements	4 278	-	-
Liabilities under cession agreements	30 473	29 772	-
Trade and other payables	74 005	1 022	-
Derivatives	677	-	-
Total	**4 926 612**	**3 004 191**	**154 514**

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 31.12.2023 amounted to 565.56% (31.12.2022: 390.88%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2023 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	2 022 320	-	-	-	-	2 022 320
Placements with, and advances to banks	151 692	-	-	-	2 934	154 626
Receivables under repurchase agreements	133 765	138 753	170 754	-	-	443 272
Financial assets at fair value through profit or loss	19 694	-	191 773	3 333	6 597	221 397
Loans and advances to customers, net	44 304	120 532	335 577	1 606 316	1 200 386	3 307 115
Financial assets measured at fair value in other comprehensive income	755	-	20 024	173 930	413 481	608 190
Financial assets at amortized cost	185 170	61 671	77 007	558 167	668 500	1 550 515
TOTAL FINANCIAL ASSETS	2 557 700	320 956	795 135	2 341 746	2 291 898	8 307 435
FINANCIAL LIABILITIES						
Deposits from banks	19 756	-	-	-	-	19 756
Liabilities to other depositors	3 306 221	421 373	1 036 430	2 881 702	1 041	7 646 767
Issued bonds	-	168	-	9 760	25 463	35 391
Provisions for liabilities	-	-	332	-	-	332
Other liabilities	10 341	2 014	8 770	23 753	5 947	50 825
TOTAL FINANCIAL LIABILITIES	3 336 318	423 555	1 045 532	2 915 215	32 451	7 753 071

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 LIABILITIES	3 150 326	447 190	1 093 265	2 726 897	36 711	7 454 389

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

51. Fair value measurement

51.1. 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 2023	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	2 029 188	74 095	458 064	2 561 347
Equity instruments at fair value through other comprehensive income	14 052	-	39 314	53 366
Debt instruments measured at fair value through other comprehensive income	440 764	92	161 296	602 152
Total assets	**2 484 004**	**74 187**	**658 674**	**3 216 865**
Liabilities				
Derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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**

There have been no transfers between levels during the reporting period.

Measurement of fair value

Valuation techniques and significant unobservable inputs

The following table presents the valuation techniques used in the measurement of Level 3 fair values and the significant unobservable inputs used:

Valuation technique	Significant Unobservable input data	Relationship between key unobservable inputs and fair value
Net book value of assets method	NAV is not a market valuation of assets. Figures are calculated from the Companies' most recently available financial statements	Significant difference between the valuation of the assets and the market values of the valued assets.
Method of market multiples of comparable companies	Adjustments to market multiples of comparable companies for: - Country risk - Size and profitability - Other	If the adjustment factors increase/(decrease), the fair value will be higher/(lower).
Discounted cash flow method	- Net cash flows - Discount rate - Growth rate	If the value of the company's net cash flows increases/(decreases), the fair value will be higher/(lower). If the value of the discount rate increases/(decreases), the fair value will be lower/(higher).If the value of the growth rate increases/(decreases), the fair value will be higher/(lower).

51.2. 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 2023:

31 December 2023	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
- Land, building, machines and equipment	-	-	575 080	575 080
Right of use assets:				
- aircrafts	-	-	425 269	425 269

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

Fair value of the Group's main property assets is estimated based on appraisals performed by independent qualified appraisers.

Land and buildings (Level 3)

The land and buildings are revaluated on 31 December 2023.

The following table presents the valuation techniques used in the measurement of Level 3 fair values and the significant unobservable inputs used:

Valuation technique	Significant unobservable input data	Relationship between key unobservable inputs and fair value
Market comparables method	Adjustments of comparables with coefficients for: - Method of sale - Location - Area - General condition, functionality, etc.	If the adjustment factors for contracting, area, location, general condition, functionality, etc. increase/(decrease), the fair value will be higher/(lower).
Income capitalisation method	- Rent value per square meter - Capitalisation rate	If the rental value per square meter is increased/(decreased), the fair value will be higher/(lower). If the value of the capitalization rate increases/(decreases), the fair value will be lower/(higher).
Net book value of assets method	NAV is not a market valuation of assets. Figures are calculated from the Companies' most recently published financial statements without further adjustments to the value of the items on the statement	Significant difference between asset valuation and market values of the assets being valued.
Method of market multiples of comparable companies	Adjustments to market multiples of comparable companies for: - Country risk - Size and profitability	If the adjustment factors increase/(decrease), the fair value will be higher/(lower).
Discounted cash flow method	- Net cash flows - Discount rate - Growth rate	If the value of the company's net cash flows increases/(decreases), the fair value will be higher/(lower). If the value of the discount rate increases/(decreases), the fair value will be lower/(higher). If the value of the growth rate increases/(decreases), the fair value will be higher/(lower).
Method of comparative analogues	- Offer ratio - Area ratio - Functionality ratio - Condition ratio - Marketability ratio - Coefficient for ideal parts of land - Location ratio	When the ratios increase, the market value of the property also increases.

Valuation technique	Significant unobservable input data	Relationship between key unobservable inputs and fair value
Income value method	- Functionality ratio - - Location ratio - Functionality ratio - Location ratio - Condition ratio - - Marketability ratio	When the ratios increase, the market value of the property also increases.
Cost method	- Market value ratio of production costs /construction costs/ per unit area - Price level ratio - Condition ratio	When the ratios increase, the market value of the property also increases.

Aircraft (Level 3)

The fair value of the Group's aircraft has been determined based on independent licensed valuer's reports and subsequent confirmation. The fair value measurement is based on a comparative (market comparables) approach. Specific factors such as technical condition of the aircraft, current usage, uniqueness of the structure, state of the market at the valuation date have been taken into account in valuing the assets. The latest valuation is as of March 2024.

Significant unobservable inputs relate to the adjustment for Group asset specific factors. The extent and direction of this adjustment depends on the number and characteristics of observable market transactions in similar assets that are used for valuation purposes. Although these inputs are a subjective judgement, management believes that the final valuation would not be materially affected by other possible assumptions.

In using the methods from the comparative approach, a comparative study is made of information from the established market value of the subject at the time of the valuation i.e. now. It is based on the proposition "a reasonable buyer would not pay more for a given object than the value of an comparable object available for purchase" and is used in determining the value starting from data on recent purchase and sale transactions with comparable objects or with sufficiently adjusted values of existing offers for sale. Thus, the ultimate objective of the methods of the comparative (market) approach is the determination of market value.

In assessing the value using the market approach, the following steps were taken:

studying the market and offers for sale of similar objects, i.e. such objects that are most comparable to the valued object;

selection of comparables;

collecting, studying and verifying the information on each selected object - sale price and offer prices, payment of the transaction, technical characteristics and conditions of sale;

analysis and comparison of each object with the valued object in terms of technical characteristics and conditions of sale;

adjustment of the sale prices or offer prices of each of the comparable objects in accordance with the differences existing between them and the object being valued.

Significant unobservable inputs relate to the adjustment for the Group's aircraft specific factors. The extent and direction of this adjustment depends on the number and characteristics of the observed market transactions in similar assets that are used for valuation purposes. Although these inputs are a subjective judgement, management believes that the final valuation would not be materially affected by other possible assumptions. The principal factors affecting the price are:

number of passengers for which the aircraft is equipped;

the hours flown since the start of operation of the aircraft;

the number of landings since the aircraft commenced operations;

the condition of the aircraft engines;

the years of operation of the aeroplane since its date of manufacture;

the equipment of the aircraft;

the condition of the interior and the condition of the paint and varnish finish of the aircraft body;

the technical condition of the aircraft.

When using the market approach, the value of the object of valuation is determined by comparison with the sales prices of identical or similar objects. The rationale for using this approach is that the value of the valuation object is directly related to the selling price of similar objects, which is a baseline for assessing risk in operations for the purpose of the valuation - for financial reporting purposes. Each comparable sale is compared to the subject of the valuation on its most important parameters. Adjustments are made to the price of comparable sales to reflect material differences between them.

52. 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:

	2023 **BGN'000**	**2022** **BGN'000**
Shareholders' equity	1 785 889	1 682 344
Equity	**1 785 889**	**1 682 344**
Debt	10 847 896	10 170 507
- Cash and cash equivalents	(2 263 788)	(2 180 578)
Net debt	**8 584 108**	**7 989 929**
Capital to net debt	**1:4.81**	**1:4.75**

In 2023 the change in the ratio is minimal. The Group has complied with its contractual obligations including the maintenance of certain capital ratios.

53. Post-reporting date events

The following non-adjusting events occurred for the Group between the date of the consolidated financial statements and the date they were authorised for issue:

On January 16, 2024, Mirolyub Ivanov was appointed to the position of executive director, and Ivo Kamenov and Marin Mitev were released, in their capacity as executive directors

On 05.01.2024, the Group registered a branch in the city of Varna, in which the charter activity, as well as the external leasing of aircraft, will be separated

Issuance of Decision No. 234 of 29.03.2024 of the Council of Ministers on confiscation due to lost need by the State Aviation Operator of a part of property-public state property and its declaration as property-private state property. The property has been provided free of charge for the management of the Bulgarian Food Safety Agency (BFSA). A free construction right has been established on the property in favor of the Group for the construction of an object for the needs of the Bulgarian Food Safety Agency, for carrying out official control at the border checkpoint. After the construction of the site for the needs of BABH, it is expected that the Group will be given the right to build on its own land, which will be used to expand the existing hangars and develop the Group's investment projects.

No significant adjusting and other non-adjusting events occurred between the date of the consolidated financial statements and the date of their approval by management for publication.

54. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 (including comparatives) were approved by the Managing board on 27 May 2024.