Annual Consolidated Activity Report
Independent Auditor's Report
Consolidated Financial Statements

CHIMIMPORT AD

31 December 2015

Contents

Consolidated statement of financial position as at 31 December

	Note	2015 BGN '000	2014 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	468 447	412 179
Investment property	10	302 421	310 684
Investments accounted for using the equity method	6	26 845	139 526
Goodwill	11	33 317	38 296
Other intangible assets	12	193 822	77 139
Long-term financial assets	13	2 592 660	1 823 917
Long-term related party receivables	44	11 774	22 141
Other long-term receivables		4 094	-
Deferred tax assets	14	5 640	5 922
Non-current assets		**3 639 020**	**2 829 804**
Current assets			
Inventories	15	51 184	40 820
Short-term financial assets	16	2 347 993	2 373 586
Related party receivables	44	214 749	272 572
Trade receivables	17	100 485	106 424
Tax receivables	18	3 197	1 878
Other receivables	19	176 760	118 493
Reinsurance assets	23.1	72 959	15 974
Cash and cash equivalents	20	1 229 113	1 480 670
Current assets		**4 196 440**	**4 410 417**
Non-current assets, classified as held for sale	21	3 594	4 518
Total assets		**7 839 054**	**7 244 739**

Prepared by: ______________ **Executive Director:** ______________
/A. Kerezov/ /I. Kamenov/

Date: 28 April 2016
Audited according to the auditor's report dated 04 May 2016
Mariy Apostolov **Grant Thornton Ltd.**
Registered auditor, responsible for the audit, managing partner **Auditing Company**

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

Equity, reserves and liabilities	Note	2015 BGN '000	2014 BGN '000
Equity			
Share capital	22.1	225 092	227 384
Share premium	22.2	218 469	219 182
Other reserves	22.3	71 581	68 238
Retained earnings		704 427	724 312
Profit for the year		58 483	64 476
Equity attributed to the shareholders of parent company		1 278 052	1 303 592
Non-controlling interests		239 083	232 945
Total equity		**1 517 135**	**1 536 537**
Specialized reserves	23	**294 405**	**265 565**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	24	1 121 684	1 050 524
Payables to insured individuals	25	940 121	812 260
Long-term trade payables	26.1	42 876	2 236
Long-term related party payables	44	3 607	2 650
Finance lease liabilities	9.1	4 910	6 138
Pension and other employee obligations	27.2	2 728	2 480
Other long-term liabilities	29	5 401	4 027
Other provisions		598	546
Deferred tax liabilities	14	27 612	33 128
Non-current liabilities		**2 149 537**	**1 913 989**
Current liabilities			
Short-term financial liabilities	24	3 645 785	3 255 294
Trade payables	26.2	137 813	142 222
Short-term related party payables	44	16 217	14 914
Finance lease liabilities	9.1	1 809	4 638
Pension and other employee obligations	27.2	12 277	11 782
Tax liabilities	28	6 986	8 915
Other liabilities	29.2	57 090	90 883
Current liabilities		**3 877 977**	**3 528 648**
Total liabilities		**6 027 514**	**5 442 637**
Total equity, reserves and liabilities		**7 839 054**	**7 244 739**

Prepared by: ______________ **/A. Kerezov/**

Executive Director: ______________ **/I. Kamenov/**

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Registered auditor, responsible for the audit, managing partner

Grant Thornton Ltd.
Auditing Company

CHIMIMPORT PUBLIC HOLDING COMPANY

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

	Note	2015 BGN '000	2014 BGN '000
Income from non-financial activities	30	528 686	504 665
Expenses for non-financial activities	31	(471 927)	(473 862)
Change in fair value of investment property	10	(1 211)	17 362
Gain on sale of non-current assets	32	19 279	17 975
Net result from non-financial activities		**74 827**	**66 140**
Insurance income	33	615 036	498 725
Insurance expense	34	(568 944)	(486 033)
Net insurance result		**46 092**	**12 692**
Interest income	35	215 333	229 093
Interest expense	36	(103 465)	(133 090)
Net interest income		**111 868**	**96 003**
Gains from transactions with financial instruments	37	504 318	493 543
Losses from transactions with financial instruments	38	(443 388)	(420 181)
Net result from transactions with financial instruments		**60 930**	**73 362**
Administrative expenses	39	(251 122)	(205 626)
Gains from investments under equity method	6	3 044	15 416
Other financial income	40	65 515	82 250
Allocation of income to secured persons		(41 957)	(55 151)
Profit before tax		**69 197**	**85 086**
Tax expense	41	(2 091)	(6 605)
Net profit for the period		**67 106**	**78 481**
Other comprehensive income			
Components not reclassified in the profit or loss			
Remeasurements of defined benefit liability	27.2	(266)	(254)
Components reclassified in the profit or loss			
Revaluation of financial assets		9 997	(4 440)
Other comprehensive income		9 731	(4 694)
Total comprehensive income		**76 837**	**73 787**
Profit for the year attributable to:			
the shareholders of Chimimport AD		58 483	64 476
non-controlling interests		8 623	14 005
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		65 144	59 982
non-controlling interests		11 693	13 805
Basic earnings per share in BGN	42	0.41	0.45
Diluted earnings per share in BGN	42	0.27	0.30

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Executive Director: ____________ **/I. Kamenov/**

Date: 29 April 2015

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Auditing Company

CHIMIMPORT PUBLIC HOLDING COMPANY

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

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2015	**227 384**	**219 182**	**68 238**	**788 788**	**1 303 592**	**232 945**	**1 536 537**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(2 292)	(713)	-	-	(3 005)	-	**(3 005)**
Business combinations	-	-	(9 311)	7 180	(2 131)	(2 610)	**(4 741)**
Dividends	-	-	-	-	-	(2 945)	**(2 945)**
Transactions with owners	**(2 292)**	**(713)**	**(9 311)**	**7 180**	**(5 136)**	**(5 555)**	**(10 691)**
Profit for the year	-	-	-	58 483	58 483	8 623	**67 106**
Other comprehensive loss	-	-	6 661	-	6 661	3 070	**9 731**
Total comprehensive income for the year	-	-	6 661	58 483	65 144	11 693	**76 837**
Transfer of retained earnings to other reserves	-	-	5 993	(5 993)	-	-	**-**
Share of an amendment of investments reported under the equity method	-	-	-	(85 548)	(85 548)	-	**(85 548)**
Balance at 31 December 2015	**225 092**	**218 469**	**71 581**	**762 910**	**1 278 052**	**239 083**	**1 517 135**

Prepared by: ______________
/A. Kerezov/

Executive Director: ______________
/I. Kamenov/

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Grant Thornton Ltd.
Auditing Company

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 2014	**228 183**	**219 929**	**91 001**	**746 171**	**1 285 284**	**235 990**	**1 521 274**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(799)	(747)	-	-	(1 546)	-	**(1 546)**
Business combinations	-	-	(31 173)	(8 955)	(40 128)	(12 128)	**(52 256)**
Dividends	-	-	-	-	-	(4 722)	**(4 722)**
Transactions with owners	**(799)**	**(747)**	**(31 173)**	**(8 955)**	**(41 674)**	**(16 850)**	**(58 524)**
Profit for the year	-	-	-	64 476	64 476	14 005	**78 481**
Other comprehensive loss	-	-	(4 494)	-	(4 494)	(200)	**(4 694)**
Total comprehensive income for the year	**-**	**-**	**(4 494)**	**64 476**	**59 982**	**13 805**	**73 787**
Transfer of retained earnings to other reserves	-	-	12 904	(12 904)	-	-	-
Other changes							
Balance at 31 December 2014	**227 384**	**219 182**	**68 238**	**788 788**	**1 303 592**	**232 945**	**1 536 537**

Prepared by: ____________________
/A. Kerezov/

Executive Director: ____________________
/I. Kamenov/

Date: 29 April 2015
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Auditing Company

HIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of cash flows for the year ended 31 December

	Note	2015 BGN'000	2014 BGN'000
Proceeds from short-term loans		119 119	91 214
Payments for short-term loans		(70 394)	(119 790)
Proceeds from sale of short-term financial assets		489 314	372 790
Purchase of short-term financial assets		(589 001)	(514 090)
Cash receipt from customers		508 402	532 341
Cash paid to suppliers		(433 240)	(455 044)
Proceeds from secured persons		128 982	128 685
Payments to secured persons		(23 108)	(19 144)
Payments to employees and social security institutions		(113 927)	(112 553)
Cash receipts from banking operations		42 528 120	48 339 435
Cash paid for banking operations		(42 341 482)	(48 175 678)
Cash receipts from insurance operations		256 686	253 028
Cash paid for insurance operations		(190 306)	(152 588)
Income taxes paid		(3 182)	(6 321)
Other cash outflows		(52 102)	(54 063)
Net cash flow from operating activities		**213 881**	**108 222**
Investing activities			
Acquisition of subsidiaries, net of cash		-	10 257
Dividends from financial assets received		4 909	4 125
Sale of property, plant and equipment		20 152	319
Purchase of property, plant and equipment		(52 757)	(19 717)
Sale of intangible assets		20	1 117
Purchase of intangible assets		(1 720)	(1 056)
Sale of investment property		19 286	2 156
Purchase of investment property		(8 617)	(18 437)
Sale of non-current financial assets		1 043 093	253 144
Purchase of non-current financial assets		(1 483 301)	(293 673)
Interest payments received		46 848	65 025
Proceeds from loans granted		45 413	25 797
Payments for loans granted		(29 446)	(25 335)
Other cash (outflows) / receipts		(31 754)	(11 431)
Net cash flow from investing activities		**(427 874)**	**(7 709)**
Financing activities			
Dividends paid on preference shares		(1 825)	(2 382)
Purchase of treasury shares		(1 228)	(1 358)
Proceeds from loans received		32 127	135 947
Payments for loans received		(71 783)	(51 534)
Interest paid		(3 473)	(21 695)
Payments for finance leases		(4 009)	(4 970)
Other cash outflows		8 892	5 339
Net cash flow from financing activities		**(41 299)**	**59 347**
Net change in cash and cash equivalents		**(255 292)**	**159 860**
Cash and cash equivalents, beginning of period		**1 480 670**	**1 317 412**
Exchange gains / (losses) on cash and cash equivalents		**3 735**	**3 398**
Cash and cash equivalents, end of period	20	**1 229 113**	**1 480 670**

Prepared by: ______________ **Executive Director:** ______________

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

Date: 28 April 2015

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Mariy Apostolov **Grant Thornton Ltd.**

Registered auditor, responsible for the audit, managing partner **Auditing Company**

Notes to the consolidated financial statements

1. Nature of operations

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.
The Company is registered on the Bulgarian Stock Exchange – Sofia on 30 October 2006 with emission numbers 6C4 for ordinary shares and 6C4P for preference shares.

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

The Group is engaged in the following business activities:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Bank services, finance, insurance and pension insurance;
- Securitization of real estate and receivables;
- 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 and chemical products;
- 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.

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

The members of the Supervisory Board are as follows:
Invest Capital AD
CCB Group EAD
Mariana Bazhdarova

The members of the Supervisory Board are as follows:
Alexander Kerezov
Ivo Kamenov
Marin Mitev
Nikola Mishev
Miroliub Ivanov
Tzvetan Botev

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

As at 31 December 2015 the Group has 6 738 employees (2014: 6 288 employees).

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

2. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The financial statements are the consolidated statements of the Company. The parent company has released its separate financial statements on 30 March 2016

The separate elements of the consolidated financial statements of the Group are in the currency of the main economic environment in which it carries out its activities ("functional currency"). The consolidated financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the parent company. This is also the functional currency of the parent company and all subsidiary companies, except those operating in the Netherlands, Germany and Slovakia, which functional currency is Euro; the subsidiary operating in Macedonia, which functional currency is Macedonian dinars and the subsidiaries in Russia, which functional currency is Russian ruble. The representation currency of the Group is Bulgarian leva.

All amounts are presented in thousand Bulgarian leva (BGN'000) (including the comparative information for 2015) unless otherwise stated.

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

As at the date of preparation of the financial statements, the management has assessed the ability of the Group to continue performing its main activity on going concern basis based on available information for foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated annual report and accounts.

3. Changes in accounting policies

3.1. Overall considerations

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2015. These changes have no material effect on the consolidated financial statements of the Group:

IAS 19 "Employee Benefits" (amended) – Employee Contributions, effective from 1 July 2014, adopted by the EU for annual periods on or after 1 February 2015

Annual Improvements to IFRSs 2012 effective from 1 July 2014, adopted by the EU for annual periods on or after 1 February 2015

These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:

- IFRS 2, 'Share-based payment'
- IFRS 3, 'Business Combinations'
- IFRS 8, 'Operating segments'
- IFRS 13, 'Fair value measurement'

• IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
• Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
• IAS 39, 'Financial instruments – Recognition and measurement'.

Annual Improvements to IFRSs 2013 effective from 1 July 2014, adopted by the EU for annual periods on or after 1 January 2015
The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
• IFRS 1, 'First time adoption'
• IFRS 3, 'Business combinations'
• IFRS 13, 'Fair value measurement' and
• IAS 40, 'Investment property'.

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

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group.

IFRS 9 "Financial Instruments" effective from 1 January 2018, not yet adopted by the EU
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group's management does not expect the changes to be implemented before the publication of all sections of the standard and currently cannot assess their overall effect.

IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU
These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective from 1 January 2016, not yet adopted by the EU
These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities" and IAS 28 "Investments in associates and joint ventures"- Investment Entities: Applying the Consolidation Exception (amended), effective from 1 January 2016, not yet adopted by the EU
These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value.

The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.

IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, not yet adopted by the EU

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

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

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

IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2017, not yet adopted by the EU

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations and establishes a new control-based revenue recognition model. It changes the basis for deciding whether revenue is recognized at a point in time or over time and expands and improves disclosures about revenue. IFRS 15 is based on a core principle that requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers and at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Early adoption is permitted. Entities are required to apply the new revenue Standard either retrospectively to each prior period presented, subject to some practical expedients or retrospectively, with the cumulative effect of initial application recognized in the current period.

IAS 1 "Presentation of financial statements" (amended) – Disclosure Initiative, effective from 1 January 2016, not yet adopted by the EU

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. They clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, not yet adopted by the EU

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, not yet adopted by the EU

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements to IFRSs 2014 effective from 1 January 2016, not yet adopted by the EU

These set of amendments impacts 4 standards:

• IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.

• IFRS 7, 'Financial instruments: Disclosures', regarding servicing contracts.
• IAS 19, 'Employee benefits' regarding discount rates.
• IAS 34, 'Interim financial reporting' regarding disclosure of information

4. Summary of accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Group has elected to present the consolidated statement of profit or loss and other comprehensive income as a single statement.
Two comparative periods are presented for the consolidated statement of financial position when the Group:
(i) applies an accounting policy retrospectively,
(ii) makes a retrospective restatement of items in its consolidated financial statements, or
(iii) reclassifies items in the consolidated financial statements.

In 2015 one comparative period is presented, as no adjustments to the presentation of the elements of the consolidated financial statements and the corresponding reference data. In case there are adjustments to the classification of the elements of the consolidated financial statements, relevant comparative figures have also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The parent company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 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 in accordance with IAS 39 " Financial instruments: Recognitions and measurement", or where appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs)

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

4.4. Business combinations

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

The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity’s net assets in the event of liquidation either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

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

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

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

4.5. Transactions with non-controlling interests

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

4.6. Investments in associates and joint ventures

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

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

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

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit/ (loss) 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 equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

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

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

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

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

4.7. Foreign currency transactions

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

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

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

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

4.8. Segment reporting

The Group operates in the following operating segments:

- production, trade and services
- finance sector
- transport sector
- real estate property sector
- construction and engineering sector

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

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

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

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

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

4.9. Revenue

Revenue comprises revenue from the sale of goods and the rendering of services from any of the business segments of the Group. Revenue from major products and services is shown in note 30 Revenue from non-financial activities, note 32 Gains from sale of non-current assets, note 33 Insurance income, note 35 Interest revenue, note 37 Gains from transactions with financial instruments.

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

Revenue is recognized, provided all of the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred can be measured reliably; and
- when the criteria for each of the Group's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

4.9.1. Sale of goods

When selling goods 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.

4.9.2. Rendering of services

Revenue from rendering of services is recognized when the outcome of the transaction can be measured reliably.

4.9.3. Bank activity

4.9.3.1. Interest revenue and expenses

Interest revenue and expenses are recognized on a time proportion basis using the effective interest rate method as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is amortized.

For loans granted by the Bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contracted interest rate due to the nature of the contractual terms.

Interest earned as a result of securities held for trade or securities available-for-sale is recognized as interest revenue. Interest revenue includes the amount of amortization of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing security, the interest accrued as of the acquisition date is accounted for as interest receivable.

4.9.3.2. Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognized when the service is performed.

Commissions arising from foreign currency transactions are reported in the statement of 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 adjusting the effective interest income.

4.9.4. Revenue from insurance activities

Revenue recognition from premiums over insurance contracts is based on the amount, due by the insured (insuring) person for the whole term of the insurance, which the Group has the right to receive according to insurance contracts signed during the accounting period and for insurances with terms covering whole or parts of the next accounting period.

Reinsurance premiums from inward reinsurance are recognized as revenue based on the premiums due in the accounting period from assignors in connection with reinsurance contracts.

In case of co-insurance revenue is recognized only for the insurer's part from the whole amount of premiums.

Premiums signed away to reinsurers for common insurance include premiums due to reinsurers according to reinsurance contracts for reinsurance of risks over signed during the period contracts on direct insurance and inward reinsurance. The reinsurance premiums, which are not paid as at reporting date, are accounted for as payables.

The amounts that are subject to reimbursement from the reinsurer in relation to the claims paid during the period by the insurer, are accounted for as reinsurer's share including the case in which the settlement of the relations with reinsurers occurs in following accounting period.

Premiums signed away to reinsurers include the premiums payable to the reinsurers for the reporting period in relation to reinsurance contracts for reinsurance of risks over signed during the period contracts, as well as reinsurance of risks related to the premium periods starting during the reporting period.

The reinsurance premiums, which are not paid as of the balance sheet date, are reported as payables.

4.9.5. Revenue from aviation activity

Services provided by the Group include the transport of passengers, cargo, baggage and mail their own and hired vehicles, aircraft lease rentals, maintenance of aircraft and engineering, sales and ticket bookings, production and technical and intermediary activities training and qualification of personnel, internal and external trade.

Revenue from sales of airline tickets is recognized when the transportation service is rendered.

When the sale of airplane tickets includes loyalty customers' incentives, the consideration received from the customer is allocated between the components of the arrangement using fair values. Revenue of such sales is recognized when the client exchanges the incentives for goods provided by the Company.

4.9.6. Revenue from pension insurance activity

Revenue related to pension insurance activities is recognized by the fair value of the received or receivable remuneration. The revenue is recognized when the service is completed or when the risk is transferred to the customer. The pension funds of the Group recognize as revenue the fees from Voluntary Pension Fund (VPF), Universal Pension Fund (UPF), and Professional Pension Fund (PPF).

4.9.7. Revenue from government grants

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

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

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

4.9.8. Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, is recognized at the time the right to receive payment is established.

4.10. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.11. Interest expenses and borrowing costs

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

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

4.12. Goodwill

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

4.13. Intangible assets

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

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

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

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

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

- software 2-5 years
- trademarks 6-7 years
- property rights 5-7 years
- licenses 7 years
- certificates 5 years
- industrial property rights 27 - 30 years
- others 7 - 10 years

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

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

4.14. Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.15. Leases

Lessee

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

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

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

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

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

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

Lessor

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

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

4.16. Impairment testing of assets

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

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

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

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

4.17. Investment property

The investment property of the Group includes buildings held to earn rentals and/or for capital appreciation, and are accounted for using the cost model.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

The investment property is revalued annually and is included in the consolidated statement of financial position at its open market value. This is determined by an independent valuer with professional qualification and significant experience with respect to both the location and the nature of the investment property and supported by sufficient market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss within

Subsequent expenditure relating to investment property, which is already recognized in the Group's financial statements, is added to the carrying amount of the investment property when it is probable that this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognized as incurred.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Rental income and operating expenses from investment property are reported within 'Income from non-financial activities' and 'Expenses for non-financial activities' respectively, and are recognized as described in note 4.9 and note 10.

4.18. Assets of exploration and evaluation of mineral resources

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

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

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

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

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

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

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

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

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

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

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

4.19. Financial instruments

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 all substantial risks and rewards are transferred.

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

4.19.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss regardless of the measurement of the financial assets are presented within 'Finance costs', 'Finance income' or 'Other financial items', except for impairment of trade receivables which is presented within Expenses for non-financial activities.

Loans and receivables

Loans and receivables are non-derivative financial assets 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, less provision for impairment. Any change in their value is recognized in profit or loss. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'Other expenses', included in line 'Expenses for non-financial activity'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Impairment for uncollectibility regarding the banking activity of the Group.

The financial assets are impaired in the presence of an indication of impairment: information for financial difficulties; contractual breach; restructuring of the debt; exclusion of the securities from the Stock exchange.

Available-for-sale financial assets measured at their fair value are tested for impairment, regarding the consolidated financial statements, as far as the impairment is not reflected in the revaluation as at the date of the consolidated financial statements. When there are conditions present for impairment, a recoverable value is determined. If the expected recoverable value is less than the gross carrying amount, an impairment test is performed as follows:

- if no revaluation reserve is formed as at the date of impairment – the difference between the gross carrying amount and the expected recoverable value is reflected as current financial expense and reduction of the value of financial assets;
- if revaluation reserve is formed as at the date of impairment, which has a positive value and is less than the amount of the impairment – in this case the gross carrying amount of the assets and the value of the revaluation reserve (which remains zero) is reduced by the part of the impairment up to the value of the revaluation reserve. The remaining part of the impairment is reflected as current financial expense and reduction of the gross carrying amount of the assets;
- if revaluation reserve is formed as at the date of impairment, which has a negative value – the difference between the carrying amount and the expected recoverable value is reflected as current financial expense and the reduction of the value of the financial asset, and the negative value of the revaluation reserve is transferred, and is reflected on the current financial expenses;
- if revaluation reserve is formed as at the date of impairment, which has a positive value and is larger than the amount of the impairment – in this case the value of the investment is reduced by the value of the revaluation reserve and the part of the impairment.

Financial assets held-to-maturity by the Bank are tested for impairment in relation to the preparation of the consolidated financial statements. Impairment of uncollectibility for owned by the Bank securities, carried at amortized cost, are defined as difference between the gross carrying amount and the present value of the future cash flows, discounted with the initial effective interest rate. If, the present value of the future cash flows of the securities is lower than the gross carrying amount, impairment is performed. The difference is reflected as current financial expense and reduction of the value of the credits. The reduction of impairment of uncollectibility is recognized in the statement of comprehensive income for the current period. Recoverable amounts, previously written-down are recognized as revenue by reduction of the impairment of uncollectibility during the year.

Loans and advance payments, initially recognized within the Bank with fixed maturity, are tested for impairment in regards to the preparation of the annual consolidated financial statements. Impairment of uncollectibility for loans, granted by the Bank, carried at amortized cost, are defined as difference between the gross carrying amount and the present value of the future cash flows, discounted with the initial effective interest rate, if necessary. The management defines the expected future cash flows after review of the individual client receiving the credit, credit exposure and other influencing factors. In case the present value of the future cash flows of the credits is lower than the gross carrying amount, impairment is performed. The difference is reflected as current financial expense and reduces the value of the credits. The reduction of impairment of uncollectibility is recognized in the statement of profit or loss and other comprehensive income for the current period. Recovered amounts, previously written-down, are recognized as revenue by reduction of the impairment of uncollectibility during the year. The uncollectable credits and advance payments, which cannot be recovered, are written-down and are net from accumulated impairment for uncollectibility. After all legal procedures are concluded, and when the value of the loss is defined, these credits are written-down.

The Bank has adopted a methodology for the calculation of loans' impairment provisions based on IFRS and in accordance with the bank legislation in Bulgaria. The Bank classifies loans in a few groups. Percentages that exceed the regulations' minimal requirement are applied for loans out of the group of regular loans. The contracted cash flows are decreased by those percentages to determine future cash flows after which they are discounted by the effective interest rate, as stated above. Other specific regulations' requirements are related to conditions for reclassification of invalid loans as valid and the recognition of liquid collateral for the purpose of determining the loan impairment provisions.

The amount of losses which are not specifically identified, but can be expected based on previous experience with loans with similar risk characteristics, is also incurred as a provision expense and the gross carrying amount of the loans is decreased. The losses are evaluated based on historic experience, credit rating of clients and the economic environment of the debtors.

4.19.2. Financial liabilities

The Group's financial liabilities include bank and other loans and overdrafts, trade and other payables and finance lease liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Interest expenses', 'Interest income' or 'Other finance income/ (expenses)'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank and other loans are raised for support of long-term and short-term funding of the Group's operations. They are recognized in the consolidated statement of financial position of the Group, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

4.20. Derivative financial instruments

Derivatives are carried at fair value and recognized in the consolidated statement of financial position as trading derivatives. The fair value of derivatives is based on the market price or similar models. Derivative assets are presented as part of the financial assets held for trading and derivative liabilities are presented as part of the financial obligations. Change in fair value of derivatives held for trading are recognized as part of net trading income in the consolidated statement of profit or loss and other comprehensive income.

4.21. Receivables and liabilities under repurchase agreements

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

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

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

4.22. Provisions for credit-related contingent liabilities

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

4.23. Inventories

Inventories include 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 inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.24. Income taxes

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

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

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

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.38.

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

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

4.25. Cash and cash equivalents

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

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

4.26. Non-current assets and liabilities classified as held for sale and discontinued operations

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the consolidated statement of financial position.

Liabilities are classified as 'held for sale' and presented as such in the consolidated statement of financial position if they are directly associated with a disposal group.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. No assets classified as 'held for sale' are subject to depreciation or amortization subsequent to their classification as 'held for sale'.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as described in note 21.

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.

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 three pension funds for supplementary pension insurance – Voluntary, Professional and Universal.

The Voluntary Pension Fund 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 other insurer.

The types of pension plans are:
- Individual pension plan – on the basis of single or periodical instalments at the expense of the individual;

- Collective pension plan – on the basis of single or periodical installments 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:
- When the insured person deceases;
- 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.

The Professional Pension Fund 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 labor, according to the labor 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 70.99%.
- 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:
- When the insured person deceases;

- 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;
- When the insured person enters an actual insurance contract with a professional pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

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: 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 Income 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 70.99%.
- 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 insurance contract is terminated in the following cases:
- when the insured person deceases;
- when the insured person enters an actual insurance contract with a pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

The insurance is realized with monthly cash installments. SSC determines their amount as a percentage of the insurance income.

4.29. Specialized reserves for pension insurance activity

With respect to SSC the Group sets aside pension reserves in order to guarantee minimal pay-out from the activity of the supplementary obligator pension insurance. The pension reserves, formed up to now are 1.00% of the assets of the funds. The accumulated reserves are invested according to the SSC requirements.

4.30. Health insurance reserves

The Group allocates health insurance reserves in accordance with the Health Insurance Act and the related sub-delegated legislation. The accumulated reserves are invested in accordance with the Health

Insurance Act, by ensuring of security, profitability, and liquidity in compliance with the health insurance contracts.

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 'Interest expenses' in profit or loss. All other post employment benefit expenses are included in 'Employee benefits expense'.

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

4.32. Insurance transactions

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

4.33. Insurance contracts

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

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

4.34. Reinsurance contracts

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

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

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

4.35. Insurance reserves

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

4.36. Adequacy test of insurance reserves

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

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

4.37. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4.38. Significant management judgment in applying accounting policies

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

4.38.1. Leases

In applying the classification of leases in IAS 17 "Leases", management considers its leases of aircrafts, vehicles, property and other assets as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

4.38.2. Deferred tax assets

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

4.38.3. Held-to-maturity investments

Management has confirmed its intention and ability to hold the bonds that are classified as held-to-maturity investments until they mature. This is based on the Group's current liquidity and capital maintenance requirements and plans.

4.38.4. Lack of control of subsidiaries

In cases in which the parent company owns, directly or indirectly, through its subsidiaries more than half of the voting rights in an entity, but does not have the power to govern the financial and operating policies in that entity and/or contractual agreement according to which the Group does not control the entity exists, then the investment in shares of that entity is reclassified as financial asset in accordance with IAS 39.

The parent company owns 10% of the equity in the subsidiary Niko Komers OOD indirectly through subsidiaries. Equity participation does not lead to the acquisition of control according to management contracts for transfer of voting rights from 2010. Therefore, the investment in Niko Komers OOD is reclassified as financial asset according to IAS 39.

The parent company owns 97.32% of the equity in the subsidiary PFK Cherno more AD indirectly through subsidiaries. Equity participation does not lead to the acquisition of control according to management contracts for transfer of voting rights from 2012. Therefore, the investment in PFK Cherno more AD is reclassified as financial asset according to IAS 39.

4.38.5. 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 Company. The management believes that the expiration of the validity of each ticket, when not being used, gives reason for recognition of revenue. This understanding is based on the basic principle for the recognition of revenue, precisely that it is based on actual services rendered.

4.38.6. 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.

According to chapter A2, p. 2.6.1 of RAM (Revenue Accounting Manual), when there is a FIM issued, the accepting side (the agent airline company) charges the issuer of the FIM with the applicable full one-way tariff for the respective pair of cities where the transportation has occurred. A FIM can include number of tickets and the obligation should be recognized using the tariff valid for the travel class of each passenger, applicable for the flight date. After receiving the invoice, the receiving airline company (that has performed the flight) has the right within 6 months to make a reedit based on the prorate value in accordance with chapter A2, p. 2.6.2 and chapter A10, p. 4.1. of RAM. Upon receiving the redebit invoice, the open balance can be closed. After the 6 month period for objections /redebit/ has expired, the amounts that have not been disputed, are recognized as income.

The revenue recognition is based on past experience and the Management considers that 90 % of the value of all issued and undisputed FIMs gives basis for the recognition of revenue based on actual services performed.

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

The Group has ongoing customer loyalty programs where customers can collect bonus points (award credits), which can be exchanged for free tickets for flights of Bulgaria Air AD, can get free transportation of additional luggage, flight in business class with a ticket for economy class, vouchers for the business lounge at the airport and other incentives for loyal customers.

The Group reports award credits as a separately identifiable component of a sale in which incentives are given. The fair value of the received remuneration or receivable in respect of the initial sale is distributed among the bonus points (award credits) and other components of the sale. The remuneration allocated to the bonus points is measured by reference to their fair value, i.e. amount for which the award credits could be sold separately. The company by itself provides the incentives for loyal customers and recognizes the remunerations allocated to the incentives as revenue when these incentives in the form of bonus points are redeemed and the Company implements its obligation of delivery. The amount of the recognized revenue is based on the number of award credits that are exchanged for prizes in proportion to the total number that is expected to be exchanged.

4.39. Estimation uncertainty

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

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

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

4.39.1. Impairment

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

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

The Group has incurred an impairment loss of BGN 4 979 thousand on goodwill in 2015 (2014: BGN 942 thousand) in order to reduce the carrying amount of goodwill to its recoverable amount (see note 11).

4.39.2. Useful lives of depreciable assets

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

At 31 December 2015 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 8 and 12. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.39.3. Inventories

Inventories are 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 51 184 thousand (2014: BGN 40 820) is affected by the future service providing and market realization of inventories.

4.39.4. Defined benefit liability

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 high quality corporate bonds.

4.39.5. Provisions

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

4.39.6. Business combinations

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

5. Basis of consolidation

5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2015 Percentage of consolidation	31.12.2015 Nominal percentage	31.12.2014 Percentage of consolidation	31.12.2014 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	82,60%	82,61%	82,42%	82,43%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	76,63%	91,83%	76,47%	91,83%
ZAO Investment Corporate Bank	R. Tatarstan	Finance	71,26%	86,27%	71,10%	86,27%
CCB Group EAD	Bulgaria	Finance	100,00%	100,00%	100,00%	100,00%
CCB Assets Management EOOD	Bulgaria	Finance	82,60%	100,00%	82,42%	100,00%
ZAD Armeec	Bulgaria	Finance	96,34%	96,34%	96,34%	96,34%
IC OAO Itil Armeec	Russia	Finance	96,34%	100,00%	96,34%	100,00%
OOO Itil Med	Russia	Finance	96,34%	100,00%	96,34%	100,00%
ZAED CCB Life	Bulgaria	Finance	100,00%	100,00%	100,00%	100,00%
POAD CCB Sila	Bulgaria	Finance	51,26%	51,26%	51,26%	51,26%
DPF CCB Sila	Bulgaria	Finance	51,26%	51,26%	51,26%	51,26%
UPF CCB Sila	Bulgaria	Finance	51,26%	51,26%	51,26%	51,26%
PPF CCB Sila	Bulgaria	Finance	51,26%	51,26%	51,26%	51,26%
Chimimport Holland B.V.	The Netherlands	Finance	100,00%	100,00%	100,00%	100,00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	68,94%	68,94%	68,69%	68,69%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	50,49%	66,38%	50,30%	66,36%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	50,49%	100,00%	50,30%	100,00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	68,94%	100,00%	68,69%	100,00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	52,84%	76,65%	52,65%	76,65%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2015 Percentage of consolidation	31.12.2015 Nominal percentage	31.12.2014 Percentage of consolidation	31.12.2014 Nominal percentage
PDNG Service EOOD	Bulgaria	Production, Trade and Services	50,49%	100,00%	50,30%	100,00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	35,34%	70,00%	35,21%	70,00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	45,50%	66,00%	45,34%	66,00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	41,36%	60,00%	41,21%	60,00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	41,36%	60,00%	41,21%	60,00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	41,45%	60,13%	41,30%	60,13%
Texim Trading OOD	Bulgaria	Production, Trade and Services	35,16%	51,00%	35,03%	51,00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	68,94%	100,00%	50,30%	100,00%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	68,94%	100,00%	68,69%	100,00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	34,47%	50,00%	34,35%	50,00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	46,88%	68,00%	46,71%	68,00%
Plovdivska Stokova Borsa AD	Bulgaria	Production, Trade and Services	75,00%	75,00%	75,00%	75,00%
Asela AD	Bulgaria	Production, Trade and Services	27,16%	51,39%	35,56%	51,39%
AK Plastic OOD	Bulgaria	Production, Trade and Services	52,31%	99,00%	68,51%	99,00%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70,00%	70,00%	70,00%	70,00%
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%	65,94%	96,00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	68,94%	100,00%	68,69%	100,00%
Bulchimex GmBH	Germany	Production, Trade and Services	100,00%	100,00%	100,00%	100,00%
Technocapital AD	Bulgaria	Production, Trade and Services	86,40%	90,00%	55,83%	90,00%
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	80,71%	80,71%	81,64%	81,64%
Port Balchik AD	Bulgaria	Sea and River Transport	77,88%	100,00%	77,90%	100,00%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2015 Percentage of consolidation	31.12.2015 Nominal percentage	31.12.2014 Percentage of consolidation	31.12.2014 Nominal percentage
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	76,07%	94,25%	77,49%	94,25%
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	44,39%	55,00%	44,90%	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	80,71%	100,00%	81,64%	100,00%
Blue See horizion corp.	Seychelles	Sea and River Transport	80,71%	100,00%	81,64%	100,00%
Interlihter EOOD	Slovakia	Sea and River Transport	80,71%	100,00%	81,64%	100,00%
Bulgarian Aviation 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%
Airport Services Bulgaria EAD (Molet EAD)	Bulgaria	Aviation Transport	-	-	100,00%	100,00%
Bulgaria Air Maintanance EOOD	Bulgaria	Aviation Transport	100,00%	100,00%	-	-
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 EOOD	Bulgaria	Vehicle Transport	100,00%	100,00%	100,00%	100,00%
Energoproekt AD	Bulgaria	Construction and engineering	83,20%	83,20%	83,20%	83,20%
Energoproekt Utilities OOD	Bulgaria	Construction and engineering	42,43%	51,00%	42,43%	51,00%
Golf Shabla AD	Bulgaria	Real Estate	32,82%	65,00%	32,70%	65,00%
Sporten Complex Varna AD	Bulgaria	Real Estate	65,00%	65,00%	65,00%	65,00%
Sporten management AD	Bulgaria	Real Estate	65,00%	100,00%	65,00%	100,00%
Technoimpeks 98 AD	Bulgaria	Real Estate	87,66%	87,66%	87,66%	87,66%

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

Name segment	Accumulated non-controlling interest	
	2015	2014
	BGN'000	BGN'000
Finance sector	69 759	63 364
Production, trade and services	135 415	131 161
Transport	15 764	17 247
Real Estate	17 118	20 407
Construction and engineering	1 027	766
	239 083	**232 945**

In 2015, dividends paid to non-controlling interest amount to BGN 2 945 thousand (2014: BGN 4 722 thousand)

Summary of financial information of the assets and liabilities before intragroup eliminations is disclosed in note 7 Segment Reporting.

5.2. Acquisition of controlling interest in Bulgaria Air Maintenance AD

In 2015, the Group acquired control over the company Bulgaria Air Meyntanans AD based in Sofia, Bulgaria by registering the company as a result of which it holds 100.00% of its equity and rights aloud in the company.

The incorporation of Bulgaria Air Maintanence AD is carried out in order to perform upkeep of aircraft and other related services

The total acquisition price amounted to BGN 90 614 thousand and includes the following components

	BGN'000
Purchase prise	90 614
Total remuneration	**90 614**

The allocation of the purchase price to the acquired assets and liabilities of the company Bulgaria Air Maintanence AD has taken place in 2015. The value of each group of assets acquired and liabilities and contingent liabilities recognized at the acquisition date is presented as follows:

	Acquired amount as at the date of acquisition
	BGN'000
Non-current assets	**90 614**
Total non-current assets	**90 614**
Net identifiable assets and liabilities	**90 614**

As a result of the business combination there is no occurrence of goodwill

	BGN'000
Total remuneration	90 614
Fair value of identifiable net assets acquired by the Group	(90 614)
Goodwill/(Gain)	**-**

5.3. Acquisition of noncontrolling interest in Zarneni Hrani Bulgaria AD

In 2015, the Group acquired additional equity in the amount 0.25% in its subsidiary Zarneni Hrani Bulgaria AD for the amount of BGN 92 thousand , thereby increasing its controlling interest of 68.94% (nominal)

The carrying amount of the net assets of the newly acquired net assets in its subsidiary Zarneni Hrani Bulgaria AD recognized at the date of acquisition in the consolidated financial statements amount to BGN 657 thousand The Group recognized a reduction in non-controlling interests amounting to BGN 657 thousand and an increase in retained earnings in the amount of BGN 565 thousand

	BGN'000
Total transferred remuneration	(92)
Additional share acquired in the net assets of Zarneni Hrani Bulgaria AD	657
Increase in retained earnings	**565**

5.4. Acquisition of non-controlling interest in the Exploration and Production of Oil and Gas AD

In 2015, the Group acquired additional equity in the amount 0.02% in its subsidiary Exploration and Production of Oil and Gas AD for an amount of BGN 26 thousand , thereby increasing its controlling interest to 66.38% (nominal).

The carrying amount of the net assets of the newly acquired subsidiary Exploration and Production to Oil and Gas AD recognized at the acquisition date of the financial statements, amounted to BGN 23 thousand The Group recognized a reduction in non-controlling interest amounting to BGN 23 thousand and reduce retained earnings of BGN 3 thousand.

	BGN'000
Transferred remuneration	(26)
Additional share acquired in the net assets of Exploration and Production of the Oil and Gas AD	23
Decrease in retained earnings	(3)

5.5. Sale of controlling interests in the Bulgarian River Shipping AD

In 2015, the Group sold equity amounting to 0.93% in its subsidiary Bulgarian River Shipping AD for cash payment of BGN 591 thousand, thereby reducing its controlling interest of 80.71%.

The carrying value of the net assets of the subsidiary Bulgarian River Shipping AD are recognized at the date of sale in the consolidated financial statements on line increase in non-controlling interests amounting to BGN 703 thousand. The Group recognized an increase in retained earnings amounting to BGN 94 thousand .

	BGN'000
Total transferred remuneration	(591)
Additional share acquired in the net assets of Parahodstvo Bulgarsko Rechno Plavane AD	685
Increase in retained earnings	**94**

6. Investments accounted for using equity method

6.1. Investments in associates

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

Name	**31.12.2015 BGN'000**	**Share %**	**31.12.2014 BGN'000**	**Share %**
Lufthansa Technik Sofia OOD	5 666	24.90%	6 038	24.90%
Swissport Bulgaria AD	4 253	49.00%	2 933	49.00%
Silver Wings Bulgaria OOD	3 967	42.50%	5 656	42.50%
Amadeus Bulgaria OOD	3 168	45.00%	3 140	45.00%
VTC AD	2 544	41.00%	2 541	41.00%
Dobrich fair AD	741	39.98%	695	39.98%
Kavarna Gas OOD	463	35.00%	466	35.00%
Fraport TSAM AD	-		117 021	40.00%
	20 802		**138 490**	

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 financial information about the associates can be summarized as follows:

	2015 BGN'000	**2014 BGN'000**
Assets	100 825	550 692
Liabilities	(52 436)	(350 542)
Revenues	126 905	246 082
Profit for the period	8 677	40 398
Profit attributable to the Group	**3 044**	**15 416**

In 2015, the Group transferred control over Fraport TSAM AD and reclassified its investment in view of their future plans.
In 2015, the Group received dividends from its associate companies amounting to BGN 1597 thousand.

6.2. Investments in joint ventures

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

Name	31.12.2015 BGN '000	Share %	31.12.2014 BGN '000	Share %
Nuance BG AD	1 036	50.00%	1 036	50.00%
Varna ferry OOD	5 007	50.00%	-	50.00%
	6 043		**1 036**	

In the table the loss of the Group is presenter, but it is not recognized in the current reporting period, since it exceeds the investment made.

The investment in the joint venture is presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December. The financial information about the joint venture can be summarized as follows:

	2015 BGN '000	2014 BGN '000
Assets	28 989	40 302
Liabilities	(26 577)	(47 526)
Revenues	43 850	41 193
Loss for the period	(5 026)	(8 767)
Loss attributable to the Group	**(2 513)**	**(4 384)**
Recognized share of the loss, attributable to the Group	**-**	**-**

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

7. Segment reporting

The management responsible for making the business decisions determines the business segments on the grounds of the types of activities, the main products and services rendered by the Group. The activities of the Group are 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.

According to IFRS 8 the Group applies the same evaluation policy as in the last consolidated financial statements. The operating segments of the Group are as follows: Production, trade and services; Finance sector'; Transport sector; Real estate sector; Construction and engineering sector.

Information about the operating segments of the Group is summarized as follows:

Operating segments 31 December 2015	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	138 920	22 290	343 537	337	21 981	1 621	528 686
Change in fair value of investment property	(4 203)	152	-	-	934	1 906	(1 211)
Gain from sale of non-current assets	2 595	46	398	17 283	-	(1 043)	19 279
Inter-segment income from non-financial activities	10 685	2 103	6 192	-	1 762	(20 742)	-
Total income from non-financial activities	**147 997**	**24 591**	**350 127**	**17 620**	**24 677**	**(18 258)**	**546 754**
Result from non-financial activities	**12 078**	**24 591**	**11 595**	**15 518**	**1 143**	**9 902**	**74 827**
Insurance income from external customers	-	615 036	-	-	-	-	615 036
Inter-segment insurance income	-	6 732	-	-	-	(6 732)	-
Total insurance income	**-**	**621 768**	**-**	**-**	**-**	**(6 732)**	**615 036**
Result from insurance	**-**	**51 861**	**-**	**-**	**-**	**(5 769)**	**46 092**
Interest income	5 977	241 256	4 199	471	141	(36 711)	215 333
Interest expenses	(10 141)	(118 226)	(11 151)	(71)	(587)	36 711	(103 465)
Result from interest	**(4 164)**	**123 030**	**(6 952)**	**400**	**(446)**	**-**	**111 868**
Gains from transactions with financial instruments from external customers	6 727	499 352	11 226	-	55	(13 042)	504 318
Inter-segment gains from transactions with financial instruments	-	-	-	-	-	-	-
Total gains from transactions with financial instruments	**6 727**	**499 352**	**11 226**	**-**	**55**	**(13 042)**	**504 318**
Result from transactions with financial instruments	**(1 542)**	**61 859**	**10 327**	**-**	**55**	**(9 769)**	**60 930**
Administrative expenses	**(8 958)**	**(240 944)**	**(9 440)**	**-**	**-**	**8 220**	**(251 122)**
Net result from equity accounted investments in associates	60	-	2 984	-	-	-	3 044
Other financial income/ (expenses)	(736)	80 930	165	(28)	(37)	(14 779)	65 515
Profit for allocating insurance batches	-	(41 957)	-	-	-		(41 957)
Profit for the period before tax	**(3 262)**	**59 370**	**8 679**	**15 890**	**715**	**(12 195)**	**69 197**
Tax expense	1 164	(2 179)	574	(1 586)	(73)	9	(2 091)
Net profit for the year	**(2 098)**	**57 191**	**9 253**	**14 304**	**642**	**(12 186)**	**67 106**

Operating segments 31 December 2015	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN ’000	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**
Assets of the segment	704 519	8 533 953	859 804	65 630	19 334	(2 371 031)	7 812 209
Equity accounted investments in associates	4 027	10	23 178	5	2	(377)	26 845
Total consolidated assets	**708 546**	**8 533 963**	**882 982**	**65 635**	**19 336**	**(2 371 408)**	**7 839 054**
Specialized reserves	**-**	**294 405**	**-**	**-**	**-**		**294 405**
Liabilities of the segment	239 761	6 210 999	343 379	3 724	14 790	(785 139)	6 027 514
Total consolidated liabilities	**239 761**	**6 210 999**	**343 379**	**3 724**	**14 790**	**(785 139)**	**6 027 514**

Operating segments 31 December 2014	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	105 612	29 035	360 319	326	7 011	2 362	504 665
Change in fair value of investment property	(1 150)	3 425	15 062	-	-	25	17 362
Gain from sale of non-current assets	2 000	6 926	1 240	-	1 470	6 339	17 975
Inter-segment income from non-financial activities	22 017	3 862	4 689	-	823	(31 391)	-
Total income from non-financial activities	**128 479**	**43 248**	**381 310**	**326**	**9 304**	**(22 665)**	**540 002**
Result from non-financial activities	**12 543**	**39 577**	**8 059**	**(161)**	**992**	**5 130**	**66 140**
Insurance income from external customers	-	498 725	-	-	-	-	498 725
Inter-segment insurance income	-	5 552	-	-	-	(5 552)	-
Total insurance income	**-**	**504 277**	**-**	**-**	**-**	**(5 552)**	**498 725**
Result from insurance	**-**	**17 567**	**-**	**-**	**-**	**(4 875)**	**12 692**
Interest income	9 088	246 230	14 598	529	218	(41 570)	229 093
Interest expenses	(11 624)	(148 856)	(13 495)	(38)	(647)	41 570	(133 090)
Result from interest	**(2 536)**	**97 374**	**1 103**	**491**	**(429)**	**-**	**96 003**
Gains from transactions with financial instruments from external customers	13 028	483 637	9 955	-	-	(26 167)	480 453
Inter-segment gains from transactions with financial instruments	8 672	3 215	1 188	-	15	-	13 090
Total gains from transactions with financial instruments	**21 700**	**486 852**	**11 143**	**-**	**15**	**(26 167)**	**493 543**
Result from transactions with financial instruments	**21 251**	**65 764**	**10 648**	**-**	**15**	**(24 316)**	**73 362**
Administrative expenses	**(7 627)**	**(203 011)**	**(11 772)**	**-**	**-**	**16 784**	**(205 626)**
Net result from equity accounted investments in associates	**60**	**-**	**15 356**	**-**	**-**	**-**	**15 416**
Other financial income/ (expenses)	110	84 393	(1 311)	(4)	(115)	(823)	82 250
Profit for allocating insurance batches	-	(55 151)	-	-	-		(55 151)
Profit for the period before tax	**23 801**	**46 513**	**22 083**	**326**	**463**	**(8 100)**	**85 086**
Tax expense	(1 367)	(5 491)	361	(42)	(51)	(15)	(6 605)
Net profit for the year	**22 434**	**41 022**	**22 444**	**284**	**412**	**(8 115)**	**78 481**

Operating segments 31 December 2014	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Assets of the segment	767 884	7 763 852	818 539	49 069	16 864	(2 310 995)	7 105 213
Equity accounted investments in associates	4 027	-	20 287	-	4	115 208	139 526
Total consolidated assets	**771 911**	**7 763 852**	**838 826**	**49 069**	**16 868**	**(2 195 787)**	**7 244 739**
Specialized reserves	**-**	**265 565**	**-**	**-**	**-**		**265 565**
Liabilities of the segment	319 790	5 578 378	385 588	1 462	12 856	(855 437)	5 442 637
Total consolidated liabilities	**319 790**	**5 578 378**	**385 588**	**1 462**	**12 856**	**(855 437)**	**5 442 637**

8. Property, plant and equipment

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

2014	**Land**	**Building**	**Machines**	**Equipment**	**Vehicles**	**Repairs**	**Others**	**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 2015	59 712	65 258	105 665	125 934	123 147	17 810	89 952	82 718	**670 196**
Additions:									
- business combinations	-	-	-	-	38 505	-	-	-	**38 505**
- separately acquired	3 599	30 394	13 755	2 004	8 748	2 243	6 244	60 937	**127 924**
- reclassification	(10)	(182)	-	-	-	-	-	-	**(192)**
Disposals									
- separately disposed	(3 041)	(1 052)	(7 874)	(404)	(36 252)	-	(1 032)	(59 337)	**(108 992)**
Balance at 31 December 2015	60 260	94 418	111 546	127 534	134 148	20 053	95 164	84 318	**727 441**
Depreciation									
Balance at 1 January 2015	-	(20 101)	(84 333)	(23 094)	(63 106)	(17 416)	(49 967)	-	**(258 017)**
Newly acquired from business combinations	-	(8)	(1 017)	-	(220)	-	(97)	-	**(1 342)**
Disposals depreciation-reclassification	-	189	-	-	-	-	-	-	**189**
Disposal	-	368	4 106	138	18 111	-	475	-	**23 198**
Depreciation	-	(95)	(8 367)	(1 730)	(6 923)	(1 653)	(4 254)	-	**(23 022)**
Balance at 31 December 2015	-	(19 647)	(89 611)	(24 686)	(52 138)	(19 069)	(53 843)	-	**(258 994)**
Carrying amount at 31 December 2015	**60 260**	**74 771**	**21 935**	**102 848**	**82 010**	**984**	**41 321**	**84 318**	**468 447**

- for the period ending 31 December 2014

2014	Land	Building	Machines	Equipment	Vehicles	Repairs	Others	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 2014	62 561	92 348	105 690	123 614	125 231	27 940	79 049	72 659	**689 092**
Additions:									**-**
- business combinations	30	1 403		-	85	-	136	95	**1 749**
- separately acquired	75	988	12 752	2 929	2 799	1 703	11 044	50 031	**82 321**
Disposals	-	-	-	-	-	-	-	822	**822**
- separately disposed									
- through business combination	(2 954)	(29 481)	(12 291)	(609)	(4 968)	(11 703)	(277)	(40 797)	**(103 080)**
- assets held for sale (or in disposal group)	-	-	(382)	-	-	(130)	-	(92)	**(604)**
Balance at 31 December 2014	-	-	(104)	-	-	-	-	-	**(104)**
	59 712	65 258	105 665	125 934	123 147	17 810	89 952	82 718	**670 196**
Depreciation									
Balance at 1 January 2014	-	(22 546)	(83 180)	(21 338)	(58 715)	(26 551)	(46 420)	-	**(258 750)**
Disposal	-	5 005	6 832	502	(477)	11 703	104	-	**23 669**
Depreciation	-	(2 560)	(7 985)	(2 258)	(3 914)	(2 568)	(3 651)	-	**(22 936)**
Balance at 31 December 2014	-	(20 101)	(84 333)	(23 094)	(63 106)	(17 416)	(49 967)	-	**(258 017)**
Carrying amount at 31 December 2014	**59 712**	**45 157**	**21 332**	**102 840**	**60 041**	**394**	**39 985**	**82 718**	**412 179**

All depreciation expenses are included in the consolidated statement of profit or loss and other comprehensive income within "Expenses for non-financial activities".

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

	Land BGN'000	Building BGN'000	Machines BGN'000	Vehicles BGN'000	Other BGN'000	Total BGN'000
Carrying amount as at 31 December 2015	1 450	12 612	36 860	871	21 988	73 781
Carrying amount as at 31 December 2014	1 454	14 509	45 454	14 226	1 322	76 965

9. Leases

9.1. Finance leases as lessee

The Group has entered into finance leases as a lessee to acquire machinery and equipment such as ships, cars, industrial machinery and computer equipment. Assets are included in the consolidated statement of financial position in "Property, Plant and Equipment" (see note 8). Net book value of assets acquired under finance leases amounted to BGN 20 575 thousand (2014: BGN 34 766 thousand).

Finance lease liabilities are secured by the related assets held under finance lease arrangements.

Future minimum finance lease payments at the end of each reporting period under review are as follows.

31 December 2015	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	2 015	5 354	7 369
Finance charges	(206)	(444)	(650)
Net present values	**1 809**	**4 910**	**6 719**

31 December 2014	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	4 836	6 275	11 111
Finance charges	(198)	(137)	(335)
Net present values	**4 638**	**6 138**	**10 776**

The lease agreements include fixed lease payments and purchase option in the last year of the lease term. The agreements are non-cancellable but do not contain any further restrictions. No contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Group.

9.2. Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

	Within 1 year BGN'000	1 to 5 years BGN'000	After 5 Years BGN'000	Total BGN'000
31 December 2015	52 050	150 689	48 860	**251 599**
31 December 2014	56 797	129 354	12 233	**198 384**

Lease payments recognized as an expense during the period amount to BGN 64 443 thousands (2014: BGN 57 446 thousand).

Significant to the Group operating leases are related to hiring airplanes and real estate. At the date of preparation of this consolidated financial statements, the Group is a lessee under operating leases on 10 aircraft (Boeing, Airbus type, type BAE type Embraer).

The Group is party to operating leases of a massive office building located in the center of Sofia, which will be used as the headquarters of the Bank. The right to use the building is established for a period until 2016, the Group is a party to operating leases of fourteen massive office buildings located in several major cities across the country that will be used for bank branches. Rights to use the buildings are set up for a period up to 2020.

Operating lease agreements do not contain provisions for contingent payments or purchase.

9.3. Operating leases as lessor

In 2015 and 2014 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2015 amounted to BGN 23 674 thousand (2014: BGN 13 788 thousand).

In 2015 and 2014 the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Costs incurred in operating the investment properties are amounted to BGN 563 thousand and are recognized in the consolidated statement of profit and loss and other comprehensive income.

Rental income for 2015 amounting to BGN 2 903 thousand (2014: BGN 6 728 thousand).

Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
	BGN‘000	**BGN‘000**	**BGN‘000**	**BGN‘000**
31 December 2015	9 317	45 140	40 853	**95 310**
31 December 2014	1 889	747	1 123	**3 759**

For operating leases, the Group does not contain any contingent rent clauses. None of the operating lease agreements contains an option to renew or purchase or escalation clauses or restrictions regarding dividends, further leasing or additional debt.

10. Investment property

Investment property includes land and buildings, as well as hangars 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:

	Land BGN '000	Buildings BGN '000	Machines and equipment BGN '000	Total BGN '000
Carrying amount at 1 January 2014	**77 608**	**122 623**	**29 537**	**229 768**
Additions				
- from business combinations	-	15 105	-	15 105
-separately acquired	58	15 367	235	15 660
-from reclassification of Property Plant and Equipment (note 8)	17 133	13 176	4 707	35 016
Gain from changes of the fair value of investment property	1 150	17 422	-	18 572
Loss from changes of fair value of investment property	(45)	(56)	(1 109)	(1 210)
Disposals	(417)	(1 761)	(49)	(2 227)
Carrying amount at 31 December 2014	**95 487**	**181 876**	**33 321**	**310 684**
Additions:				
- through business combinations	28 513	(4 854)	-	23 659
- through improvement expenses	6	13	-	19
- through acquisition expenses	-	6 626	33	6 659
- separately acquired	10	182	-	192
Gain from change of the fair value of investment property	1 032	1 986	2	3 020
Loss from change of fair value of investment property	-	(28)	(4 203)	(4 231)
Disposals	(21 681)	(10 267)	(5 633)	(37 581)
Carrying amount at 31 December 2015	**103 367**	**175 534**	**23 520**	**302 421**

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.

In 2014, the Group reclassified assets "held for sale" as investment properties. The assessments of the appraiser on investment properties to determine the fair value of the assets at the date of reclassification and change in accounting policy. As a result of this an impairment was recorded in the amount of BGN 1 150 thousand in profit or loss for the year.

Investment properties that are pledged as collateral are at the amount of BGN 55 036 thousand (2014: BGN 27 934 thousand).

Revenue from investment properties for the year 2015 amounted to BGN 1 951 thousand (2014: BGN 5 735 thousand) and are included in the consolidated statement of profit or loss and other comprehensive income within "Income from operations". Contingent rents are not recognized. Direct operating expenses in the amount of BGN 759 thousand are recognized as "non-financial activities" (2014: BGN 875 thousand).

11. Goodwill

The main changes in the carrying amount of goodwill result from acquisitions and impairment of subsidiaries during the period.

	Goodwill BGN'000
2014	
Carrying amount at 1 January	37 766
Derecognized on disposal of a subsidiary	1 472
Impairment loss recognized	(942)

Carrying amount at 31 December	**38 296**
2015	
Carrying amount at 1 January	
Derecognized on disposal of a subsidiary	38 296
Impairment loss recognized	(4 979)
Carrying amount at 31 December	**33 317**

For the purpose of annual impairment testing in 2014 the carrying amount of goodwill is allocated to the following cash-generating units:

	2015 BGN'000	**2014 BGN'000**
Zarneni Hrani Bulgaria AD	8 473	11 109
ZAD Armeec	8 541	8 541
Central Cooperative Bank AD – Skopje	3 058	3 125
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Asenova Krepost AD	628	2 628
Tehnoimpex AD	1 196	1 472
Natsionalna Stokova Borsa AD	655	655
Parahodstvo Balgarsko Rechno Plavane AD	580	580
Teksim Trading OOD	460	460
Osil and Gas Exploration and Production AD	358	358
Bulchimeks OOD	217	217
Port Lesport AD	164	164
Slanchevi Lachi Provadia EAD	76	76
Omega Finance OOD	47	47
POAD CCB Sila	46	46
	33 317	**38 296**

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 2015 impairment of goodwill was carried, associated with Zurneni Hrani Bulgaria AD, Central Cooperative Bank AD – Skopje, Technoimpex AD and Asenova Krepost AD totalling BGN 4 979 thousand. The impairment of goodwill is included within "Expenses for non-financial activities" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

12. Other intangible assets

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

	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2015	44 885	8 939	7 790	12 239	1 145	13 307	41 604	1 098	131 007
Additions:									
- through business combination	-	-	(26)	-	-	-	-	-	(26)
- separately acquired	3	1 194	350	-	-	4 609	-	256 265	262 421
- reclassified assets	-	(1 359)	1 359	-	-	-	-	-	-
Disposals									
- separately disposed	-	-	(25)	-	-	-	(8 068)	(129 594)	(137 687)
Balance at 31 December 2015	44 888	8 774	9 448	12 239	1 145	17 916	33 536	127 769	255 715
Amortization and impairment									
Balance at 1 January 2015	(28 359)	(5 885)	(6 659)	(2 762)	(52)	-	(9 080)	(1 071)	(53 868)
Disposals	-	(145)	17	-	-	-	2 459	4	2 335
Reclassification	-	626	(620)	-	-	-	-	-	6
Amortization and impairment	(4 268)	(347)	(939)	(414)	-	-	-	(4 398)	(10 366)
Balance at 31 December 2015	(32 627)	(5 751)	(8 201)	(3 176)	(52)	-	(6 621)	(5 465)	(61 893)
Carrying amount at 31 December 2015	**12 261**	**3 023**	**1 247**	**9 063**	**1 093**	**17 916**	**26 915**	**122 304**	**193 822**

- For the period ended 31 December 2014

	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2014	44 885	8 806	7 272	6 400	1 145	7 325	37 090	1 775	114 698
Additions:									
- through business combination	-	-	-	6 181	-	-	-	-	6 181
- separately acquired	-	161	651	-	-	8 166	11 950	1 512	22 440
- reclassified assets	-	-	-	-	-	-	-	195	195
Disposals									
- reclassified assets	-	-	-	-	-	(1 017)	-	(1 934)	(2 951)
- through business combination	-	-	-	(342)	-	-	-	-	(342)
- separately disposed	-	(28)	(133)	-	-	(1 167)	(7 436)	(450)	(9 214)
Balance at 31 December 2014	44 885	8 939	7 790	12 239	1 145	13 307	41 604	1 098	131 007
Amortization and impairment									
Balance at 1 January 2014	(25 173)	(5 232)	(5 908)	(2 349)	(52)	-	(10 436)	(867)	(50 017)
Disposals	-	13	15	-	-	-	2 459	-	2 487
Amortization and impairment	(3 186)	(666)	(766)	(413)	-	-	(1 103)	(204)	(6 338)
Balance at 31 December 2014	(28 359)	(5 885)	(6 659)	(2 762)	(52)	-	(9 080)	(1 071)	(53 868)
Carrying amount at 31 December 2014	**16 526**	**3 054**	**1 131**	**9 477**	**1 093**	**13 307**	**32 524**	**27**	**77 139**

Established Property Right
Established property rights to the buildings relate to massive office buildings, located in several major cities in the country, which will be used for branches of CCB AD. Rights to use the buildings are set up in 2011 and 2012 and 2014 for the terms until 2016, 2020 and 2022 for a total amount of BGN 26 915 thousand (2012 BGN 32 524 thousand). Carrying amount of each entitlement is amortized in equal instalments for the period of use of buildings..

Trade marks
Trademarks acquired by the Group are "Bulgaria Air", national carrier, and "Arena Armeec", representing name of multifunctional hall in Sofia, Bulgaria – Arena Armeec.

Exploration and evaluation expenditures
The expenses for research and valuation include granted rights and capitalized expenses for research and valuation.

As at 31 December 2015 the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha, Block 1-4 Kavarna, Block Shabla and Block 1-17 Ovcha mogila in the amount of BGN 17 916 thousand (2014: BGN 13 307 thousand).

	2015 BGN'000	2014 BGN'000
Block 1-12 Knezha	12 267	11 862
Block 1-4 Kavarna	3 048	1 329
Block 1-17 Ovcha mogila	2 601	116
	17 916	**13 307**

As at the end of the reporting period management has made a technical and financial review of the assets for exploration and evaluation for the purpose of confirmation of the intention to continue exploration activities.

At the end of 2015 there is no indication of any impairment. In 2014 there was an established indication of impairment primarily in Block 1-4 Kavarna (2014 .: BGN 1 167 thousand), the impairment is shown on the line "Other expenses" in the statement of profit or loss and other comprehensive income

All amortization expenses are included in the consolidated statement of profit or loss and other comprehensive income within "Expenses for non-financial activities".

No intangible assets have been pledged as security for liabilities.

13. Long-term financial assets

Financial assets, recognized in the consolidated statement of financial position, include the following financial asset categories:

	Note	2015 BGN '000	2014 BGN '000
Loans and receivables	13.1	1 762 033	1 378 290
Held-to-maturity financial assets	13.2	646 342	189 051
Financial assets at fair value through profit or loss	13.3	6 856	17 082
Available-for-sale financial assets	13.4	177 429	239 494
		2 592 660	**1 823 917**

13.1. Loans and receivables

Loans and receivables	Note	2015 BGN'000	2014 BGN'000
Long-term bank loans and client advance payments	13.1.1	1 675 356	1 241 843
Less impairment		(40 720)	(13 215)
		1 634 636	**1 228 628**
Other long-term loans	13.1.2	127 397	149 662
		1 762 033	**1 378 290**

13.1.1. Analysis of long-term bank loans and client advance payments

	2015 BGN'000	2014 BGN'000
Analysis by type of the client:		
Natural persons		
-in BGN	263 660	191 284
-in foreign currency	79 236	99 844
Legal entities		
-in BGN	594 991	497 762
-in foreign currency	737 469	452 953
	1 675 356	1 241 843
Impairment for uncollectibility	(40 720)	(13 215)
Total bank loans granted and client advance payments	**1 634 636**	**1 228 628**

	2015 BGN'000	2014 BGN'000
Analysis by economic sectors:		
Agriculture and forestry	27 528	48 264
Manufacturing	61 268	27 552
Construction	195 125	109 549
Trade and finance	848 753	639 277
Transport and communications	120 434	92 705
Natural persons	342 896	247 962
Others	79 352	76 533
	1 675 356	**1 241 843**
Impairment for uncollectibility	(40 720)	(13 215)
Total bank loans granted and client advance payments	**1 634 636**	**1 228 628**

Interest rates

Loans granted in Bulgarian leva and foreign currency, are accumulated with variable interest rates. According to the terms of the contracts the interest rate is calculated by a base interest rate plus a premium. The regular loan premium is between 3% and 7%, depending on the credit risk, related to the respective borrower. On overdue loans is accrued interest corresponding to the accumulated interest of non-allowed overdraft, amounting to 35 %.

13.1.2. Other long-term loans

	2015 BGN'000	2014 BGN'000
Receivables on provided loans	127 397	149 662
	127 397	**149 662**

Long-term loans granted by the Group outside of banking, represent principal and accrued interest to them relating to loans to unrelated parties. Loans are granted at interest rates in the 8% - 14% annual interest. The maturity of loans is after 31 December 2015. The Loans are not secured.

13.2. Held-to-maturity financial assets

Held-to-maturity financial assets consist of corporate bonds, bonds issued by Bulgarian government, and foreign trade company and Bulgarian government bonds purchased according to the requirements of the Insurance Code for the investments in insurance reserves and own resources.

The carrying amounts of these held-to-maturity financial assets, measured at amortized cost, including the amount of the accrued interests, based on their original maturity, as follows:

	2015 BGN '000	2014 BGN '000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	79 712	92 654
Long-term Bulgarian government bonds	318 207	70 003
Mid-term Macedonian government bonds	-	26 394
Long-term government bonds – other countries	210 423	
Corporate bonds	38 000	-
	646 342	**189 051**

Bulgarian securities pledged as collateral
As at 31 December 2015 government bonds, issued by the Bulgarian government at the amount of BGN 97 673 thousand (2014: BGN 133 542 thousand), are pledged as collateral for servicing budget accounts.

13.3. Financial assets at fair value through profit or loss

The long-term financial assets of the Group represent investing of own resources and specialized reserves according to the Social security Code to cover the minimal profitability of the additional mandatory pension fund. The financial assets are represented at fair value through profit or loss, defined as such at first recognition.

	2015 BGN'000	2014 BGN'000
Capital investments with market value	6 833	10 288
Other	23	6 794
	6 856	**17 082**

All presented amounts of the financial assets are determined through published quotes of the listed securities on an active market or valuation of securities based on expert valuation, in accordance with the rules of the Group for the valuation of assets and liabilities.

13.4. Available-for-sale financial assets

	2015 BGN '000	2014. BGN '000
Bulgarian corporate bonds	42 153	88 191
Capital investments with market value	85 162	45 016
Capital investments in stocks and shares, unlisted on the public Stock Exchange	19 379	18 079
Long-term Bulgarian government bonds	5 031	6 831
Mid-term Bulgarian government bonds	13 910	55 987
Foreign corporate bonds	11 794	25 390
	177 429	**239 494**

Available-for-sale financial assets are nominated in Bulgarian leva. Their fair value is determined based on their quoted prices at the reporting date of the consolidated financial statements, excluding investments in shares of unlisted companies, which are measured at cost amounting to BGN 19 379 thousand (2014: BGN 18 079 thousand).

Bulgarian securities pledged as collateral
As at 31 December 2015 government bonds, issued by the Bulgarian government at the amount of BGN 12 477 thousand (2014: BGN 7 056 thousand), are pledged as collateral for servicing budget accounts.

14. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities/ (assets)	**1 January 2015** **BGN'000**	**Recognized in equity** **BGN'000**	**Recognized in profit or loss** **BGN'000**	**31 December 2015** **BGN'000**
Non-current assets				
Property, plant and equipment	13 441	-	(4 040)	9 401
Long - term financial assets	(495)	-	(7)	(502)
Investment property	3 737	-	16	3 753
Others	6 046	-	3 454	9 500
Current assets				-
Trade and other receivables	(598)	-	(18)	(616)
Financial assets	9 904	(2 354)	(2 592)	4 958
Others	(341)	-	593	252
Non-current liabilities				-
Pension and other employee obligations	(249)	(30)	(12)	(291)
Provisions and trade payables	(565)	-	(124)	(689)
Current liabilities				-
Pension and other employee obligations	(376)	-	(37)	(413)
Others	(68)	-	(346)	(414)
Unused tax losses	(3 230)	-	263	(2 967)
	27 206	**(2 384)**	**(2 850)**	**21 972**
Recognized as:				
Deferred tax asset	**(5 922)**			**(5 640)**
Deferred tax liability	**33 128**			**27 612**

Deferred taxes for the comparative period 2014 can be summarized as follows:

Deferred tax liabilities/ (assets)	**1 January 2014**	**Recognized in equity**	**Recognized in profit or loss**	**31 December 2014**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Non-current assets				
Property, plant and equipment	13 911	-	(470)	13 441
Long - term financial assets	(274)	(343)	122	(495)
Investment property	3 407	-	330	3 737
Others	6 104	-	(58)	6 046
Current assets				
Trade and other receivables	(759)	-	161	(598)
Financial assets	6 625	-	3 279	9 904
Others	(18)	-	(323)	(341)
Non-current liabilities				
Pension and other employee obligations	(225)	-	3	(249)
Provisions and trade payables	(564)	(27)	(1)	(565)
Current liabilities				
Pension and other employee obligations	(451)	-	75	(376)
Others	(155)	-	87	(68)
Unused tax losses	(3 137)	-	(93)	(3 230)
	24 464	**(370)**	**3 112**	**27 206**
Recognized as:				
Deferred tax asset	**(5 583)**			**(5 922)**
Deferred tax liability	**30 047**			**33 128**

All deferred tax assets have been recognized in the consolidated statement of financial position.

15. Inventories

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

	2015	**2014**
	BGN'000	**BGN'000**
Raw materials	13 483	12 860
Production	1 575	2 046
Trading goods	29 005	19 494
Work in progress	1 204	1 161
Spare Parts	5 911	4 826
Others	6	433
	51 184	**40 820**

In 2015 inventories of the Group amounting to BGN 22 474 thousand (2014: BGN 13 324 thousand) are pledged as collateral benefitting banks.

16. Short-term financial assets

Financial assets, recognized in the consolidated statement of financial position, include the following financial asset categories:

	Note	2015 BGN '000	2014 BGN '000
Loans and receivables	16.1	840 322	940 131
Financial assets at fair value through profit or loss	16.2	1 235 281	1 169 619
Held-to-maturity financial assets	16.3	117 669	109 287
Held for sale financial assets	16.4	90 603	92 157
Receivables on insurance and reinsurance contracts	16.5	64 118	62 392
		2 347 993	**2 373 586**

16.1. Loans and receivables

	Note	2015 BGN '000	2014 BGN '000
Bank loan and client advance payments	16.1.1	591 541	515 148
Less impairment		(22 060)	(22 672)
		569 481	**492 476**
Other short-term loans contracts	16.1.2	139 199	328 669
Receivables on repo purchases	16.1.3	131 642	118 986
		840 322	**940 131**

16.1.1. Short-term bank loans and client advance payments

The short-term bank loans and client advance payments occurred in relation with bank activity of the Group.

Analysis by type of the client:	2015 BGN '000	2014 BGN '000
Natural persons		
-in BGN	55 061	46 353
-in foreign currency	80 829	24 195
Legal entities		
-in BGN	194 671	133 540
-in foreign currency	260 980	311 060
	591 541	**515 148**
Impairment for uncollectibility	(22 060)	(22 672)
Total bank loans and client advance payments	**569 481**	**492 476**

Analysis by economic sectors:	**2015 BGN '000**	**2014 BGN '000**
Agriculture and forestry	9 461	22 134
Manufacturing	20 988	9 226
Construction	66 789	50 238
Trade and finance	289 867	281 243
Transport and communications	41 254	3 496
Natural persons	135 890	113 713
Others	27 292	35 098
	591 541	**515 148**
Impairment for uncollectibility	(22 060)	(22 672)
Total bank loans and client advance payments	**569 481**	**492 476**

16.1.2. Contracts for other short-term loans

	2015 BGN '000	**2014 BGN '000**
Short term loan receivables	139 199	328 669
	139 199	**328 669**

The short-term loans are granted at annual interest levels between 3% - 10% depending on the credit terms.

The fair value of these loans granted is not individually determined. The management considers the carrying amount to be a reasonable approximation of their fair value.

16.1.3. Receivables under repo agreements

As of 31 December 2015 the Group has signed agreements with a repo clause amounting to BGN 131 642 thousand (2014: BGN 118 986 thousand)., including interest receivables. Some of them amounting to BGN 42 150 thousand are secured by a pledge of the Bulgarian government securities of the same value. The rest amounting to BGN 89 492 thousands is secured by a pledge of corporate securities of approximately the same value. The maturity of these agreements is between January and June 2016.

16.2. Financial assets at fair value through profit or loss

The financial assets classified in this category meet the requirements for financial assets held for trading.

	2015 BGN '000	**2014 BGN '000**
Bulgarian corporate securities	608 086	602 349
Shares from EU countries	315 612	266 249
Long-term Bulgarian government bonds	240 185	168 714
Mid-term Bulgarian government bonds	17 058	13 357
Short-term Bulgarian government bonds	53 291	107 593
Derivatives, held-for-trade	491	6 068
Bank deposits	558	5 289
	1 235 281	**1 169 619**

Bulgarian corporate securities

As at 31 December 2015 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 608 086 thousand (2014: BGN 602 349 thousand). These securities represent shares of public trade companies, listed on the Bulgarian Stock Exchange and foreign stock exchanges, which are stated at fair value, as they are liquid on the stock market as well as securities of companies that are not publicly traded on Bulgarian stock exchange and their fair value is evaluated by a licensed valuation specialist.

Bulgarian government bonds

Bulgarian government bonds are recognized at fair value and include securities in BGN, issued by the Bulgarian Government. They are classified as short- , mid- or long-term, depending on their maturity, set at the issue date.

As at 31 December 2015 the Group holds Bulgarian government bonds at the amount of BGN 310 534 thousand (2014: BGN 289 664 thousand).

Derivatives, held-for-trade

As at 31 December 2015 derivatives held-for-trade amounting to BGN 491 thousand (2014: 6 068 thousand) are recognized at fair value and consist of contracts for trade of foreign exchange, securities, forward contracts and foreign exchange swaps traded on the open market

Bulgarian securities pledged as collateral

As of 31 December 2015 there are no government bonds issued by the Bulgarian government, pledged as collateral for servicing budget accounts. As at 31 December 2014 bonds issued by the Bulgarian government in the amount of BGN 57 070 thousand are pledged as collateral for servicing budget accounts.

16.3. Financial assets held-to-maturity

	2015 BGN'000	2014 BGN'000
Short-term Macedonian government securities	47 475	49 299
Short-term bonds issued by the National Bank of the Republic of Macedonia	17 751	19 380
Others	52 623	40 608
	117 669	**109 287**

Short-term government bonds issued by the Republic of Macedonia

The short-term government bonds and the bonds issued by the National Bank of the Republic of Macedonia do not have market value and their fair value cannot be determined reliably.

Short-term Bulgarian government bonds

As at 31 December 2015 the short-term Bulgarian government bonds BGN 48 919 thousand (2014: BGN 48 919) are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

16.4. Financial assets available-for-sale

	2015 BGN'000	2014 BGN'000
Short-term Bulgarian government bonds	44 322	5 131
Capital investments, not tradable on the stock exchange	38 408	-
Long term Bulgarian government bonds	935	-
Foreign capital investments	6 543	2 648
Others	395	84 378
	90 603	**92 157**

16.5. Receivables on insurance and reinsurance contracts

	2015 BGN'000	2014 BGN'000
Accrued premiums on insurance contracts	57 909	53 383
Transactions under reinsurance contracts	194	8 957
Insurance regression	4 987	-
Transactions for co-insurance contracts	1 028	52
	64 118	**62 392**

17. Trade receivables

	2015 BGN'000	2014 BGN'000
Trade receivables, gross	106 656	112 655
Impairment	(6 171)	(6 231)
Trade receivables	**100 485**	**106 424**

The trade receivables as at 31 December are as follows:

	2015 BGN'000	2014 BGN'000
Advances for acquisition of investments	38 486	33 198
Receivables from sale of plastic and other packaging products	7 128	8 233
Receivables from sale of petroleum products	4 405	20 357
Receivables from sale of airline tickets and other aviation services	15 604	12 433
Receivables from sale of cereals	1 346	427
Insurance customers	8 155	7 036
Receivables from sale of pharmaceuticals	5 681	5 876
Banking customers	5 772	4 122
Other	13 908	14 742
	100 485	**106 424**

All receivables are short-term. The carrying amount of the trade receivables is considered a reasonable approximation of their fair value.

All trade receivables of the Group have been reviewed for indications of impairment. Certain trade receivables were written off and the relevant impairment amounting to BGN 186 thousand (2014: BGN 18 317 thousand) has been recognized in the consolidated statement of profit or loss and other comprehensive income within "Expenses for non-financial activities". The written off trade receivables are mostly due from trade customers that are experiencing financial difficulties.

Change in the receivables impairment can be presented as follows:

	2015 BGN'000	2014 BGN'000
Balance as at 1 January	**6 231**	**5 786**
Written off amounts (uncollectable)	(245)	(17 670)
Impairment loss	186	18 317
Recovery of impairment loss	(1)	(202)

Balance as at 31 December	**6 171**	**6 231**

18. Tax receivables

	2015 BGN'000	2014 BGN'000
Corporate income tax receivables	390	799
VAT receivables	2 627	951
Excise receivables	3	3
Other	177	125
	3 197	**1 878**

19. Other receivables

	2015 BGN'000	2014 BGN'000
Court receivables	62 275	62 195
Short-term deposits and guarantees	4 898	5 179
Prepaid expenses	11 175	11 005
Foreign activity	1 188	5 337
Advance payments	23 579	8 780
Others	73 645	25 997
	176 760	**118 493**

The major part of court receivables amounting to BGN 60 763 thousand (2014: BGN 59 965 thousand) relate to litigation of the Group against its receivable include accrued premiums on insurance contracts, and estimates from reinsurance and co-insurance contracts.

Significant part of short-term deposits and guarantees are cash guarantees at the total amount of BGN 2 248 thousand (2014: BGN 1 371 thousand) the paid amounts are under warranty contracts for leasing of airplanes receivables guarantees service airports, guarantees the rental of premises and other contracts and guarantee duty free - currency trading to Customs Sofia.

Significant portion of prepaid expenses totalling BGN 11 175 thousand (2014: BGN 11 005 thousand) represent prepaid advertising costs, rent, insurance, etc.

The balances in foreign operations amounting to BGN 1 188 thousand (2014: BGN 5 337 thousand) are internal receivables from Geokom - service Libya arising from the payment of PDNG AD Sofia liabilities of that company to staff.

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2015 BGN'000	2014 BGN'000
Cash at bank and in hand:		
- BGN	822 464	1 073 125
- EUR	162 773	242 163
- USD	137 402	85 645
- other currencies	106 474	79 737

	1 229 113	**1 480 670**

	2015 BGN'000	2014 BGN'000
Current accounts with the Central Bank	774 486	1 032 364
Short-term investments	193 956	245 534
Placements with, and advances to, banks	204 713	153 788
Deposits in conformity with the Insurance Code	44 919	41 863
Blocked cash and cash equivalents	11 039	7 121
	1 229 113	**1 480 670**

Restricted cash related to activity other than banking as at 31 December 2015 amounts to BGN 5 098 thousand (2014: BGN 2 691 thousand).

Cash and cash equivalents of the Group, excluding current accounts with the Central Bank and deposits, according to Insurance Code, can be presented as follows:

	2015 BGN'000	2014 BGN'000
Cash in hand:	177 168	207 225
Term deposits with local banks		
- in BGN	22 870	16 594
- in foreign currency	65 684	17 142
Term deposits with foreign banks in foreign currency	113 047	97 660
Restricted accounts with local banks in BGN	11 039	2 846
Nostro accounts with local banks		
- in BGN	6	4
- in foreign currency	55 897	29 593
Nostro accounts with foreign banks in foreign currency	8 916	35 379
Total placements with, and advances to, banks	**454 627**	**406 443**

21. Non-current assets, classified as held-for-sale

The carrying amount of the assets classified as held-for-sale can be presented as follows:

	2015 BGN'000	2014 BGN'000
Non-current assets		
Property, plant and equipment	3 594	4 518
Assets, classified as held-for-sale	**3 594**	**4 518**

Non-current assets classified as held for sale amount to BGN 3 594 thousand (2014 .: BGN 4 518 thousand) represent real estate acquired by the Group's Banks as mortgagee in loans and non-performing loans. These assets will not be used in the activity of the Group and actions for their sale in 2016 are taken.

22. Equity

22.1. Share capital

The share capital of Chimimport AD as at 31 December 2015 consists of 150 875 596 (2014: 150 875 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2014: 88 770 671) preferred shares with a par value of BGN 1, including 6 574 081 (2014: 6 574 081) ordinary shares 5 680 402 (2014: 5 680 402) preferred 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. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Group's estate.

	2015 Number of shares	**2014 Number of shares**
Shares issued and fully paid at 1 January:	227 384 284	228 183 193
treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(2 292 229)	(798 909)
Shares issued and fully paid as at period end	**225 092 055**	**227 384 284**

On 12 June 2009 Chimimport AD issued mandatory convertible preferred shares with 9% guaranteed fixed annual dividend and guaranteed liquidation quota. 89 646 283 preferred shares are issued and paid with issue value amounting to BGN 2.22 each, representing 99.61% of the offered shares. The accumulated capital during the public offering amounts to BGN 199 015 thousand. The obligatory conversion of the shares occurs at the end of the seventh year after the registration of the capital increase in the Trade register.

The accumulated funds on 12 June 2009 above the nominal value of the share capital amounting to BGN 105 082 thousand are allocated as follows:

- BGN 27 622 thousand – share premium
- BGN (943) thousand – reduced premium from issue of treasury shares acquired by subsidiaries
- BGN 8 348 thousand – current dividend payables
- BGN (634) thousand – reduced short-term dividend payables from treasury shares acquired by subsidiaries
- BGN 70 008 thousand – non-current dividend payables
- BGN (2 710) thousand – reduced non-current dividend payables from treasury shares acquired by subsidiaries
- BGN 3 391 thousand – share issue expenses

Dividend payables and share premium, resulting from the conversion of 798 909 preferred and ordinary shares of the Group, from subsidiaries are allocated as follows:

- BGN 28 271 thousand – share premium
- BGN (1 810) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 16 791 thousand – current dividend payables
- BGN (2 664) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 22 215 thousand – non-current dividend payables
- BGN (1 670) thousand – reduction of non-current dividend payables due to treasury shares acquired by subsidiaries

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

The list of principle shareholders, holding shares (ordinary and preferred shares) of the capital of Chimimport AD is presented as follows:

	2015 Number of ordinary shares	2015 %	2014 Number of ordinary shares	2014 %
Invest Capital AD	111 439 365	73.86%	111 539 365	73.93%
CCB Group EAD	5 160 005	3.42%	5 160 005	3.42%
The Bank of New York Mellon	3 466 084	2.30%	4 075 203	2.70%
Unicredit Bank Austria	3 133 880	2.08%	3 661 080	2.43%
N N funds	1 362 052	0.90%	1 362 052	0.90%
Russell Institutional funds public limited	943 000	0.63%	943 000	0.63%
PIC Saglasie Co.Ltd.	1 021 836	0.68%	938 042	0.62%
Eaton Vance Tax-Managed Emerging Markets	1 651 176	1.09%	1 155 510	0.77%
ZAD Armeec	745 400	0.49%	745 400	0.49%
POAD CCB Sila	609 676	0.40%	553 676	0.37%
Raiffeisen Bank International AG	371 313	0.25%	538 259	0.36%
Pireos Bank Bulgaria	545 998	0.36%	409 655	0.27%
Blackrock Frontier Markets Fund	138 649	0.09%	407 660	0.27%
EURIZON EASYFUND	202 437	0.13%	235 682	0.16%
DSK – Funds	230 526	0.15%	230 526	0.15%
Euribank Ergasias Clients ACC	139 606	0.09%	180 482	0.12%
Eaton Vance International (Ireland) FU	50 616	0.03%	93 190	0.06%
The Royal bank of Scotland	-	0.00%	317 807	0.21%
Danske invest trans-balkan fund	-	0.00%	188 232	0.12%
Other legal entities	7 807 722	5.19%	7 183 412	4.76%
Other natural persons	11 856 255	7.86%	10 957 358	7.26%
	150 875 596	**100.00%**	**150 875 596**	**100.00%**

Shares of the Group, acquired by subsidiaries				
CCB Group AD	(5 160 005)	3,42%	(5 160 005)	3.42%
ZAD Armeec	(745 400)	0,49%	(745 400)	0.49%
POAD CCB Sila	(609 676)	0,08%	(553 676)	0.37%
CCB AD	(121 100)	0,40%	(120 000)	0.08%
	(6 636 181)	**4.40%**	**(6 579 081)**	**4.36%**
Net number of shares	**144 239 415**		**144 296 515**	

The list of principle shareholders, holding shares (ordinary and preferred shares) of the capital of Chimimport AD is presented as follows:

	2015 Number of shares /ordinary and preferred shares/	2015 %	2014 Number of shares /ordinary and preferred shares/	2014 %
Invest Capital AD	176 830 847	73.79%	182 140 887	76.00%
CCB Group EAD	5 160 005	2.15%	5 160 005	2.15%
The Bank of New York Mellon	3 466 084	1.45%	4 075 203	1.70%
UniCredit Bank Austria	3 332 649	1.39%	3 859 849	1.61%
ZAD Armeec	3 745 400	1.56%	3 745 400	1.56%
POAD CCB Sila	5 460 707	2.28%	3 211 078	1.34%
NN funds	2 327 985	0.97%	2 327 985	0.97%
DSK funds	2 421 899	1.01%	2 305 370	0.96%
PIC Saglasie Co.Ltd.	6 130 060	2.56%	1 841 841	0.77%
Eaton Vance Tax-Managed Emerging Markets	1 651 176	0.69%	943 000	0.39%
Pireos Bank Bulgaria	869 801	0.36%	825 588	0.34%
Raiffeisen Bank International AG	371 313	0.15%	669 016	0.28%
Blackrock Frontier Markets Fund	138 649	0.06%	538 259	0.22%
EURIZON EASYFUND	202 437	0.08%	407 660	0.17%
Euribank Ergasias Clients ACC	139 606	0.06%	329 922	0.14%
Russell Institutional funds public limited	-	0.00%	317 807	0.13%
Eaton Vance Structured Emerging Markets	-	0.00%	235 682	0.10%
The Royal bank of Scotland	-	0.00%	188 232	0.08%
Danske invest trans-balkan fund	-	0.00%	180 482	0.08%
Eaton Vance International (Ireland) FU	-	0.00%	93 190	0.04%
Other legal entities	12 107 814	5.05%	11 929 074	4.98%
Other individuals	15 289 835	6.38%	14 320 737	5.99%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**

Shares of the Group, acquired by subsidiaries

CCB Group AD	(5 160 005)	2.15%	(5 160 005)	2.15%
ZAD Armeec	(3 745 400)	1.56%	(3 745 400)	1.56%
POAD CCB Sila	(5 460 707)	2.28%	(3 211 078)	1.34%
CCB AD	(188 100)	0.08%	(145 500)	0.06%
	(14 554 212)	**6,07%**	**(12 261 983)**	**5.11%**
Net number of shares	**225 092 055**		**227 384 284**	

Withholding tax for dividends due from individuals and foreign legal entities, registered in countries that are not members of EU for 2014 and 2015 amounts to 5% and the tax is deducted from the gross amount of dividends

22.2. Share premium

	2015 BGN'000	2014 BGN'000
Share premium from 2009, 2007 and 2006	257 674	257 674
Change in the begging of the period	(38 492)	(37 745)
Decrease of the reserve of treasury shares by acquired by subsidiaries for the period	(713)	(747)
	218 469	**219 182**

In 2015 the share premium changed by BGN 713 thousand (2014: BGN 747 thousand) as a result of acquisition of treasury shares of subsidiaries of the Group.

- As at 31 December 2015 premium reserve amounts to BGN 218 469 thousand (2014: BGN 219 182 thousand). Premium reserve is formed by the issue of privilege shares from 2009 and two issues of ordinary shares from 2007 and 2006.

22.3. Other reserves

As at 31 December 2015 amount of other reserves equals to BGN 71 581 thousand (2014: BGN 68 238 thousand). Other reserves include the revaluation surplus in a defined benefit plan in the amount of BGN 91 thousand to 31.12.2015 (2014: the amount of BGN 357 thousand).

23. Specialized reserves

	Note	2015 BGN'000	2014 BGN'000
Insurance reserves	23.1	283 045	256 580
Pension fund reserves	23.2	11 360	8 980
		294 405	**265 560**

23.1. Insurance reserves and reinsurance assets

Insurance reserves	Note	2015 BGN'000	2014 BGN'000
Premium reserve carried forward	23.1.1	98 734	94 779
Reserve for outstanding payments	23.1.2	152 696	131 915
Reserve for bonuses and discounts	23.1.3	2 359	808
Additional reserve for filed, but not paid claims	23.1.4	7 048	4 613
Additional reserve for Public liability insurance – motor vehicles	23.1.5	14 098	15 612
Contingency fund	23.1.6	821	1 290
Mathematical reserve	23.1.7	2 131	1 403
Unexpired risk reserve		5 158	6 160
		283 045	**256 580**

Reinsurance assets	2015 BGN'000	2014 BGN'000
Reinsurers' share in the premium reserve carried forward	16 221	4 275
Reinsurers' share in the reserve for outstanding payments	56 266	11 010
Reinsurers' share in the reserve for bonuses and discounts	429	287
Reinsurers' share in the shortage reserve according to art. 8a	43	402
	72 959	**15 974**

Insurance reserves for 31 December 2015 are set aside in the course of the Group's insurance activity, conducted by ZAD Armeec and CCB Life EAD.

Reserves adequacy

The Group's actuary periodically assesses whether the general reserves formed, less the deferred acquisition expenses, are sufficient to cover any future payments. As required by regulatory institutions the sum of the formed reserves must be fully secured by investments in highly liquid assets.

In assessing the adequacy of reserves, the Group takes into account the cash flows for the payment of compensations, cash flows generated by the premiums collected and the commissions paid.

23.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2015 amounts to BGN 98 734 thousand (2014: BGN 94 779 thousand).

The Group sets aside premium reserve carried forward on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued for the whole term of the contract. For insurance premiums that relate to many years and have annual contributions, contribution is accrued for a one-year period.

The exact-date method is applied separately for each policy. The premium carried forward for insurances Cargo and Hauler's Liability insurance is calculated for the one-month term of the insurance. The basis for calculation is separate for each promissory note. The calculations are performed by a program set in the INSIS information system.

The reinsurers' share in the premium reserve carried forward is calculated in proportion to the assigned premium on each promissory note. For the reinsurance contract „excess of loss" and "stop loss" reinsurers' share is not set aside.

23.1.2. Reserve for outstanding payments

23.1.2.1. Reserve for occurred and presented claims

The reserve for occurred and presented claims is calculated by applying the method claim by claim. For damages brought under court claims regarding Casco insurance and Public liability insurance of drivers, an adjustment coefficient is applied in accordance with art. 8, par. 5 of Regulation No 27 concerning the order and methodology for forming technical reserves of the insurers, reinsurers and health security insurance reserves. The coefficient values are 84% for Casco insurance, 43% for non-pecuniary damages and 63% for pecuniary damages on Public liability insurance of drivers.

Estimations are based on preliminary assessment and description of the damages. Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS.

The reinsurer portion in the reserve for occurred and presented claims is calculated in accordance with the clauses contained in the reinsurance contract regarding the policy covering the damage.

As at 31 December 2015 and 31 December 2014 the reserve for outstanding payments amounts respectively to BGN 152 696 thousand and BGN 131 915 thousand.

23.1.2.2. Reserve for occurred, but not presented claims

Applied method – Chain-ladder method:
The reserve for occurred, but not presented claims is calculated by applying the chain-ladder method with the accumulated amounts of each type of insurance offered by the Group. This method is applied for the period being 2005-2015. For data of shorter term the applied method is that of insurance namely "Casco aircraft - reinsurance", "Credits" and insurance "Other financial losses. The only exception of the method used is the civil liability insurance for motorists.

For insurance "civil liability" of motorists the reserve for incurred but not reported property damage has an approved chain-ladder method based on accumulated historical values of filed claims using weighted development coefficients obtained proprietary data on the company's market weighted by a factor of credibility. The reserve for incurred but not reported non-pecuniary damage has approved a combination of chain-ladder method based on accumulated historical values of filed claims using weighted development coefficients obtained by personal data of the company and the chain-ladder method based on accumulated paid claims, using weighted development coefficients obtained by private data of the company in a 50/50 relation. The period taken as the basis for calculating the reserve is eleven years - 2005 - 2015. In the application of the described above methods, a recalculated amount totaling less than the reserve for incurred but not reported losses, calculated on the basis of market share of the company, is achieved, therefore as at 31.12.2015 the reserve obtained on the basis of market share of the company is allocated. The described method is in accordance with Decree №27 and is approved by Decision № 164 of FSC - OZ from 21.03.2016. The reserve is a combined calculation for the compulsory insurance "civil liability" of motorists and the insurance "Border liability of motorist," and separately for the insurance "Green Card" In forming the reserve, the data submitted and paid damages to 2006 include the data under insurance "civil liability" of drivers and "Border GO" and details of insurance "Green Card."
The reserve for incurred, but not reported claims is calculated separately for insurance "Green Card" for the period 2007-2015, using the chain-ladder method based on accumulated historical

values of filed claims using the weighted coefficients for development received in their own company data separately for material and moral damages. The data were for the period 2005-2015

For insurances, in which the Group provides reinsurance and has statistics on damages of a minimum of three years, the reserve for incurred but not reported damages is calculated separately for direct insurance and reinsurance.

Upon active reinsurance appealing damages is slowed considerably over time compared to appealing them under direct insurance and sufficient data for the application of chain-ladder method separately for both business is more reasonable to be calculated on a separate basis.. For insurances "Casco of aircrafts" and "Fire and Natural Disasters" the Group measures the reserve for incurred but not reported losses separately for direct insurance and reinsurance.

A reserve for incurred but not reported losses for insurances "Disease", "Railway vehicles", "Guarantees insurance " and insurance "Legal expenses" is not provided, because the use of chain-ladder method for calculating the reserve for incurred but unclaimed damages at "Guarantees insurance" the achieved result for a reserve is 0, and insurance "Disease", "Railway vehicles" and "Legal expenses" has no premium income realized.

Basis of calculation - Statistics on brought up claims in the information system INSIS for the period 2005-2015.

The reinsurer portion in reserve for incurred but not reported claims is calculated according to the reinsurance contracts during the year of occurrence of the damage - for the quota agreements this is the percentage of assigning, and the presence of optional and excess-loss contracts of reinsurance in reserve unclaimed damages calculated in proportion to the share of the reinsurer in the sum of paid and pending amounts claimed damages.

For Insurance "Civil responsibility of motorists" where there is a signed contract and quota finite contract 50/50 from 09/01/2015, the reinsurers' share is calculated by first estimated share-based excess loss coverage, then the remainder is supplied by a 50 / 50 ratio as the finite contract covers only the self blocking of the Group

23.1.3. Reserve for bonuses and discounts

The reserve for bonuses and discounts at the amount of BGN 2 359 thousand (2014: BGN 808 thousand) is formed for all contracts, for which a premium return is provided - in the case of positive result after their final clearance or the premium on the basis of realized risks during the period of insurance (for instance planned and realized amount of flight hours in the case of aviation insurances).

The following method is applied:

- For all currently active insurances with such articles in the contracts, the premium awarded for them is multiplied by the average rate of premium return, calculated on the basis of all such contracts concluded in recent years.
- For all past contracts with an article for participation there is an amount, allocated as an evaluation from the according department, servicing those contracts or the amount allocated is obtained by multiplying the accrued value of the contracts and the average rate of premium return, used to calculate the reserve for contracts that are currently in effect

Basis of calculation - for each policy separately, according to a list prepared by sectional insurance departments.

The reinsurers' share in the reserve for bonuses and discounts is calculated proportionally to the ceded premium of reinsurers during the current year

23.1.4. Reserve for presented, but not paid claims

The additional reserve for presented, but not paid claims in accordance with art. 8a from Regulation No 27 is formed for those types of insurances, for which there is an insufficiency of the reserve for presented claims at the end of the previous year, according to art. 8a, par.2.

The method of the pending amount is applied to all claims, presented before the beginning of 2015 and pending at the end of 2015, and is multiplied by the sufficiency coefficient for the reserve for presented, unpaid claims, determined according to Annex No 5 of Regulation No 27, reduced by one. The sufficiency coefficient is calculated by type of insurance.

For the "Casco" and "Fire and natural disasters", insurances the sufficiency coefficients for the reserve are formed, based on the data for 2015 because there is a large amount of claims on those types of insurance and it can be assumed that the coefficient is authentic. For the rest of the insurances with identified reserve insufficiency for presented, but unpaid claims – "Accident", "Aviation Casco", "Casco of vessels", "Vessel public liability", "Credits" and "Travel assistance" – the sufficiency coefficient is formed as an average amount of the coefficients for the past 3 years, because those insurances have a low amount of claims.

Calculation basis – the data claim by claim for the paid and pending claims in the past 3 years, derived from INSIS at the end of each of those years.

The reinsurers' share in the reserve for presented, but unpaid claims according to art. 8a from Regulation No 27 is calculated proportionally to the reinsurer's share in the amount of the damages paid during the year and the pending amounts for presented claims as at the end of the year.

The additional reserve for presented but not paid claims as at 31.12.2015 amounts to BGN 7 048 thousand (2014: BGN 4 613 thousand).

23.1.5. Reserve for public liability insurance for drivers

The reserve in accordance with art. 11a of Regulation No27 is formed for the Public liability insurance for drivers in case that the amount of the premium reserve carried forward for each motor vehicles insured at the end of the year is lower than the minimal amount required to cover the risk for one motor vehicle insured, according to a Directive of FSC and the expected expenses after the end of the reporting period.

A method for the additional reserve is applied in accordance with art. 11a of Regulation No 27, which is formed, as required by Annex No 8 of Regulation No 27, as a difference between the required reserve for risk coverage and the expenses for types of motor vehicle, as established by a Decree from the vice-president of FSC and the set aside premium reserve carried forward.

The calculated administrative expenses for one policy of Public liability insurance-drivers for a period of one year in 2015 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 9,11 .

Calculation basis – the data for the entered into insurance policies Public liability insurance for drivers, derived from INSIS.

The reinsurers' share in the additional reserve for presented, but unpaid claims, in accordance with art. 8a in Regulation No 27 has been calculated proportionally for the reinsurer's share in the unearned premium.

The additional reserve on Public liability insurance of the drivers as at 31.12.2015 amounts to BGN 14 098 thousand (2014: BGN 15 612 thousand).

23.1.6. Contingency fund

A contingency fund is set aside solely for Credit insurance in accordance with Article 6 paragraph 6 of Regulation № 27 on the procedures and methods for the formation of technical reserves by insurers and health insurance reserves. Method N1 from Appendix N1 of the regulation is applied.

The total amount of the contingency fund of the Group amounts to BGN 821 thousand (2014: BGN 1 290 thousand).

23.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2015 for individual actual savings policies is set aside by applying the prospective method in accordance with art. 13 of Regulation № 27. The Zillmer adjustment is applied, representing the present value of the unpaid acquisition costs (art. 13, par. 8 of regulation № 27), is enclosed. The mathematical reserve is at the amount of BGN 2 131 thousand (2014: BGN 1 403 thousand).

23.1.8. Unexpired risk reserve

According to Art. 12 paragraph 2 of Decree № 27 of the procedures and methods for the formation of technical reserves of insurers and reinsurers, and health insurance reserves, the Group sets aside additional reserves for unexpired risks for insurances that report a negative result for three consecutive years under Appendix № 3 of the same decree. As at 31.12.2015 insurances "General civil liability" and "Travel assistance" ended with a negative result under Appendix № 3 for third consecutive year. Therefore, a reserve for unexpired risks insurance was required to be set aside. Coefficients of failure, calculated in accordance with Regulation № 27 are respectively 10.5% for "Casco" insurance and 52.2% for insurance "Travel assistance". For the first insurance a reserve for unexpired risks amounting to BGN 4 947 thousand has been set aside, a second reserve amounting to BGN 191 thousand has been set aside

23.2. Pension fund reserves

	2015 BGN'000	2014 BGN'000
Reserves for guaranteeing minimal yield on UPF	10 053	7 914
Reserves for guaranteeing minimal yield on PPF	1 250	1 041
Life pension reserve UPF	52	20
Life pension reserve DPF	5	5
	11 360	**8 980**

Reserves of pension funds are set aside in the course of the Group's pension insurance activity performed by POAD Sila and the pension funds under its management.

24. Financial liabilities

	Note	Current 2015 BGN'000	Current 2014 BGN'000	Non-current 2015 BGN'000	Non-current 2014 BGN'000
Financial liabilities measured at amortized cost:					
Liabilities to depositors	24.1	3 462 081	3 092 272	835 887	755 990
Liabilities for dividends	24.2	14 257	14 127	6 912	20 545
Bonds and debenture loan	24.3	8 169	3 980	171 848	174 571
Bank loans	24.4	55 846	39 060	94 243	44 300
Other borrowings	24.5	40 629	31 798	4 382	5 188
Insurance contract liabilities	24.6	37 383	15 946	-	-
Derivatives, held-for-trading	24.7	578	2 633	-	-
Deposits from banks	24.8	6 433	17 875	-	620
Cession liabilities		11 395	36 195	8 412	49 310
Liabilities under repurchase agreements	24.9	9 014	1 408	-	-
Total carrying amount		**3 645 785**	**3 255 294**	**1 121 684**	**1 050 524**

24.1. Liabilities to depositors

Analysis by term and type of currency:	2015 BGN'000	2014 BGN'000
Demand deposits		
in BGN	785 829	669 282
in foreign currency	202 511	166 728
	988 340	836 010
Term deposits		
in BGN	1 095 773	1 003 280
In foreign currency	999 855	973 455
	2 095 628	1 976 735
Savings accounts		
in BGN	803 246	685 529
in foreign currency	398 914	329 423
	1 202 160	1 014 952
Other deposits		
in BGN	8 718	13 217
in foreign currency	3 122	7 348
	11 840	20 565
Total liabilities to depositors	**4 297 968**	**3 848 262**

	2015 BGN'000	2014 BGN'000
Individual deposits		
in BGN	1 938 074	1 702 868
in foreign currency	1 327 658	1 205 867
	3 265 732	2 908 735
Legal entities deposits		
in BGN	745 899	646 751
in foreign currency	273 208	270 198
	1 019 107	916 949

Deposits of other institutions		
in BGN	8 718	13 464
in foreign currency	4 411	9 114
	13 129	22 578
Total liabilities to other depositors	**4 297 968**	**3 848 262**

24.2. Dividend liabilities

As at 31 December dividend liabilities for the preferred shares are as follows:

	Current		Non-current	
	2015 BGN'000	**2014 BGN'000**	**2015 BGN'000**	**2014 BGN'000**
Dividend liabilities	14 257	14 127	6 912	20 545
	14 257	**14 127**	**6 912**	**20 545**

Dividend obligations of the Group are due to the issued in 2009 mandatory convertible preferred shares by 9% guaranteed fixed annual dividend. Each outstanding preferred share entitles the holder to cumulative guaranteed dividend at the amount of 9% of the issue price. Due to the fact that the preferred shares dividend is guaranteed, it is payable by the Group, no matter whether the General Meeting has decided to allocate dividends in the respective year or not. Due to the fact that the guaranteed dividend is cumulative, it is payable by the Group, no matter whether the Group has formed attributable profit for the respective year.

When converted, the preferred shareholders are considered ordinary shareholders at the date they are registered as such by the Central Depository.

In 2015 and 2014 Chimimport AD distributed to its shareholders, holders of preferred shares, guaranteed dividend in the amount of BGN 17 693 thousand (2014: BGN 17 741 thousand) or BGN 0.1998 per a privileged share.

24.3. Bonds and debenture loans

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

	Current		Non-current	
	2015 BGN'000	**2014 BGN'000**	**2015 BGN'000**	**2014 BGN'000**
Bonds loans	8 169	3 980	171 848	174 571
	8 169	**3 980**	**171 848**	**174 571**

The carrying amount of the bond issue at 31 December 2015 is BGN 180 017 thousand (2014 BGN 178 551 thousand) calculated using the effective interest

24.4. 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	
	2015 BGN'000	2014 BGN'000	2015 BGN'000	2014 BGN'000
Bank loans	55 846	39 060	94 243	44 300

24.4.1. Long-term bank loans

	2015 BGN'000	2014 BGN'000
Revolving and investment bank credits	94 243	44 300
	94 243	**44 300**

Investment loans

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

- Investment loan from 30.01.2015 at the amount of BGN 58 675 thousand. and repayment term until 30.04.2023 in accordance with the repayment schedule. The loan is secured by real estate. The annual interest rate is in the amount of base interest rate index, bonuses and allowances for regular debt (3M SOFIBOR) 4.9%.
- - The Group has received a loan from a commercial bank with repayment term until 21 December 2020 and interest rate three months Sofibor + 6% of margin. As as collateral the Group has provided Dumb dry cargo barge BRP 19003 (owned by the Group) and tangible fixed assets purchased with funds from the loan. As of 31 December 2015 the long-term portion of the obligation amounted to BGN 1 538 thousand. (2014 .: BGN 1 923 thousand.) and short-term portion - in the amount of BGN 385 thousand. (2014 .: BGN 385 thousand).
- The Group is party to a contract for an investment bank loan from Bulgarian Development Bank AD, signed on 21 June 2013, maturing on 22 May 2023. Payments are made in BGN and the interest on the loan is at the rate of three month SOFIBOR plus 3 bonus points, but not less than 6.5%. The loan is secured by real estate mortgage, pledge of fixed assets by the Law on Pledges. The carrying amount of the loan as at 31 December 2015 is BGN 14 774 thousand (2014: BGN 14 974).
- The Group is party to a contract for an investment bank loan signed on 16 March 2011, maturing on 31 December 2017 The payments are made in the BGN and the interest on the loan amounts to 12-month EURIBOR plus a margin of 6 points. The loan is secured by a mortgage on real estate, pledge of tangible assets under the Law on Pledges. The remainder of the loan as at 31 December 2015 amounts to BGN 6 099 thousand. (2014: BGN 8 704 thousand.)
- The Group is party to a contract for an investment loan, signed on 4 December 2015in the amount of BGN 320 thousand for the purchase of extrusion plant for production of film sleeve for small containers. At the current reporting period, funds for the first tranche of payment for installation in the amount of BGN 124 thousand are the only ones used The annual interest is formed by the sum of the monthly SOFIBOR and a margin of 4.8%, but not less than 5.5%. The deadline for the loan repayment on 01/05/2019.
- The Group is party to a contract for an investment loan, signed on 6 June 2006, maturing on 25 April 2016 The payments are made in the BGN and the interest on the loan at the rate of 3 month EURIBOR plus 4.5 points margin. The loan is secured by real estate, owned by Park Build OOD: hotel complex "Geologist" in resort St. St. Konstantin and Elena.
- The Group is party to a contract for an investment loan, signed on December 13, 2013, maturing on 13 December 2016 The payments are made in the BGN and the interest on the loan amounts to 1 week SOFIBOR plus 3 percentage points margin.

Revolving loans

- The Group has concluded two contracts for a revolving credit with commercial banks on 16 November 2006 and 29 August 2008 with maturity dates, 28 August 2017 for both contracts. The interest rate on those three loans is 6-month EURIBOR plus 0.875% premium.
- The Group has obtained two bank loans to provide working capital for a period of return respectively on 28.06.2016 and 02.01.2021, the total amount owed and utilized as at 31 December 2015 amounts to BGN 2 164 thousand(2014: BGN 2 606 thousand). The annual interest rates on the contracts is within 6.00% - 6.50% on the used portion of loans. The loan repayment period on 02.01.2021 was covered by a contract for pledge of making third party lease of "Hangar with lightweight construction (HOK)" and connecting corridor, located in the town. Sofia Slatina, Sofia Airport

24.4.2. Short-term bank loans

	2015 BGN'000	2014 BGN'000
Short-term revolving and investment bank credits	55 846	39 060
	55 846	**39 060**

Investment Loans

Liabilities of the Group as at 31 December 2015 comprise the following loans bank investment loan

- The Group was granted a bank loan on 5 October 2011 at the amount of BGN 3 000 thousand with maturity date 5 October 2016 The interest rate equals 1-month SOFIBOR plus 4.00% premium as the interest cannot be less than 8.50% and greater than 10.00%. All payments are carried out in Bulgarian leva. The loan is secured with real estate – hotel complex "Geolog", located St. St. Constantine and Elena resort, owned by Park Build OOD;

Revolving Credits

- The Group has entered into an agreement for a revolving credit on 28 January 2008 The interest rate on the loan is in the amount of 1 month SOFIBOR plus 6 points margin. The maturity of the loan is 25 July 2016

24.5. Other borrowings

	Current			Non-current		
		2015 BGN'000	2014 BGN'000		2015 BGN'000	2014 BGN'000
Other borrowings	24.5.2	40 629	31 798	24.5.1	4 382	5 188

24.5.1. Other non-current borrowings

	2015 BGN'000	2014 BGN'000
Financing from State Agricultural Fund	40	78
Long term borrowings	4 342	5 110
	4 382	**5 188**

Other non-current borrowings are received under annual interest rates from 8% to 12% depending on the contract period, received from third parties. The long-term borrowing are not secured. Payments are concluded in the currency, in which they were granted.

24.5.2. Other current borrowings

	2015 BGN'000	2014 BGN'000
Financing from State Agricultural Fund	65	-
Current borrowings	40 564	31 798
	40 629	**31 798**

Other current borrowings are received under annual interest rates from 4% to 10% depending on the contracted period. The period of repayment is on demand by the Group. The loans are not pledged with any collateral. 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.

24.6. Insurance contracts liabilities

	2015 BGN'000	2014 BGN'000
Insurance liabilities	11 376	10 122
Reinsurance liabilities	25 276	4 935
Transactions with Guarantee fund	731	865
Other	-	24
	37 383	**15 946**

24.7. Derivatives, held-for-trading

As at 31 December 2015 derivatives, held-for-trading, amounting to BGN 578 thousand (2014: BGN 2 633 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

24.8. Deposits from Banks

	Current		Non-current	
	2015 BGN'000	2014 BGN'000	2015 BGN'000	2014 BGN'000
Demand deposits – local banks				
-in Bulgarian leva	1 159	1 015	-	-
-in foreign currency	1 603	826	-	-
			-	
Demand deposits from foreign banks in foreign currency	1 637	3 253	-	-
Term deposits from foreign banks in foreign currency	2 034	12 781	-	620
	6 433	**17 875**	**-**	**620**

24.9. Payables under repurchase agreements of securities

As at 31 December 2015 the Group has signed agreements with a repurchase clause of securities with Bulgarian companies totalling BGN 9 014 (2014:BGN 1 408) thousand, including accrued interest liabilities on them.

25. Liabilities to insured individuals

	2015 BGN'000	2014 BGN'000
Attracted funds in a voluntary pension fund	69 560	65 009
Attracted funds in a professional pension fund	96 288	86 813
Attracted funds in a universal pension fund	774 274	660 438
	940 121	**812 260**

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2015 amounts to BGN 940 1221 thousand. The increase compared to the liabilities as at 31 December 2014, amounts to BGN 127 861 as a result of proceeds and positive return on investment of the insured individuals, realized in 2015 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:

	2015 BGN'000	2014 BGN'000
Beginning of the period	**812 260**	**659 806**
Received pension contributions	117 917	101 749
Amounts received from pension funds, managed by other Pension Insurance Companies	39 602	52 380
Recovered amounts from National Social Security Institute	23	-
Total increase of pension contributions	**157 542**	**154 129**
Positive/ (negative) income from investment of funds	41 957	55 151
Others (Transferred interest to National Revenue Agency)	-	1
Result from investment of funds	**41 957**	**55 152**
Paid off pensions	(113)	(115)
One-time paid pensions to insured individuals	(4 385)	(4 207)
Funds for disbursement of funds to heirs of insured individuals	(1 303)	(1 106)
Amounts paid to the National Revenue Agency	(2 922)	(2 143)
Amounts paid under social security contracts	**(8 723)**	**(7 571)**
Amounts, paid to insured individuals, transferred to other pension funds	(42 022)	(37 016)
Amounts, paid to individuals that have changed their insurance under Article 46 of the SIC	(6 580)	
Amounts paid to state budget	(93)	(100)
Transferred amount to pension reserve	(6)	(8)
Entrance fee	(27)	(11)
Service fee	(173)	(172)
9% yield fee	(292)	(375)
5% service fee	(5 580)	(4 780)
1% investment fee	(8 132)	(6 783)
Withdrawal fee	(10)	(11)

End of the period	**940 121**	**812 260**

The net assets available for income are distributed as follows:

	2015	2014
	BGN‘000	BGN‘000
Individual accounts	939 055	811 234
Reserve for minimal return	1 066	1 026
Net assets available for income	**940 121**	**812 260**

26. Trade payables

		Current			Non-current	
		2015 BGN‘000	2014 BGN‘000		2015 BGN‘000	2014 BGN‘000
Trade payables	26.2	137 813	142 222	26.1	42 876	2 236

26.1. Non-current trade payables

	2015	2014
	BGN‘000	BGN‘000
Public liabilities	30 646	2 216
Other	12 230	20
	42 876	**2 236**

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

Public payables

Long-term trade payables amounting to BGN 30 646 thousand (2014: BGN 2 216 thousand) are in connection with the agreement for the rescheduling of payables to Sofia Airport.

26.2. Current trade payables

	2015	2014
	BGN‘000	BGN‘000
Trade payables aviation activity	84 444	96 444
Trade payables manufacturing	13 837	12 013
Trade payables river transportation	3 720	4 414
Trade payables insurance	4 665	4 111
Trade payables bank activity	5 866	3 420
Trade payables pharmaceuticals	3 754	2 306
Other	21 527	19 514
	137 813	**142 222**

Fair values of trade and other receivables are not presented, as the Group's management believes that the amounts in which they are presented in the consolidated statement of financial position reflect their fair value due to their short term maturity.

27. Employee remunerations

27.1. 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:

	2015 BGN'000	2014 BGN'000
Wages expense	(100 066)	(94 307)
Social security costs	(17 084)	(16 440)
Employee benefits expense	**(117 150)**	**(110 747)**

27.2. 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:

	2015 BGN'000	2014 BGN'000
Non-current:		
Pension provisions	2 728	2 480
Non-current pension and other employee obligations	**2 728**	**2 480**
Current:		
Employee benefits obligations	9 149	8 707
Payables to social security institutions	2 533	2 525
Pension provisions	595	550
Current pension and other employee obligations	**12 277**	**11 782**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2015.

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

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

	2015 BGN'000	2014 BGN'000
Pension provisions, beginning of period	3 030	2 642
Expenses for current service	411	457
Interest expenses	93	65
Adjustments - actuarial (gains) / losses from changes in demographic assumptions and financial assumptions	296	281
Benefits paid	(507)	(415)
Pension provisions, end of period	**3 323**	**3 030**

28. Tax liabilities

Tax liabilities include:

	2015 BGN'000	2014 BGN'000
Corporate income tax	2 641	3 188
VAT payables	958	1 540
Excise duty on imports	218	53
Other tax liabilities	3 169	4 134
	6 986	**8 915**

29. Other liabilities

Other liabilities can be summarized as follows:

	Current			Non-current		
		2015 BGN'000	2014 BGN'000		2015 BGN'000	2014 BGN'000
Other liabilities	29.2	57 090	90 883	29.1	5 401	4 027

29.1. Other non-current liabilities

	2015 BGN'000	2014 BGN'000
Financing for purchase of intangible assets	2 094	2 371
Trans-European Transport Network financing	1 258	1 276
Other	2 049	380
	5 401	**4 027**

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

The program includes the purchase of:

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

As at 31 December 2015 the Group is a beneficiary under the Resolution for granting financial aid by the Commission of the European Community for projects of common interest "Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria" 2008-BG-90300-S in the field of the trans-European transport networks (TEN-T), issued 10 June 2009.

29.2. Other current liabilities

	2015 BGN'000	2014 BGN'000

Pledges	20 314	26 326
Tickets sold	11 707	15 043
Advances from customers	6 682	31 249
Liabilities under concessionary remunerations	1 095	2 234
Penalties	1 097	1 339
Other	16 195	14 492
	57 090	**90 883**

Liabilities on tickets sold amounting to BGN 20 314 thousand (2014: BGN 26 326 thousand) represent the conducted tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

30. Income from non-financial activities

The income from non-financial activities can be analysed as follows:

	2015 BGN'000	2014 BGN'000
Income from sale of plane tickets	252 279	280 465
Income from sale of finished goods	60 472	68 693
Income from services rendered	72 709	53 635
Income from sale of trading goods	86 196	43 840
Other	57 030	58 032
	528 686	**504 665**

31. Expenses for non-financial activities

	2015 BGN'000	2014 BGN'000
Hired service expense	(201 253)	(205 594)
Cost of materials	(111 807)	(136 528)
Carrying amount of goods sold	(83 039)	(45 293)
Employee expense	(37 081)	(34 423)
Depreciation, amortization and impairment of non-financial assets	(32 385)	(26 023)
Change in the stock from work in progress	(342)	(399)
Other Expenses	(6 020)	(25 602)
	(471 927)	**(473 862)**

32. Gain from sale of non-current assets

	2015 BGN'000	2014 BGN'000
Proceeds from sale of non-current assets	62 926	56 130
Carrying amount of non-current assets sold	(43 647)	(38 155)
	19 279	**17 975**

33. Insurance income

	2015 BGN'000	2014 BGN'000

Insurance premium income	236 102	220 826
Income from released insurance reserves	253 266	211 863
Income from reinsurance operations	87 548	55 986
Regression income	13 252	7 987
Other insurance income	24 868	2 063
	615 036	**498 725**

33.1. Income from insurance premiums

	2015 BGN'000	2015 %	2014 BGN '000	2014 %
Casco	115 606	48.96%	104 446	47.30%
Motor public liability insurance	81 113	34.36%	68 930	31.21%
Fire and natural calamities	11 855	5.02%	10 886	4.93%
Accidents	5 354	2.27%	4 162	1.88%
Travel Assistance	4 489	1.90%	3 857	1.75%
Other financial losses	3 476	1.47%	278	0.13%
Property damage	3 355	1.42%	3 216	1.46%
General public liability insurance	2 474	1.05%	16 736	7.58%
Life and annuity	1 682	0.71%	1 497	0.68%
Casco of vessels	1 236	0.52%	946	0.43%
Additional insurance	1 138	0.48%	833	0.38%
Freight transport	1 126	0.48%	845	0.38%
IT related to aircraft	1 118	0.47%	1 214	0.55%
Loans and leases	1 042	0.44%	848	0.38%
Casco of aircrafts	564	0.24%	1 279	0.58%
Insurance guarantees	226	0.10%	228	0.10%
Health services	217	0.09%	610	0.28%
IT related to vessels	31	0.01%	15	0.01%
	236 102	**100.00%**	**220 826**	**100.00%**

34. Insurance expenses

		2015 BGN '000	2014 BGN '000
Expenses for insurance reserves set aside		(282 352)	(255 991)
Indemnities paid off	34.1	(135 981)	(122 874)
Reinsurance expenses		(61 212)	(37 527)
Acquisition expenses		(47 549)	(48 128)
Liquidation of damages expenses		(5 889)	(4 610)
Other insurance expenses		(35 961)	(16 903)
		(568 944)	**(486 033)**

34.1. Indemnities paid off

During 2015 and 2014 the following indemnities, classified by group of insurance, have been paid off:

	2015 Indemnities paid off	2015 Share	2014 Indemnities paid off	2014 Share

	BGN'000	%	BGN'000	%
Casco	(87 723)	64.51%	(79 042)	64.33%
Motor public liability insurance	(37 629)	27.67%	(23 052)	18.76%
Fire and natural calamities	(2 686)	1.98%	(3 729)	3.03%
Travel assistance	(2 052)	1.51%	(1 189)	0.97%
Property damage	(1 646)	1.21%	(2 447)	1.99%
Accident	(1 607)	1.18%	(808)	0.66%
Life insurance	(688)	0.51%	(1 160)	0.94%
Casco of aircrafts	(516)	0.38%	(3 686)	3.00%
General Third Party Liability	(508)	0.37%	(7 002)	5.70%
Casco of vessels	(398)	0.29%	(220)	0.18%
Freight transport	(265)	0.19%	(125)	0.10%
Health services	(129)	0.09%	(234)	0.19%
Additional insurance	(110)	0.08%	(100)	0.08%
Other financial losses	(11)	0.01%	(19)	0.02%
Loans and leases	(6)	0.00%	(55)	0.04%
IT connected with craft	(4)	0.00%	-	0.00%
IT connected with aircraft	(3)	0.00%	(6)	0.00%
	(135 981)	**100.00%**	**(122 874)**	**100.00%**

35. Interest income

	2015 BGN'000	2014 BGN'000
Interest income by types of sources:		
Legal entities	135 120	153 715
Government securities	39 919	35 565
Banks	2 117	8 449
Individuals	36 331	30 376
Other	1 846	988
	215 333	**229 093**

36. Interest expense

	2015 BGN'000	2014 BGN'000
Interest expense by depositors:		
Legal entities	(33 033)	(39 354)
Individuals	(65 546)	(78 874)
Banks	(3 130)	(9 627)
Other	(1 756)	(5 235)
	(103 465)	**(133 090)**

37. Gains from transactions with financial instruments

	2015 BGN'000	2014 BGN'000
Gains from transactions with securities and investments	490 434	484 049
Income from financial instruments dividends	13 853	5 342
Other	31	4 152

	504 318	**493 543**

38. Losses from transactions with financial instruments

	2015 BGN'000	2014 BGN'000
Losses from transactions with securities and investments	(442 336)	(420 081)
Other	(52)	(100)
	(443 388)	**(420 181)**

39. Administrative expense

	2015 BGN'000	2014 BGN'000
Employee benefits expense	(80 069)	(76 324)
Hired services expense	(62 589)	(63 431)
Depreciation and amortization	(57 375)	(35 051)
Cost of materials	(7 209)	(6 618)
Other	(43 880)	(24 202)
	(251 122)	**(205 626)**

40. Other financial income

		2015 BGN'000	2014 BGN'000
Revenue from fees and commissions, net	40.1,40.2	41 368	50 263
Net result from foreign exchange differences		18 418	23 221
Other		5 729	8 766
		65 515	**82 250**

40.1. Revenue from fees and commissions

	2015 BGN'000	2014 BGN'000
Bank transfers in Bulgaria and abroad	23 210	22 737
Servicing deposit accounts	10 427	9 326
Servicing loans	2 087	1 816
Servicing commitments and contingencies	1 811	1 204
Other fees and commissions income, different from banks	351	12 470
Other income	12 915	11 763
Total revenue from fees and commissions	**50 801**	**59 316**

40.2. Fees and commissions expense

	2015 BGN'000	2014 BGN'000
Bank transfers in Bulgaria and abroad	(7 057)	(5 780)
Servicing accounts	(446)	(1 388)
Release of precious parcels	(275)	(231)
Transactions with securities	(96)	(130)
Other fees and commissions expenses, different from banks	-	(67)
Other expenses	(1 559)	(1 457)
Total fees and commissions expenses	**(9 433)**	**(9 053)**

41. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2014: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2015 BGN'000	2014 BGN'000
Profit before tax	69 197	85 086
Tax rate	10%	10%
Expected tax expense	**(6 920)**	**(8 509)**
Net effect of the decrease of the financial result	1 979	5 016
Current tax expense	**(4 941)**	**(3 493)**

Deferred tax expense, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	2 850	(3 112)
Tax expenses	**(2 091)**	**(6 605)**
Deferred tax expense recognized in other comprehensive income	**2 384**	**370**

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

42. Earnings per share

42.1. Earnings per share

Basic 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 2015	31 December 2014
Profit attributable to the shareholders of the Group (BGN)	58 483 000	64 476 000
Weighted average number of outstanding shares	144 282 279	144 478 166
Basic earnings per share (BGN per share)	**0.41**	**0.45**

The weighted average number of shares /ordinary and preferred/, used in calculating the diluted basic earnings per share, as well as the net profit, adjusted with dividend expense, attributable to shareholders, is as follows:

	31 December 2015	31 December 2014
Net profit, attributable to shareholders of the Group, adjusted with dividend expense (BGN)	61 724 800	69 082 200
Weighted average number of shares	225 636 294	227 860 731
Diluted earnings per share (BGN per share)	**0.27**	**0.30**

43. 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.

43.1. Transactions with owners

Sale of goods and services, interest income and other income	**2015**	**2014**
	BGN'000	**BGN'000**
Interest income	5 763	9 159

Purchase of services, interest expense and other expenses

Purchase of services	(100)	(21)
Interest expense	(10)	(5)

43.2. Transactions with associates, joint ventures and other related parties under common control

Sale of goods and services, interest income and other income	**2015**	**2014**
	BGN'000	**BGN'000**
Sale of work in progress		
- associated companies	859	1 251
- other related parties under common control	478	488
Sale of finished goods		
- associated companies	272	1 363
- other related parties under common control	1550	297
Sale of services		
- associated companies	4 726	3 314
- other related parties under common control	2176	1299
Interest income		
- joint ventures	202	119
- associated companies	38	58
- other related parties under common control	2 332	11 053
Other income		
- associated companies	627	1 271
- other related parties under common control	25	54
Purchases of services and interest expense		
Purchases of services		
- associated parties	(16 961)	(22 045)
- other related parties under common control	(6 043)	(954)
Interest expense		
- associated parties	-	(100)
- other related parties under common control	(97)	(306)

43.3. Transactions with key management personnel

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

	2015	**2014**
	BGN'000	**BGN'000**

Short-term employee benefits:		
Salaries, including bonuses	(1 544)	(339)
Social security costs	(19)	(18)
Group car allowance	(2)	(1)
Total short-term benefits	**(1 565)**	**(358)**

44. Related party balances at year-end

	2015 BGN'000	2014 BGN'000
Non-current		
Receivables from:		
- owners	4 207	2 762
- associates	1 096	2 347
- joint ventures	39	2 433
- other related parties under common control	6 432	14 599
Total non-current receivables from related parties	**11 774**	**22 141**
Current		
Receivables from:		
- owners	182 897	125 786
- associates	3 271	1 538
- joint ventures	525	1 173
- other related parties under common control	28 056	144 075
Total current receivables from related parties	**214 749**	**272 572**
Non-current		
Payables to:		
- owners	38	2
- associates	2 663	1 658
- joint ventures	145	432
- other related parties under common control	761	558
Total non-current payables to related parties	**3 607**	**2 650**
Current		
Payables to:		
- owners	759	355
- associates	11 609	8 576
- joint ventures	-	338
- other related parties under common control	3 849	5 645
Total current payables to related parties	**16 217**	**14 914**

45. Contingent assets and liabilities and other commitments

As at 31 December 2015 and 2014 the Group has entered into granting bank loans to customers, which future utilization depends on whether the lessees fulfill certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.

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

	2015 BGN'000	2014 BGN'000
Bank guarantees in: BGN	51 176	51 484
Bank guarantees in: foreign currency	31 006	30 609

Irrevocable commitments	123 909	104 273
Other contingent liabilities	329	208
Total contingent liabilities	**206 420**	**186 574**

The Group is party to bank guarantees issued by Texim Bank AD totaling BGN 530 thousand.

As at the date of preparation of the financial statements, the Group has a legal dispute with Sofia Airport EAD in connection with an Act establishing public state receivables on airport charges. The group appealed the issued act, considering that as at the date of issue the provisions of the Agreement deferred and deferred payment of charges from 21.07.2009, between Bulgaria Air AD and Sofia Airport EAD are not taken into consideration, based on a letter № 04- 18-405 / 15.07.2009 of the Minister of Finance, which explicitly states that Sofia Airport can reschedule their claims as to comply with the financial agreement with the European Investment Bank and the legislation in force

Under a concession contract of "Port Terminal Lom" - part of a public transport port of Lom, the Group should maintain fixed bank guarantees.

- bank guarantee for good performance to guarantee the investment program for the first investment year in the amount of BGN 210 thousand
- A bank guarantee: for good performance guarantee fulfillment of obligations under the contract in the amount of BGN 449 thousand
- A bank guarantee for customs purposes to cover the duties and other state receivables of goods stored in a customs warehouse at BGN 50 thousand.

Under an agreement to take credit commitments with Unicredit Bulbank AD, the Group established the first pledge on agricultural production, on claims arising from contracts, orders and invoices for realization of agricultural production, as well as all claims by all accounts the Group in the Bank

On 27.10.2011 DSK Bank issued new bank guarantee for the amount of EUR 50,000, guaranteeing the activities of environmental protection and reclamation of distortion as a result of geological terrains activities in Block 1-12 Knezha, Bulgarian land. The bank guarantee is valid until 06/30/2016

In 2015, Exploration and Production of Oil and Gas AD has executed contracts signed with Bulgartransgaz EAD, for the implementation of which bank guarantees are issued from Taksim Bank as follows:

- Bank guarantees Ref. №54500BBG-A-0094 / 10.06.2015, the Contract №2081 / 01.07.2015, the Ref. №54500BBG-A-0098 / 24.07.2015, the Contract №2118 / 27.07.2015, and the Ref. №54500BBG-A-0115 / 01.10.2015, the Contract №2213 / 07.10.2015, totaling BGN 653 223.50 for performance secured by pledge of receivables on contracts
- Bank guarantee Ref. №54500BBG-A-0117 / 10.09.2015 in the amount of BGN 109 598 for a down payment under Contract №2213 / 07.10.2015 The guarantee is valid until 01.08.2016. and is secured by fixed assets owned by PDNG AD.
- Bank guarantee Ref. №54500BBG-A-0135 / 22.12.2015, amounting to BGN 49,000 to fulfill obligations under the Contract №2310 / 30.12.2015 The guarantee is valid until 31.01.2018, and is secured by fixed assets owned by PDNG AD

The Group has a guarantee issued from "Eurobank EFG Bulgaria" AD amounting to BGN 2 600 thousand in favor of the Customs Agency valid until April 5, 2016

As of 31.12.2015 the Group is a defendant in a lawsuit to sue Overgas Yug AD and material interest amounting to BGN 28 thousand. , the case was won on appeal by Decision № 973 / 06.02.2015 of District Court of Plovdiv

46. Non-cash transactions

During the reporting periods the Group had certain transactions which did not involve cash or cash equivalents and which are not reported under cash flows from financing activities in the statement of cash flows:

The Group has offset dividends payable on preferred shares against receivables from some of its shareholders amounting to BGN 11 300 for 2015 (2014: 14 179 thousand).

47. 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**	**2015 BGN'000**	**2014 BGN'000**
Financial assets held to maturity	16.3, 13.2		
- debentures		**764 011**	**298 338**
Financial assets available for sale:	16.4, 13.4		
- Securities and debentures		**268 032**	**331 651**
Financial assets held for trading (carried at fair value through profit or loss):	16.2, 13.3		
- Non-derivative financial assets securities and debentures		1 241 646	1 180 633
- Derivatives		491	6 068
		1 242 137	**1 186 701**
Loans and receivables			
- Trade and other receivables	17, 19	204 005	166 597
- Receivables on insurance and reinsurance contracts	16.5	64 118	62 392
- Receivables on loans provided	16.1, 13.1	2 602 355	2 318 421
- Receivables from related parties	44	226 523	294 713
- Cash and cash equivalents	20	1 229 113	1 480 670
		4 326 114	**4 322 793**
		6 600 294	**6 139 483**

Financial liabilities	**Note**	**2015 BGN'000**	**2014 BGN'000**
Financial liabilities, measured at amortised cost:			
- liabilities to depositors	24.1	4 297 968	3 848 262
- loans	24.3, 24.4, 24.5	375 117	298 897
- dividend obligations	24.2	21 169	34 672
- bank deposits	24.8	6 433	18 495
- cession payables		19 807	85 505
- insurance contracts payables	24.6	37 383	15 946
- obligations under repo agreements		9 014	1 408
- finance lease obligations	9.1	6 719	10 776
- trade and other payables	26, 29	216 295	201 369
- related parties payables	44	19 824	17 564
		5 009 729	**4 532 894**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	24.7	**578**	**2 633**
		5 010 307	**4 535 527**

See note 4.19 about information related to the accounting policy for each category financial instruments. Methods, used for assessment of fair value are presented in note 48. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 4.19.

48. Financial instruments risk

Risk management objectives and policies

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

The Group is exposed to different types of risk with regards to its financial instruments. For further information see note 47. The most significant financial risks to which the Group is exposed to are described below.

48.1. Insurance risk

The insurance risk is the risk of occurrence of insured event, where the damage cost and the indemnity owed exceeds the set-aside insurance reserves.

This depends on the frequency of the occurring insurance events, the type of the insurance portfolio and the size of the indemnities. The diversity of the insurance portfolio and the probability theory are of major importance for the mitigation of this risk.

The Group is exposed mainly to the following risks:

- Risk, related to the profitability of the investments – risk of loss when the profitability of the investment is different from what is expected.
- Risk, related to the expenses – risk of loss when the expenses are different from what is expected;

The Group is aiming at relatively steady allocation of the insurance contracts. It also seeks to analyse the different types of insurance risks, which is included in the general conditions. By means of variable methods of assessment and control, the director of Internal Control department is making regularly assessments of the risks and scrutinizes the accumulation of insured amounts by groups of clients and regions. The risk management is performed by the Internal Control department in collaboration with actuaries and the management of the Group.

The positive financial result of the Group depends on primary factors such as the quota for damages, the quota for expenses and income from investments.

The following table illustrates the Group's sensitivity to the profit, owner's equity, solvency limit, and coefficient of solvency limit coverage (callable capital) with equity.

Simulations as at 31 December 2015	Profit	Equity	Solvency limit	Coverage coefficient	Δ of the coverage coefficient
	BGN'000	BGN'000	BGN'000	%	%
Current capital position	9 521	49 753	25 886	192%	
Return on investments (+2%)	12 113	52 346	25 886	202%	10%
Return on investments (-1.5%)	7 576	47 808	25 886	185%	-8%
Increase of the expenses quota (+10%)	(175)	40 057	25 886	155%	-37%
Increase of the damages (+10%)	(3 608)	36 624	25 886	141%	-51%

Simulations as at 31 December 2014	Profit	Equity	Solvency limit	Coverage coefficient	Δ of the coverage coefficient
	BGN'000	BGN'000	BGN'000	%	%
Current capital position	(10 879)	33 694	27 364	123%	
Return on investments (+2%)	(8 260)	36 313	27 364	133%	10%
Return on investments (-1.5%)	(12 843)	31 730	27 364	116%	-7%
Increase of the expenses quota (+10%)	(20 268)	24 305	27 364	89%	-34%
Increase of the damages (+10%)	(24 504)	20 069	27 364	73%	-50%

When there is a simulated increase of the investments income by 2 % and the amounts of the damages quota and the expenses quota stay the same, an increase of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains the same because there is no change in the premium income.

When there is a simulated decrease of the investments income by 1.5% and the amounts of the damages quota and the expenses quota remain the same, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit again remains the same because there is no change in the premium income.

When there is a simulated increase of the net quota for expense by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains unchanged because the premium income, used for calculation basis of the solvency limit, remains the same.

When there is a simulated increase of the net quota for expenses by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit does not change.

The sensitivity analysis presented above shows a good level of capitalization for the Group.

48.1.1. Reinsurance strategy

The Group reinsures part of its risks with the purpose of controlling its exposition to losses and protection of its capital resources. All contracts for facultative reinsurance are preliminary approved by the management. Before signing a reinsurance contract, the Group analyses the credit rating of the respective reinsurer. Only the ones with high credit rating are being chosen. The Group periodically analyses the current financial position of the reinsurers, which the Group has reinsurance engagements with.

The Group enters reinsurance engagements with different reinsurers with high credit ratings, to control the exposure to losses caused by the insurance event.

48.1.2. Damages settlement procedure

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

Types of insurances	**2015 Damages, quota, gross %**	**2015 Damages, quota, net %**	**2014 Damages, quota, gross %**	**2014 Damages, quota, net %**
Accident insurance	58%	55%	24%	22%
Including obligatory accident insurance of the passengers in the public transport	2%	3%	7%	8%
Illness	0%	0%	0%	0%
Casco	59%	60%	99%	71%
Insurance of rail vehicles	0%	0%	0%	0%
Casco of aircrafts	-6%	-29%	-38%	208%
Casco of vessels	29%	40%	46%	55%
Cargo insurance during transportation	47%	62%	9%	-8%
Fire and natural calamities insurance	15%	21%	75%	39%
Property damage insurance	59%	50%	125%	131%
Insurance associated with the ownership and usage of motor vehicles, including:	94%	16%	51%	54%
Third-party vehicle insurance	96%	20%	50%	52%
"Green Card" insurance	31%	-194%	61%	124%
Third-party boarder insurance	-42%	-246%	200%	285%
Third-party carrier insurance	30%	30%	5%	5%
Third-party aviation insurance	0%	15%	0%	36%
Third party vessels insurance	-122%	-61%	3181%	1578%
General third-party insurance	-22%	-26%	-220%	-181%
Credit insurance	-6%	-6%	-51%	-51%
Guarantees insurance	0%	0%	0%	0%
Insurance against financial losses	-18%	-18%	8%	8%
Insurance against legal expenses	0%	0%	0%	0%
Travel assistance	48%	48%	36%	36%
Total:	**63%**	**45%**	**71%**	**59%**

Comparing annual net damages quota - for 2015 and 2014 it appears that there is a significant reduction in damages.

The following table shows the paid indemnities, classified by type and group of insurances:

Type of insurance	**BGN**	**Number**	**Average indemnity 2015**	**Average indemnity 2014**	**Average indemnity 2013**	**Average indemnity 2012**
Accident insurance	1 560 590	1 920	813	516	461	764
Casco	84 538 036	94 943	890	958	749	767
Casco of aircrafts	520 259	20	26 013	184 805	85 859	57 053
Casco of vessels	290 268	28	10 367	6 173	8 289	17 934
Cargo insurance during transportation	403 253	55	7 332	2 602	2 601	469
Fire and Natural calamities insurance	2 707 938	1 988	1 362	1 509	2 668	1 364
Property damage insurance	1 410 640	68	20 745	18 840	8 040	7 957

Type of insurance	BGN	Number	Average indemnity 2015	Average indemnity 2014	Average indemnity 2013	Average indemnity 2012
Insurance associated with the ownership and usage of motor vehicles, including:	22 915 669	10 231	2 240	2 080	2 241	2 235
Third-party aviation insurance	3 146	4	787	977	2 051	10 645
Third party vessels insurance	4 350	2	2 175	-	-	-
General third-party insurance	505 039	45	11 223	41 920	12 783	23 774
Credit insurance	12 923	3	4 308	10 956	9 754	9 754
Guarantees insurance	-	-	-	-	-	-
Insurance against financial losses	11 388	1	11 388	6 212	-	7 758
Travel assistance	1 703 587	2 360	722	725	727	717
Total:	**116 587 085**	**111 668**	**1 044**	**1 140**	**948**	**949**

The table below presents the development of the reserve for unsettled insurance claims from prior periods so it can be compared to the reserve, disclosed in the current consolidated financial statements. The reserves for the upcoming payments, included in the statement of financial position, and an assessment of the general risks are also stated.

	Year the insurance event occurred						
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	
At the end of the period	55 656	76 358	47 773	52 752	42 922	48 172	323 634
1 year later	-	49 366	20 732	21 362	18 205	18 394	128 059
2 years later	-	-	5 779	9 084	3 706	3 602	22 171
3 years later	-	-	-	1 626	3 030	1 435	6 091
4 years later	-	-	-	-	2 157	1 564	3 721
5 years later	-	-	-	-	-	670	670
Cumulative payments, current	55 656	125 723	74 283	84 825	70 020	73 839	484 346
General assessment of the indemnities	94 785	144 878	79 112	87 886	70 661	73 839	551 161
As at 31 December							
Payments:							
Assessment:	39 129	19 155	4 829	3 061	641	-	66 815
Actual	75 842	31 994	13 883	12 554	4 683	4 080	143 036

The presented table shows that the reserves for unsettled payments are adequate as at the end of 2014.

48.1.3. Solvency limit

As at the end of 2015 the defined solvency limit is in accordance with the respective legal requirements:

	2015 BGN'000
Equity, less intangible assets	**44 524**
Share capital	33 019
Reserves and funds	46 547
Revaluation reserve	(18 984)
Profit or loss for the year ended 31 December	(889)
Deductions	
Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21	(12 997)
Intangible assets	(2 172)
Solvency limit	**25 886**
Surplus	**18 638**

	2014 BGN'000
Equity, less intangible assets	**33 694**
Share capital	33 019
Reserves and funds	46 548
Revaluation reserve	(18 590)
Profit or loss for the year ended 31 December	(10 879)
Deductions	
Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21	(12 997)
Intangible assets	(3 407)
Solvency limit	**27 364**
Surplus	**6 330**

48.2. 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 Bulgarian leva. Exposures to currency exchange rates arise from the Group's overseas transactions, mainly denominated in US-Dollars. The Group's long-term commercial liabilities and financial lease liabilities carried out in US-Dollars are related to purchases of aircrafts. These liabilities are recorded at their amortized cost. The Group has short- and long-term loans in US-Dollars. These receivables are classified as loans and receivables.

Group's foreign transactions, denominated in Euro, do not expose the Group to foreign currency risk due to the fact that under the conditions of the Currency Board Act, the Bulgarian Lev (BGN) is fixed to the Euro.

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

Group's policies regarding the banking activities

In the Republic of Bulgaria the rate of the Bulgarian Lev (BGN) to the Euro (EUR) is fixed under the Currency Board. The long position in Euro of the Bulgarian bank does not carry any risk for the Group.

The foreign currency positions include mainly assets and liabilities, denominated in Macedonian dinars. and Russian Rubles.

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2015 is as follows:

	BGN	EUR	USD	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL ASSETS					
Placements with, and advances to, banks	21 149	34 786	102 803	32 634	191 372
Receivables under repurchase agreements	124 021	28 427	-	-	152 448
Financial asset held-for-trading	124 526	77 613	462	65	202 666
Loans and advances to customers, net	1 096 956	943 097	43 256	150 515	2 233 824
Available-for-sale financial assets	114 227	84 945	3 803	1 417	204 392
Held-to-maturity financial assets	54 645	591 697	-	65 047	711 389
TOTAL ASSETS	1 535 524	1 760 565	150 324	249 678	3 696 091
FINANCIAL LIABILITIES					
Deposits from banks	1 672	3 655	443	-	5 770
Bank loans	-	-	-	276	276
Obligations under repo agreements	-	9 000	-	-	9 000
Liabilities to other depositors	2 748 543	1 217 717	220 881	195 768	4 382 909
Other attracted funds	105	-	-	776	881
Subordinated liabilities	-	18 585	-	-	18 585
TOTAL LIABILITIES	2 750 320	1 248 957	221 324	196 820	4 416 264
NET POSITION	(1 214 796)	511 608	(71 000)	52 858	(720 173)

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2014 is as follows:

	BGN	EUR	USD	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL ASSETS					
Placements with, and advances to, banks	4	73 338	41 721	32 019	147 082
Receivables under repurchase agreements	155 233	968	-	-	156 201
Financial asset held-for-trading	108 625	90 490	2 143	3 961	205 219
Loans and advances to customers, net	911 598	850 009	51 014	130 204	1 942 825
Available-for-sale financial assets	68 452	135 168	8 616	4 127	216 363
Held-to-maturity financial assets	36 095	146 788	-	95 888	278 771
TOTAL ASSETS	**1 280 007**	**1 296 761**	**103 494**	**266 199**	**2 946 461**
FINANCIAL LIABILITIES					
Deposits from banks	1 015	3 664	2 026	10 527	17 232
Bank loans	-	-	-	450	450
Liabilities to other depositors	2 415 629	1 145 879	180 932	173 176	3 915 616
Other attracted funds	171	-	-	778	949
Subordinated liabilities	-	18 961	-	-	18 961
TOTAL LIABILITIES	**2 416 815**	**1 168 504**	**182 958**	**184 931**	**3 953 208**
NET POSITION	**(1 136 808)**	**128 257**	**(79 464)**	**81 286**	**(1 006 747)**

48.3. Interest rate sensitivity

Group's policy regarding other than banking activities

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2015, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates.

The following table illustrates the sensitivity of the annual net financial result after tax and equity to a reasonably possible change in interest rates on loans with a floating rate based on: 1-month SOFIBOR, amounting to +/- 1.23% , 3-month SOFIBOR, amounting to +/- 4.91% and a floating rate based on 1-month EURIBOR, amounting to +/- 5.33 %, 3-month EURIBOR, amounting to +/- 5.15%, 12-month EURIBOR, amounting to +/- 6.34%. These changes are considered to be reasonably possible based on observation of current market conditions. Calculations are based on the change in the average market interest rate and the financial instruments held by the Group at the end of the reporting period that are sensitive to interest rate changes. All other parameters are taken to be constant.

31 December 2015	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1M SOFIBOR	(3)	3	(3)	3
3M SOFIBOR	(16)	16	(16)	16
1M EURIBOR	(1)	1	(1)	1
3M EURIBOR	-	-	-	-
12M EURIBOR	(4)	4	(4)	4

31 December 2014	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1M SOFIBOR	(3)	3	(3)	3
3M SOFIBOR	(6)	6	(6)	6
3M EURIBOR	(27)	27	(27)	27
6M EURIBOR	(4)	4	(4)	4
12M EURIBOR	(12)	12	(12)	12
3M LIBOR	(9)	9	(9)	9

Group's policy regarding banking activities

Regarding the Group's banking activities interest risk is the probability of potential changes of the net interest income or the net interest margin, resulting from changes of the general market interest rates. The Group's interest risk management is aiming at minimizing the risk of a decrease of the net interest income, due to the changes in the interest rates.

For measurement and evaluation the interest rate risk the Group applies the method of the GAP analysis. (GAP/ imbalance analysis). It identifies the sensitivity of the expected revenue and expenses, in relation to the interest rate.

The method of the GAP analysis determines the Group's position, totally and the separate types of financial assets and liabilities, in relation to expected changes of the interest rates and the impact of this change over the net interest income. It facilitates the assets' and the liabilities' management and it is an instrument for providing sufficient and stable net interest profitability.

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2015 is negative, amounting to BGN 952 324 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 20.52%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	186 103	269	-	5 000	-	191 372
Receivables under repurchase agreements	48 297	49 152	54 999	-	-	152 448
Financial assets held-for-trade	3 554	-	-	12 657	86 971	103 182
Loans and advances to customers, net	185 561	54 906	317 974	597 648	1 077 735	2 233 824
Financial assets held-for-trade	1 417	16 062	34 145	41 122	31 606	124 352
Financial assets held-to-maturity	17 571	-	47 476	90 841	555 501	711 389
INTEREST-BEARING ASSETS	442 503	120 389	454 594	747 268	1 751 813	3 516 567
INTEREST-BEARING LIABILITIES						
Deposits from banks	5 502	268	-	-	-	5 770
Bank loans	10	2	20	244	-	276
Obligations under repo agreements	9 000	-	-	-	-	9 000
Liabilities to other depositors	2 040 915	389 670	1 109 744	832 470	10 110	4 382 909
Other attracted funds	4	8	53	816	-	881
Shares Issues	-	-	-	18 585	-	18 585
INTEREST–BEARING LIABILITIES	2 055 431	389 948	1 109 817	852 115	10 110	4 417 421
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(1 612 928)	(269 559)	(655 223)	(104 847)	1 741 703	(900 854)

The Group is exposed to a reduction of the interest income when the interest rates rise, as the Group holds a negative imbalance. The imbalance impact, as at 31 December 2015, over the net interest income, assuming an increase of 2% (2014: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 902 thousand (2014:BGN 1 902 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2014 is negative, amounting to BGN 1 120 371 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 31.42%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	145 955	1 127	-	-	-	147 082
Receivables under repurchase agreements	68 147	16 762	71 292	-	-	156 201
Financial assets held-for-trade	762	-	110 236	12 806	-	123 804
Loans and advances to customers, net	108 545	82 217	481 015	864 465	406 583	1 942 825
Financial assets held-for-trade	-	-	54 310	126 174	6 831	187 315
Financial assets held-to-maturity	26 026	13 278	76 810	92 654	70 003	278 771
INTEREST-BEARING ASSETS	**349 435**	**113 384**	**793 663**	**1 096 099**	**488 572**	**2 832 837**
INTEREST-BEARING LIABILITIES						
Deposits from banks	10 698	6 534	-	-	-	17 232
Bank loans	25	2	43	204	176	450
Liabilities to other depositors	1 832 364	369 205	963 016	745 127	5 904	3 915 616
Other attracted funds	6	12	75	78	778	949
Shares Issues	-	-	-	-	18 961	18 961
INTEREST–BEARING LIABILITIES	**1 843 093**	**375 753**	**963 134**	**745 409**	**25 819**	**3 953 208**
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	**(1 493 658)**	**(262 369)**	**(169 471)**	**350 690**	**462 753**	**(1 120 371)**

48.4. Credit risk sensitivity

<u>Group's policy regarding other than banking activities</u>

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:

	2015 BGN'000	2014 BGN'000
Financial assets – carrying amounts:		
Non-current financial assets	2 592 660	1 823 917
Related parties receivables	11 774	22 141
Current financial assets	2 347 993	2 373 586
Related parties receivables	214 749	272 572
Cash and cash equivalents	1 229 113	1 480 670
Trade and other receivables	204 005	166 597
Carrying amount	**6 600 094**	**6 164 028**

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

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

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

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

<u>Group's policy regarding banking activities</u>

The credit risk represents the probability of losses, due to the inability of the counterparty to meet its liabilities in time.

The Group manages its credit risk sensitivity both for the bank and commercial portfolio.

The Group applies individual credit policies for the different business segments.

The Group structures the credit risk as it sets limits for the credit risk as a maximum exposure to one debtor, to a group of related parties, to geographic regions and the different business sectors, bearing common risk. The limits define the risk appetite and risk tolerance for credit risk and the planned allocation of capital, required for its coverage.

In order to reduce the credit risk, in compliance with the internal credit rules, the approach for calculation of capital requirements and the current banking legislation, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 944 362 thousand do not carry any credit risk for the Group, due to their nature and the ability of the Group to dispose of them.

The placements and advances to banks with book value BGN 191 372 thousand are mainly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear certain credit risk, whose maximum exposure according to the Group's policy may be 20%, 50% or 100%, depending on the qualitative characteristics of financial institutions. As at 31 December 2015 the lump sum of this risk amounts to BGN 50 964 thousand. As at 31 December 2015 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 4 120 thousand.

The receivables under repurchase agreements, amounting to BGN 152 448 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 41 150 thousand, does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities. The remaining receivables amounting to BGN 110 298 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 203 179 thousand carry mainly market risk to the Group, which is analyzed in the notes, related to the market risk.

The equity instruments held-for-sale, amounting to BGN 80 800 thousand, are shares in financial and non-financial companies as well as shares in mutual funds, that carry credit risk, whose maximum exposure percentage is 100% or BGN 80 800 thousand. As at 31 December 2015 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 262 thousand.

The debentures at the amount of BGN 90 856 thousand expose the bank to credit risk of the issuing country.

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 41 993 thousand, bear credit risk, whose maximum exposure is 100% or BGN 41 993 thousand .

The debentures held to maturity and issued by the Republic of Bulgaria in the amount of BGN 397 919 thousand do not carry credit risk as they are guaranteed by the Bulgarian state. The debentures held to maturity and issued by the National Bank of the Republic of Macedonia in the amount of BGN 17 571 thousand do not carry credit risk as they are guaranteed by the National Bank of the Republic of Macedonia. The debentures held to maturity and issued by the Republic of Macedonia in the amount of BGN 47 476 thousand do not carry credit risk as they are guaranteed by the Macedonian state. The debentures held to maturity and issued by EU countries amounting to BGN 210.423 thousand present no risk for the bank. The debentures held to maturity and issued by the European Investment Bank in the amount of BGN 38 000 thousand hold no risk for the bank

Loans and advances to customers with carrying value amounting to BGN 2 292 539 thousand bear credit risk for the Group. For determining the amount of exposure of the Group to this risk, an analysis of individual risk for the Group is performed, resulting from any particular exposure, the Group applies the criteria for evaluation and classification of risk exposures compliance with the banking legislation of the Republic of Bulgaria, Macedonia, the Russian Federation and IFRS. According to these criteria, and the analysis performed the maximum exposure of the Group to credit risk amounts to BGN 1 905 012 thousand. In order to minimize the credit risk detailed lending process procedures on the analysis of the economic viability of each project, the types of collateral acceptable to the Group controls on the use of funds allocated and administration associated with that activity are applied.
The Group maintains relation to total capital adequacy above the regulatory requirements, mainly as a measure against the risk of concentrations. Adoption and control limits for credit risk limit concentrations of risk exposures by geographic areas, industries, business segments and groups of loans, presenting joint risk.

The Group has adopted a methodology for calculating the provision for impairment of loans and advances to customers according to the IFRS.

As of 31 December 2015 the amount of the Group's formed provisions to cover impairment losses on loans and advances amounts to BGN 58 715 thousand..

Quality of the credit portfolio

Classes of financial assets as at 31 December 2015:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Amount BGN '000**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Serviced	2 031 091	88.59	7 456	89 760	85 443	99.93	31
Not serviced	261 448	11.41	51 259	11 646	61	0.07	-
Total	2 292 539	100	58 715		85 504	100	31

Classes of financial assets as at 31 December 2014:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Amount BGN '000**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Serviced	1 910 431	96.55	7 478	106 799	80 154	97.64	39
Not serviced	68 280	3.45	28 409	283	1 939	2.36	-
Total	1 978 711	100	35 887	107 082	82 093	100	39

Loans granted by the Group can be summarized in the following table:

Name of the group	**31 December 2015**			**31 December 2014**		
	Loans, granted to non-financial clients		**Loans to banks and receivables under repurchase agreements**	**Loans, granted to non-financial clients**		**Loans to banks and receivables under repurchase agreements**
	BGN '000	**%**		**BGN '000**	**%**	
Not outstanding and not impaired	943 937	41.17	152 448	1 243 330	62.84	156 201
Outstanding but not impaired	987 073	43.06	-	578 629	29.24	-
Impaired on individual base	361 529	15.77	-	156 752	7.92	-
Total	2 292 539		152 448	1 978 711	100	156 201
Set-aside provisions	(58 715)		-	(35 887)		-
Net loans	2 233 824		152 448	1 942 824		156 201

As at 31 December 2015 and 2014 the predominant share of the loans, represented as outstanding but not impaired, are loans, for which a 30-day delay in payment is allowed. The Group considers that such incidental delays are not indication for impairment of these loans.

Loans and advances, which are not outstanding and not impaired, are presented in the following table:

	2015	**2014**
	BGN '000	**BGN'000**
Individuals		
Credit cards and overdrafts	21 311	14 925
Consumer loans	190 106	139 791
Mortgage loans	82 952	60 143
Corporate clients	649 568	1 028 471
Total	**943 937**	**1 243 330**

The value of the outstanding loans that are not impaired is presented in the table below. These loans are not impaired, as the delays are accidental and of up to a 30-day period, which does not necessitate their impairment.

	2015 BGN '000	2014 BGN'000
Individuals		
Credit cards and overdrafts	12 042	6 429
Consumer loans	32 810	15 019
Mortgage loans	18 976	19 656
Corporate clients	923 245	537 525
Total	**987 073**	**578 629**

The book value of the loans, with accrued provision on an individual basis as at 31 December 2015 and 2014 is BGN 361 529 thousand and BGN 44 460 thousand. These amounts do not include cash flows from the collaterals of these loans.

31 December 2015	**Book value before impairment**	**Total highly liquid collateral**
	BGN '000	**BGN '000**
Credit cards and overdrafts	7 409	-
Consumer loans	57 565	988
Mortgage loans	56 185	-
Corporate clients	240 370	7 609
Total	361529	8 597

31 December 2014	**Book value before impairment**	**Total highly liquid collateral**
	BGN '000	**BGN '000**
Credit cards and overdrafts	5 228	-
Consumer loans	15 785	3 417
Mortgage loans	3 448	2 629
Corporate clients	19 999	24 221
Total	44 460	30 267

The amount of net exposure for 2015 and 2014 for the five largest loans and advances to clients is BGN 339 487 thousand and BGN 292 961 thousand respectively, which represents 15.2% for 2015 and 15.08% for 2014 of the credits and advances to clients of the Group

Business segment, classification group and delays of payments as at 31 December 2015:

Segment	**Amount**			**Delay of payment**				
	Group	**Number of transactions**	**Debt**	**Principal**	**Interest**	**Court receivables**	**Provisions**	**Unutilized engagement**
Trade	Serviced	87 999	436 966	841	361	-	2 771	46 586
	Not serviced	6 153	41 749	2 786	1 716	15 851	14 569	277
Total		94 152	478 715	3 627	2 076	15 851	17 340	46 863

Corporate	Serviced	1 214	1 579 868	41 462	14 804	-	4 685	43 077
	Not serviced	232	219 699	27 502	6 220	41 501	36 690	11 369
Total		1 446	1 799 567	68 964	21 024	41 501	41 375	54 446
Budget	Serviced	9	14 257	-	-	-	-	78
	Not serviced	-	-	-	-	-	-	-
Total		9	14 257	-	-	-	-	78
	Total portfolio	95 607	2 292 539	72 591	23 100	57 352	58 715	101 387

Business segment, classification group and delays of payments as at 31 December 2014:

Segment	Group	**Amount** Number of transactions	**Amount** Debt	**Delay of payment** Principal	**Delay of payment** Interest	**Delay of payment** Court receivables	**Delay of payment** Provisions	**Delay of payment** Unutilized engagement
Trade	Serviced	83 562	333 669	856	410	-	2 899	41 671
	Not serviced	5 416	28 005	2 621	1 658	10 974	11 287	261
Total		88 978	361 674	3 477	2 068	10 974	14 186	41 932
Corporate	Serviced	1 113	1 570 143	9 029	3 434	-	4 559	65 068
	Not serviced	162	40 275	6 588	1 977	17 419	17 122	22
Total		1 275	1 610 418	15 617	5 411	17 419	21 681	65 090
Budget	Serviced	9	6 619	345	-	-	20	11
	Not serviced	-	-	-	-	-	-	-
Total		9	6 619	345	-	-	20	60
	Total portfolio	90 262	1 978 711	19 439	7 479	28 393	35 887	107 082

Credit exposures with restraining measures

As exposures with restraining measures the Group accepts credit exposures that have changed the original terms of the contract caused by deterioration in the financial condition of the debtor leading to inability to pay the full amount of the debt on time and other discounts that the bank would not give in other circumstances.

The amendments to the original terms of the contract in connection with the implementation of measures under restraint may include:

- Reduction / removal of the debt or part of it
- Replacement of part of the debt to equity;;
- Refinancing of exposures that the debtor is unable to fulfill under the current contract;;
- When the contract terms include more favorable terms for the repayment of obligations compared with the terms that the Bank would offer other clients with similar risk profile;
- Reduction of the interest rate under the contract, except for the change in the contractual rate of interest arising from changes in market interest rates.

Information on exposures with restraint measures is as follows:

2015

	Corporate clients	Individuals
Book value before impairment	121 365	1 952
Impairment	(17 974)	(816)
Net value	103 391	1 136

2014

	Corporate clients	Individuals
Book value before impairment	15 921	2 607
Impairment	(2 851)	(1 076)
Net value	13 070	1 531

48.5. 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 maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and sale of long-term financial assets.

As at 31 December 2015 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Dividend payables	14 257	6 912	-
Bank and other loans	104 644	123 171	147 302
Related parties payables	16 217	3 607	-
Financial lease payables	1 809	4 910	-
Trade and other payables	168 018	48 277	-
Total	**304 945**	**186 877**	**147 302**

As at 31 December 2014 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Dividend payables	14 127	20 545	-
Bank and other loans	74 838	197 897	26 162
Related parties payables	14 914	2 650	-
Financial lease payables	4 836	6 275	-
Trade and other payables	255 315	51 546	-
Total	**364 030**	**278 913**	**26 162**

The amounts, reported in this analysis for the maturity of the liabilities represent the non- discounted cash flows from the contracts, which may differ from the carrying amounts of the liability as at the reporting date. The annual interest payments amount to BGN 3 473 thousand (2014: BGN 21 695 thousand).

Group's policy regarding banking activities

The Group follows the obligations and restriction arising from the regulations of the banking legislations in counties involved in the management and supervision of bank's liquidity. The Group maintains specialized collective bodies for liquidity's management, which adopt the Group's policy of managing the liquidity risk.

Quantitative measurement of liquidity risk, according to the regulations of the banking legislation is the coefficient of liquid assets, expressing the ratio of liquid assets to borrowing of the Group.

The Group traditionally maintains huge volume of highly liquid assets – cash and cash equivalents on hand and cash in Central Banks, which ensures the Group's smooth addressing of liquid need. As of 31 December 2015 they cover about 20% of the total assets. As an additional tool for ensuring high liquidity the Group uses resources and advances given to financial institutions. Essentially, these are deposits in prime foreign and Bulgarian financial institutions with maturity of 7 days. As of 31 December 2015 they cover over 4% of the total assets. Bonds issued by the Republic of Bulgaria, the Russian Soviet Federative Socialist Republic and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about 15% of the Group's assets. Maintaining over 30% of its assets in highly liquid assets, the Group is able to cover all its needs regarding payments on matured financial liabilities.

The allocation of financial liabilities of the Group as of 31 December 2015, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL LIABILITIES						
Deposits from banks	5 502	268	-	-	-	5 770
Credits from banks	10	2	20	244	-	276
Obligations under repo agreements	9 000	-	-	-	-	9 000
Liabilities to other depositors	2 040 915	389 670	1 109 744	832 470	10 110	4 382 909
Other borrowed funds	4	8	53	816	-	881
Issued bonds	-	-	-	18 585	-	18 585
Other liabilities	9 964	-	-	-	-	9 964
FINANCIAL LIABILITIES	2 065 395	389 948	1 109 817	852 115	10 110	4 427 385

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities. Most of them – 46% have residual maturity of less than one month. Usually customers of the Group that prefer concluding deposit contract with 1 month maturity renegotiating it for longer period later on. Therefore, one-month deposits are essentially long and relatively permanent resource for the Group.

The allocation of financial liabilities of the Group as of 31 December 2014, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL LIABILITIES						
Deposits from banks	6 683	7 649	-	2 900	-	17 232
Credits from banks	25	2	43	203	176	450
Liabilities to other depositors	1 831 521	339 127	993 938	745 127	5 904	3 915 616
Other borrowed funds	6	12	75	78	778	949
Issued bonds	-	-	-	-	18 961	18 961
Other liabilities	10 842	-	-	-	-	10 842
FINANCIAL LIABILITIES	**1 849 077**	**346 790**	**994 056**	**748 308**	**25 819**	**3 963 101**

Financial assets as means for managing the liquidity risk

While appraising and managing the liquidity risk the Group measures the expected cash flows from financial instruments, namely the available cash and trade receivables. The available cash resources and trade and other receivables significantly exceed the current needs of cash outflow. According to the concluded agreements all cash flows from trade and other receivables are due within 1 year.

49. Fair value measurement

49.1. 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 is 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 is classified at the lowest level of significant inputs used in measuring fair value.

31 December 2014	**Note**	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Assets					
Financial assets held for trading	a)	1 048 388	190 306	3 443	1 242 137
Financial assets available for sale	b)	231 089	-	36 943	268 032
Total		**1 279 477**	**190 306**	**40 386**	**1 510 169**
Liabilities					
Derivatives		-	578	-	578
Total		**-**	**578**	**-**	**578**

There have been no significant transfers between levels 1 and 2.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange, Sofia. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies, adjusted for specific factors.

c) Derivatives

When derivative financial instruments are traded on stock markets or liquid OTC markets, the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets, the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

d) Loans in BGN

The fair value of loans is determined by using valuation techniques.

All significant inputs to the model are based on observable market prices, namely market interest rates on similar loans with similar risk.

49.2. Fair value measurement of nonfinancial 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 2014:

31 December 2014	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
Land, building, machines and equipment	-	-	302 421	302 421

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

Land, buildings, machines and equipment (Level 3)

The land, buildings, machines and equipment are revaluated on 31 December 2015.

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

	Investment properties Land, buildings, machines and equipment BGN '000
Balance at 1 January 2014	310 684
Gains or losses recognised in profit or loss	
- change in fair value of investment property	(1 211)
Acquisitions and reclassifications	30 529
Disposals and reclassifications	(37 581)
Balance at 31 December 2014	**302 421**
Total amount included in Income from non-financial activities as a result of unrealized gains or losses from assets held at the end of the reporting period	**1 958**

50. 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:

	2015 BGN '000	2014 BGN '000
Shareholders' equity	1 517 135	1 536 537
Equity	**1 517 135**	**1 536 537**
Debt	6 027 514	5 442 637
- Cash and cash equivalents	(1 229 113)	(1 480 670)
Net debt	**4 798 401**	**3 961 967**
Capital to net debt	**1:3.16**	**1:2.58**

The increase in ratio during 2015 is primarily a result of the increase in the Group's net debt due to its bank and other activities. The Group has honoured its covenant obligations, including maintaining capital ratios.

51. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization except the following:

52. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 (including comparatives) were approved by the Managing board on 28 April 2015.