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

CHIMIMPORT AD

31 December 2013

Contents

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of financial position as at 31 December

	Note	2013 BGN '000	2012 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	430 341	480 458
Investment property	10	248 368	146 069
Investments accounted for using the equity method	6	131 321	128 503
Goodwill	11	37 766	39 416
Other intangible assets	12	64 681	70 726
Long-term financial assets	13	1 676 397	1 430 610
Long-term related party receivables	45	8 815	14 879
Deferred tax assets	14	5 221	5 027
Non-current assets		**2 602 910**	**2 315 688**
Current assets			
Inventories	15	37 155	36 998
Short-term financial assets	16	2 003 906	1 795 708
Related party receivables	45	277 805	239 108
Trade receivables	17	181 048	163 591
Tax receivables	18	4 346	2 828
Other receivables	19	112 111	136 133
Reinsurance assets	23.1	20 330	17 445
Cash and cash equivalents	20	1 317 412	1 212 020
Current assets		**3 954 113**	**3 603 831**
Non-current assets, classified as held for sale	21	**45 184**	**72 827**
Total assets		**6 602 207**	**5 992 346**

Prepared by: ____________ /A. Kerezov/

Executive director: ____________ /I. Kamenov/

Date: 26 April 2014

Audited according to the auditor's report dated 30 April 2014:

ХИМИМПОРТ АД СОФИЯ

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

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

Equity and liabilities	Note	2013 BGN '000	2012 BGN '000
Equity			
Share capital	22.1	228 183	229 388
Share premium	22.2	219 929	220 012
Other reserves	22.3	91 001	80 175
Retained earnings		676 036	603 113
Profit for the year		86 892	104 312
Equity attributed to the shareholders of parent company		1 302 041	1 237 000
Non-controlling interests		235 990	224 012
Total equity		**1 538 031**	**1 461 012**
Specialized reserves	23	**208 829**	**181 821**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	24	1 018 502	994 640
Payables to insured individuals	25	659 806	539 948
Long-term trade payables	26.1	16 043	21 337
Long-term related party payables	45	4 123	4 153
Finance lease liabilities	9.1	10 394	15 462
Pension and other employee obligations	27.2	2 254	2 019
Other long-term liabilities	29	1 288	3 276
Other provisions		466	438
Deferred tax liabilities	14	31 547	28 564
Non-current liabilities		**1 744 423**	**1 609 837**
Current liabilities			
Short-term financial liabilities	24	2 836 163	2 476 312
Trade payables	26.2	123 212	109 895
Short-term related party payables	45	33 634	36 959
Finance lease liabilities	9.1	5 068	5 417
Pension and other employee obligations	27.2	12 828	12 932
Tax liabilities	28	9 518	8 767
Other liabilities	29	90 501	89 394
Current liabilities		**3 110 924**	**2 739 676**
Total liabilities		**4 855 347**	**4 349 513**
Total equity, reserves and liabilities		**6 602 207**	**5 992 346**

Prepared by: ______________ **Executive director:** ______________

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

Date: 26 April 2014

Audited according to the auditor's report dated 30 April 2014:

Специализирано одиторско предприятие София Рег. №032 "Грант Торнтон" ООД

Химимпорт АД София

CHIMIMPORT PUBLIC HOLDING COMPANY

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

	Note	2013 BGN '000	2012 BGN '000
Income from non-financial activities	30	519 811	485 252
Expenses for non-financial activities	31	(455 498)	(483 249)
Change in fair value of investment property	10	15 259	7 926
Gain on sale of non-current assets	32	7 155	24 300
Net result from non-financial activities		**86 727**	**34 229**
Insurance income	33	387 451	352 938
Insurance expense	34	(365 980)	(338 849)
Net insurance result		**21 471**	**14 089**
Interest income	35	235 102	234 560
Interest expense	36	(142 115)	(159 113)
Net interest income		**92 987**	**75 447**
Gains from transactions with financial instruments	37	419 342	370 966
Losses from transactions with financial instruments	38	(346 739)	(200 364)
Net result from transactions with financial instruments		**72 603**	**170 602**
Administrative expenses	39	(212 367)	(190 406)
Gains from acquisitions	40	724	346
Gains from investments under equity method	6	13 845	11 902
Other financial income	41	65 674	51 913
Allocation of income to secured persons		(32 530)	(42 150)
Profit before tax		**109 134**	**125 972**
Tax expense	42	(9 277)	(10 794)
Net profit for the period		**99 857**	**115 178**
Other comprehensive income			
Components not reclassified in the profit or loss			
Remeasurements of defined benefit liability	27.2	(24)	235
Income tax relating to components that are not reclassified to profit or loss	14	3	(22)
Components reclassified in the profit or loss			
Revaluation of financial assets		414	4,570
Income tax, regarding components reclassified under profit or loss	14	(41)	(457)
Total comprehensive income		**100 209**	**119 504**
Profit for the year attributable to:			
the shareholders of Chimimport AD		86 892	104 312
non-controlling interests		12 965	10 866
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		87 306	107 842
non-controlling interests		12 903	11 662
Basic earnings per share in BGN	43	**0.58**	**0.72**
Diluted earnings per share in BGN	43	**0.40**	**0.48**

Prepared by: ______________ **Executive director:** ______________

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

Date: 26 April 2014

Audited according to the auditor's report dated 30 April 2014:

ХИМИМПОРТ АД СОФИЯ

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

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 2013	**229 388**	**220 012**	**80 175**	**707 425**	**1 237 000**	**224 012**	**1 461 012**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(1 205)	(83)	-	-	(1 288)	-	**(1 288)**
Business combinations	-	-	(8 539)	(10 979)	(19 518)	(987)	**(20 505)**
Transactions with owners	**(1 205)**	**(83)**	**(8 539)**	**(10 979)**	**(20 806)**	**(987)**	**(21 793)**
Profit for the year	-	-	-	86 892	86 892	12 965	**99 857**
Other comprehensive income	-	-	352	-	352	-	**352**
Total comprehensive income for the year	-	-	**352**	**86 892**	**87 244**	**12 965**	**100 209**
Transfer of retained earnings to other reserves	-	-	19 013	(19 013)	-	-	-
Share on changes in the investments accounted on the equity method	-	-	-	(1 389)	(1 389)	-	**(1 389)**
Other changes	-	-	-	(8)	(8)	-	**(8)**
Balance at 31 December 2013	**228 183**	**219 929**	**91 001**	**762 928**	**1 302 041**	**235 990**	**1 538 031**

Prepared by: ____________
/A. Kerezov/

Executive director: ____________
/I. Kamenov/

Date: 26 April 2014
Audited according to the auditor's report dated 30 April 2014:

ХИМИМПОРТ АД София

Специализирано одиторско предприятие
София
Рег. №032
"Грант - Торнтон" ООД

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 2012	**230 345**	**225 643**	**70 917**	**670 484**	**1 197 389**	**216 844**	**1 414 233**
Effect of changes in accounting policy – note 3	-	-	449	(277)	172	-	172
Adjusted balance at 1 January 2012	**230 345**	**225 643**	**71 366**	**670 207**	**1 197 561**	**216 844**	**1 414 406**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(957)	(5 631)	-	-	(6 588)	-	(6 588)
Business combinations	-	-	(13 577)	(48 204)	(61 781)	(4 494)	(66 275)
Transactions with owners	**(957)**	**(5 631)**	**(13 577)**	**(48 204)**	**(68 369)**	**(4 494)**	**(72 863)**
Profit for the year	-	-	-	104 312	104 312	10 866	115 178
Other comprehensive income	-	-	3 500	-	3 500	796	4 296
Total comprehensive income for the year	**-**	**-**	**3 500**	**104 312**	**107 812**	**11 662**	**119 474**
Transfer of retained earnings to other reserves	-	-	18 886	(18 886)	-	-	-
Other changes	-	-	-	(4)	(4)	-	(4)
Balance at 31 December 2012	**229 388**	**220 012**	**80 175**	**707 425**	**1 237 000**	**224 012**	**1 461 012**

Prepared by: ______________
/A. Kerezov/

Executive director: ______________
/I. Kamenov/

Date: 26 April 2014

Audited according to the auditor's report dated 30 April 2014:

ХИМИМПОРТ АД София

Специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of cash flows for the year ended 31 December

	Note	2013 BGN'000	2012 BGN'000
Proceeds from short-term loans		243 888	97 911
Payments for short-term loans		(218 844)	(109 541)
Proceeds from sale of short-term financial assets		328 237	628 504
Purchase of short-term financial assets		(329 360)	(634 464)
Cash receipt from customers		533 872	600 443
Cash paid to suppliers		(488 224)	(544 065)
Proceeds from secured persons		117 640	95 481
Payments to secured persons		(20 162)	(13 527)
Payments to employees and social security institutions		(102 924)	(109 232)
Cash receipts from banking operations		50 156 916	44 377 883
Cash paid for banking operations		(50 031 803)	(44 191 561)
Cash receipts from insurance operations		168 461	163 098
Cash paid for insurance operations		(122 210)	(91 595)
Income taxes paid		(7 848)	(7 547)
Other cash outflows		(32 328)	(29 980)
Net cash flow from operating activities		**195 311**	**231 808**
Investing activities			
Disposal/(acquisition) of subsidiaries, net of cash		1 881	4 437
Dividends from financial assets received		4 163	5 976
Sale of property, plant and equipment		33 372	9 260
Purchase of property, plant and equipment		(51 514)	(35 990)
Purchase of intangible assets		(2 247)	(1 148)
Sale of investment property		131	-
Purchase of investment property		(1 395)	(3 168)
Sale of non-current financial assets		479 610	488 949
Purchase of non-current financial assets		(601 496)	(533 742)
Interest payments received		54 130	43 770
Proceeds from loans granted		33 986	127 809
Payments for loans granted		(76 203)	(152 238)
Other cash receipts/(outflows)		8 212	(19 248)
Net cash flow from investing activities		**(117 370)**	**(65 333)**
Financing activities			
Dividends paid on preference shares	24.2	(4 122)	(2 924)
(Purchase)/sale of treasury shares		(1 213)	57
Proceeds from loans received		192 465	219 856
Payments for loans received		(116 651)	(168 142)
Interest paid		(15 560)	(19 477)
Payments for finance leases		(5 420)	(4 939)
Other cash outflows		(14 785)	(604)
Net cash flow from financing activities		**34 714**	**23 827**
Net change in cash and cash equivalents		**112 655**	**190 302**
Cash and cash equivalents, beginning of period		**1 212 020**	**1 021 696**
Exchange (losses)/gains on cash and cash equivalents		**(7 263)**	**22**
Cash and cash equivalents, end of period	20	**1 317 412**	**1 212 020**

Prepared by: ____________________ **Executive director:** ____________________

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

Date: 26 April 2014

Audited according to the auditor's report dated 30 April 2014:

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

ХИМИМПОРТ АД София

The accompanying notes on pages 7 to 128 form an integral part of the financial statements.

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:
Chimimport Invest 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 2013 the Group has 6 432 employees (2012: 6 207 employees).

The ultimate owner of the Group that prepares the consolidated financial statements is Chimimport Invest 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 31 March 2014.

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 2012) 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 and new standards, revisions and amendments that are effective for the year beginning 1 January 2012

The Group adopted the following new standards, amendments and interpretations to IFRS as issued by the International Accounting Standards which have an effect on the financial statements of the Group and are mandatory for the annual period beginning 1 January 2013:

IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities, effective from 1 January 2013, adopted by the EU on 13 December 2012

The new disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The adoption of these amendments to existing standards did not result in changes in accounting policies of the Group.

IFRS 13 "Fair Value Measurement" effective from 1 January 2013, adopted by the EU on 11 December 2012

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard clarifies that fair value is based on a transaction taking place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

IAS 1 "Financial Statement Presentation" – Other Comprehensive Income, effective from 1 July 2012, adopted by the EU on 05 June 2012

The Group presents separate items of other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment are presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Since the Group has chosen to present other comprehensive income items before tax, it is required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the consolidated statement of comprehensive income was changed to 'consolidated statement of profit or loss and other comprehensive income'. Full retrospective application is required.

IAS 12 "Income Taxes" – Deferred Tax, effective from 1 January 2013, adopted by the EU on 11 December 2012
Currently IAS 12 "Income Taxes" requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 "Income taxes- recovery of revalued non-depreciable assets", would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn

IAS 19 "Employee Benefits" effective from 1 January 2013, adopted by the EU on 05 June 2012
These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. 'Actuarial gains and losses' are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income'. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The amendments should be applied retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.
Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 January 2012 as an adjustment to opening equity.

The effects of the application of IAS 19 revised and other nonmaterial adjustments on the consolidated statement of financial position at 1 January 2012 and 31 December 2012 are as follows:

	Other reserves (Reserve from remeasurements of defined benefit liability)	**Retained earnings**	**Equity**
	BGN'000	**BGN'000**	**BGN'000**
Balance at 1 January 2012	-	670 484	1 414 233
Effect of IAS 19 revised	419	(277)	142
Balance at 1 January 2012 (restated)	**419**	**670 207**	**1 414 375**
Balance at 31 December 2012	-	707 489	1 460 443
Effect of IAS 19 revised:			
- brought forward	419	(277)	142
- total comprehensive income for the year	213	213	427
Balance at 31 December 2012 (restated)	**632**	**707 425**	**1 461 012**

The effects of the application of IAS 19 on the consolidated statement of financial position at 31 December 2013 are:

	31 December 2013 BGN‘000
Decrease in pension and other employee obligations	672
Increase in deferred tax liability	(61)
Increase in equity	**611**

The effects of the application of IAS 19 on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 and 31 December 2013 are:

	Year to 31 December 2013 BGN‘000	Year to 31 December 2012 BGN‘000
(Decrease)/(increase) in employee benefit expenses	24	(235)
Decrease/(increase) in tax expense	(3)	22
Increase/(decrease) in profit for the period	**21**	**(213)**
Other comprehensive income		
(Decrease)/Increase from remeasurement of net defined benefit liability	(24)	235
Increase/(Decrease) in income tax relating to items that will be not reclassified to profit or loss	3	(22)
(Decrease)/Increase in other comprehensive income	**(21)**	**213**
Effect on the total comprehensive income	**-**	**-**

Annual Improvements to IFRSs 2011 effective from 1 January 2013, adopted by the EU on 23 March 2013

-IAS 1 amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period – that is, the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily – for example, statement of profit or loss, balance sheet – it should present the supporting notes to these additional statements. The retrospective application of IAS 19 and IAS 1 in 2013 has a material impact on the Group’s consolidated statement of financial position at 1 January 2012. Therefore, the Group has presented the consolidated statement of financial position at 1 January 2012 without respective information in the notes in accordance with IAS 8. Accounting Policies, Changes in Accounting Estimates and Errors "

-IAS 16 amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment if they are used for more than one period.

The following new standards, amendments and interpretations to IFRS as issued by the International Accounting Standards are mandatory for the annual period beginning 1 January 2013 but have no effect on the financial statements of the Company:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (amended) – Fixed dates and Hyperinflation, effective from 1 January 2013, adopted by the EU on 11 December 2012
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (amended) – Government Loans, effective from 1 January 2013, not yet adopted by the EU
- IFRIC 20 “Stripping costs in the production phase of a surface mine” effective from 1 January 2013, adopted by the EU on 11 December 2012
- Annual Improvements to IFRSs 2011 effective from 1 January 2013, adopted by the EU on 23 March 2013

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not 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 2013 and have not been early adopted by the Group:

IFRS 9 “Financial Instruments” effective from 1 January 2015, not yet adopted by the EU

IFRS 9 “Financial instruments” represents the first milestone in the comprehensive IASB project to replace IAS 39 “Financial instruments: Recognition and measurement”. It replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value represents the most relevant measurement basis. IFRS 9 eliminates the need for multiple impairment models; such that only one impairment model for financial assets carried at amortised cost will be required. Chapters dealing with impairment methodology and hedge accounting are still being developed. The management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

IFRS 10 “Consolidated Financial Statements” effective from 1 January 2014, adopted by the EU on 11 December 2012

IFRS 10 “Consolidated Financial Statements” introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. Management’s provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the existing investees at 31 December 2013 or prior periods.

IFRS 11 “Joint Arrangements” effective from 1 January 2014, adopted by the EU on 11 December 2012

IFRS 11 “Joint Arrangements” supersedes IAS 31 “Interests in Joint Ventures”. It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for joint ventures that was previously included in IAS 31 has been eliminated (equity accounting is now required for all joint ventures). Management does not anticipate a material impact on the Group’s net assets or profits.

IFRS 12 “Disclosure of Interests in Other Entities” effective from 1 January 2014, adopted by the EU on 11 December 2012

IFRS 12 “Disclosure of Interests in Other Entities” is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Management expects additional disclosures from the application of IFRS 12 in the Group’s consolidated financial statements

IFRS 10, IFRS 11, IFRS 12 – Transition Guidance, effective from 1 January 2013, adopted by the EU on 16 April 2013

The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and provides additional transition relief in IFRSs 10, 11, 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures related to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied

IAS 27 "Separate Financial Statements" (Revised) effective from 1 January 2014, adopted by the EU on 11 December 2012

IAS 27 "Separate Financial Statements" (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged

IFRS 10, IFRS 11, IAS 27 (amendments) – Investment Entities, effective from 1 January 2014, not yet adopted by the EU

The amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

IAS 28 "Investments in Associates and Joint Ventures" (Revised) effective from 1 January 2014, adopted by the EU on 11 December 2012

IAS 28 "Investments in Associates and Joint Ventures" (Revised) continues to prescribe the mechanics of equity accounting. Changes to its scope have however been made as a result of the publication of IFRS 11 "Joint Arrangements".

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 January 2014, adopted by the EU on 13 December 2012

The amendment clarifies that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy

IAS 36 "Impairment of assets" (amended) effective from 1 January 2014, not yet adopted by the EU

The amendment requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. It should be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted provided the entity has already adopted IFRS 13.

IAS 39 "Financial Instruments: Recognition and Measurement" (amended) effective from 1 January 2014, not yet adopted by the EU

The amendments to IAS 39 allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

IFRIC 21 "Levies" effective from 1 January 2014, not yet adopted by the EU

IFRIC 21 considers how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. IFRIC 21 also clarifies that an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

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 2013 one comparative period is presented, as no adjustments to the presentation of the elements of financial statements and the corresponding reference data. In case there are adjustments to the classification of the elements of 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 2013. 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 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 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

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 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 'Revenue from non-financial activity' 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 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 current and 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 installments.

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 installments 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 possesses 100 % of the share capital of subsidiary Hemus Air EAD indirectly through subsidiaries. The entity's ownership interest does not constitute control according to management contract from 2009 for transfer of voting right. Therefore, investment in company Hemus Air EAD has been reclassified as financial asset in accordance with IAS 39.

The parent company owns 90% 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 728 thousand on goodwill in 2013 (2012: BGN 1 123 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 2013 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 37 155 thousand (2012: BGN 36 998) 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	31.12.2013 Percentage of consolidation	31.12.2013 Nominal percentage	31.12.2012 Percentage of consolidation	31.12.2012 Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	82.31%	82.32%	82.31%	82.32%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	71.90%	87.35%	71.90%	87.35%
TAT Investbank ZAO (renamed on 27.04.2014 to ZAO Investment Corporate Bank)	Russia	Finance	49.38%	59.75%	49.16%	59.48%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	82.31%	100.00%	82.31%	100.00%
ZAD Armeec	Bulgaria	Finance	96.34%	96.34%	87.90%	87.90%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	-	-	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	51.26%	51.26%	46.75%	46.75%
DPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	46.75%	46.75%
UPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	46.75%	46.75%
PPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	46.75%	46.75%
Chimimport Holland B.V.	Netherlands	Finance	100.00%	100.00%	100.00%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	69.27%	69.27%	68.74%	68.74%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	42.98%	55.64%	42.71%	55.64%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	42.98%	100.00%	42.71%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	69.27%	100.00%	68.74%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	69.20%	77.20%	76.58%	84.58%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	42.98%	100.00%	42.71%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	30.09%	70.00%	29.90%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	45.72%	66.00%	45.37%	66.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	41.56%	60.00%	41.24%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	41.56%	60.00%	41.24%	60.00%
Petrohim Trade EAD	Bulgaria	Production, Trade and Services	-	-	68.74%	100.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	-	-	41.24%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	41.65%	60.13%	41.33%	60.13%
Texim Trading OOD	Bulgaria	Production, Trade and Services	35.33%	51.00%	35.06%	51.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	69.27%	100.00%	68.74%	100.00%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	69.27%	100.00%	68.74%	100.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	34.64%	50.00%	34.37%	50.00%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2013	31.12.2013	31.12.2012	31.12.2012
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	47.10%	68.00%	46.74%	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	35.56%	51.39%	39.35%	51.39%
AK Plastic OOD	Bulgaria	Production, Trade and Services	68.51%	99.00%	75.81%	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	61.80%	96.00%	61.80%	96.00%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	90.00%	90.00%	60.00%	90.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	66.74%	100.00%	68.74%	100.00%
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	-	-	100.00%	100.00%
Besa Tour AD	Bulgaria	Production, Trade and Services	-	-	56.62%	82.37%
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	82.21%	83.72%	82.20%	83.72%
Port Balchik AD	Bulgaria	Sea and River Transport	74.27%	100.00%	73.74%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	100.00%	99.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	77.49%	94.25%	77.47%	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	45.22%	55.00%	45.21%	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	82.21%	100.00%	82.20%	100.00%
Blue See Horizion corp.	Seychelles	Sea and River Transport	82.21%	100.00%	82.20%	100.00%
Interlihter EOOD	Slovakia	Sea and River Transport	82.21%	100.00%	82.20%	100.00%
Bulgarian Airways Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Airport Services Bulgaria EAD	Bulgaria	Aviation Transport	100.00%	100.00%	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%	-	-
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%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	100.00%	83.20%	100.00%
Energoproekt Utilities OOD	Bulgaria	Construction and engineering	42.43%	51.00%	42.43%	51.00%
Golf Shabla AD	Bulgaria	Real Estate	27.94%	65.00%	27.76%	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%
Bulchimex GmBH	Germany	Real Estate	100.00%	100.00%	100.00%	100.00%

On 17.12.2012, the Management Board of ZAD Armeec has decided to increase the share capital by BGN 18 000 thousand by issuing 180,000 new registered shares each with a nominal value of BGN 100 entered in the Trade Register of on 08.05.2013.

5.2. Acquisition of Airport Consult EAD

In 2013 the Group acquired Airport Consult OOD based in Sofia, Bulgaria through the purchase of shares of the company, resulting in 100.00% hold of the capital.

The total cost for the Group amounted to BGN 2 738 thousand. The distribution of purchase price to the assets acquired and liabilities of Airport Consult OOD was completed in 2013. The value of each group of assets acquired and liabilities and contingent liabilities recognized at the date of acquisition is as follows:

	Acquired amount as at the date of acquisition
	BGN'000
Investment	2 737
Cash and cash equivalent	1
Liabilities	-
Net amount of the assets	**2 738**
Non controlling interest	**-**
Fair value of identifiable net assets acquired by the group	**2 738**

	BGN'000
Total consideration	2 738
Fair value of identifiable net assets acquired by the Group	(2 738)
Goodwill	**-**

	BGN'000
Consideration transferred, cash paid	-
Amount of acquired cash and cash equivalents	1
Net cash inflow on acquisition	**1**

5.3. Sale of ZOK CCB Zdrave

In 2013, the Group sold 100% of its shares in the equity of the subsidiary ZOK CCB Zdrave in relation to changes in the requirements of the FSC for imposed restrictions on investment in more than one insurance company of the same insurance activity by one legal person.

5.4. Loss of control of Anitas 2003 OOD in 2013

On 6 February 2013 Chimimport Invest AD, the majority shareholder of Chimimport AD made in-kind contribution of non-current assets in the capital of Anitas 2003 OOD, whereby the Company's capital increased by 41 676 shares of BGN 100 each to 41 726 shares BGN 100 to share. Following the increase the owned by the Chimimport Group AD share, amounts to 0.12%.

5.5. Sale of Petrochim Trade AD and Bessa Tur AD in 2013

In 2013, the Group sold its interest in Petrochim Trade AD through which it loses control in Bessa Tur AD - subsidiary. The effect of the sale was recorded on profit for the period and included the line 'Profit from operations with financial instruments "in the consolidated statement of profit or loss of the Group.

5.6. Liquidation of Orgachim Trading 2008 OOD in 2013

In 2013, the subsidiary of the Group Orgahim Trading OOD have been terminated by liquidation. As a result, the amount of investment of BGN 220 thousand for the Group has been recovered through liquidation proceeds.

5.7. Changes in the controlling share in subsidiaries

5.7.1. Acquisition of non controlling share in POAD CCB Sila

In December 2013 the Group acquired additional equity in the amount of 4.51% in its subsidiary POAD CCB Sila effective for an amount of BGN 7 200 thousand, thereby increasing its controlling interest from 46.75% to 51.26%.

The carrying amount of the net assets of the subsidiary POAD CCB Sila recognized at the acquisition date of the financial statements amounted to BGN 603 the Group recognized a decrease in non-controlling interests amounting to BGN 839 and a reduction of retained earnings in the amount of BGN 6 597.

	BGN'000
Total consideration transferred	(7 200)
Additional acquired share in net assets of POAD CCB Sila	603
Decrease in retained earnings	**(6 597)**

5.7.2. Acquisition of non controlling interest in 2013 in ZAD Armeec

In December 2013 the Group acquired additional equity in the amount 8.44% in its subsidiary ZAD Armeec for an amount of BGN 696 thousand, thereby increasing its controlling interest of 87.90% to 96.34%.

The carrying value of the net assets of the subsidiary ZAD Armeec recognized at the acquisition date of the financial statements amounted to BGN 5 082 thousand. Group recognized a decrease in non-controlling interests amounted to BGN 5 119 thousand and an increase in retained earnings amounted to BGN 4 386 thousand.

	BGN'000
Total consideration transferred	(696)
Additional acquired share in net assets of ZAD Armeec	5 082
Increase in retained earnings	**4 386**

5.7.3. Acquisition of non controlling interest in Zarneni Hrani Bulgaria AD

In December 2013 the Group acquired additional equity amounting to 0.53% in its subsidiary Zarneni Hrani Bulgaria AD in the amount of BGN 2 255 thousand, thereby increasing its controlling interest from 68.74% to 69.27%.

The carrying amount of the net assets of the subsidiary Zarneni Hrani Bulgaria EAD recognized at the acquisition date of the financial statements amounted to BGN 1 358 thousand. The Group recognized a decrease in non-controlling interest amounting to BGN 1 357 thousand and an increase in retained earnings in the amount of BGN 898 thousand.

	BGN'000
Total consideration transferred	(2 255)
Additional acquired share in net assets of the company Zarneni Hrani Bulgaria AD	1 357
Decrease in retained earnings	**(898)**

5.7.4. Acquisition of non controlling share in TAT Investbank Russia, renaimed to ZAO Investment Corporate Bank from 27.04.2014

In December 2013 the Group acquired additional equity in the amount 0.22% in its subsidiary Tatinvestbank - Russia (renamed ZAO Investment Corporate Bank from 04.27.2014) for an amount of BGN 49 thousand, thereby increased its controlling interest of 49.16% of 49.38%.

The carrying value of the net assets of the subsidiary Tatinvestbank - Russia recognized at the acquisition date of the financial statements, amounted to BGN 47 thousand. The Group recognized a decrease in non-controlling interest in the amount of BGN 51 thousand and a reduction of retained earnings of BGN 2 thousand.

	BGN'000
Total consideration transferred	(49)
Additional acquired share in net assets of the company Investment Corporate Bank Russia	47
Decrease in retained earnings	**(2)**

5.7.5. Sale of part of the controlling share in in Asenova Krepost AD

In 2013, the Group sold its shares, 7.38%, in its subsidiary Asenova Krepost AD for a cash amount of BGN 2 265 thousand, thereby reducing its controlling interest of 76.58% to 69.20%.

The carrying amount of the net assets of the subsidiary Asenova Krepost AD recognized at the date of sale in the consolidated financial statements amounted to BGN 1 738 thousand. The Group has recognized an increase in non-controlling interests amounting to BGN 1 749 thousand, decrease in goodwill amounting to BGN 527 thousand recognized in retained earnings.

	BGN'000
Total consideration transferred	2 265
Sold share of the net assets of Asenova Krepost AD	(1 738)
Decrease of goodwill	527
Effect on the retained earnings	-

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	31.12.2013 BGN'000	Share %	31.12.2012 BGN'000	Share %
Fraport TSAM AD	107 726	40.00%	97 033	40.00%
Lufthansa Technik Sofia OOD	7 971	24.90%	4 840	24.90%
VTC AD	3 886	41.00%	2 801	41.00%
Amadeus Bulgaria OOD	3 762	45.00%	3 627	45.00%
Alpha Airport Services OOD	3 468	42.50%	-	-
Swissport Bulgaria AD	1 565	49.00%	-	-
Dobrich fair AD	1 320	37.92%	1 214	37.92%
Kavarna Gas OOD	583	35.00%	581	35.00%
PIC Saglasie Co.Ltd.	-	-	18 157	49.43%
	130 281		**128 253**	

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:

	2013 BGN'000	2012 BGN'000
Assets	549 030	461 858
Liabilities	368 882	312 103
Revenues	196 878	217 839
Profit for the period	37 091	31 012
Profit attributable to the Group	**13 809**	**11 902**

In 2013, the Group acquired 42.50% of the share capital of the company Alpha Airport Services OOD based in Sofia, Bulgaria, through the purchase of shares of the company. The total cost for the Group amounted to BGN 2 744 thousand value of net assets acquired amounted to BGN 3 468 thousand the result that the Group has recognized a current profit of BGN 724 thousand, reflected in the profit or loss and other comprehensive income within "Profit from acquisitions."

In 2013, the Group acquired 49% from its investment in Swissport Bulgaria. The Group has signed a preliminary agreement for the sale of a substantial part of its stake in POK Saglasie AD. The total cost for the Group amounted to BGN 1 096 thousand value of net assets acquired amounted to BGN 1 096 thousand, therefore no result was recognized by the Group.

In 2013, the Group sold 24.98% of its investment in PIC Saglasie AD, while the remaining 24.45% Group has entered into a preliminary agreement for the sale of a substantial part of its stake in PIC Saglasie AD. The Group reclassified these assets in the statement of financial position as current financial assets available for sale.

6.2. Investments in joint ventures

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

Name	31.12.2013 BGN '000	Share %	31.12.2012 BGN '000	Share %
Nuance BG AD	727	50.00%	250	50.00%
Varna ferry OOD	313	50.00%	-	50.00%
	1 040		**250**	

During the period of 2013, the Group has paid its full contribution to participate in 50% of the rights aloud and equity of the newly formed company in 2012 Nuance BG AD through its subsidiary Bulgarian Airways Group EAD.

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:

	2013 BGN '000	2012 BGN '000
Assets	32 285	16 702
Liabilities	30 742	17 482
Revenues	6 576	1 024
Profit/(Loss) for the period	72	(516)
Profit/ (Loss) attributable to the Group not recognized in result for the current reporting period	**36**	**(258)**

Loss for 2012 amounting to BGN 258 thousand was not recognized in the investments under equity method, as it exceeds the value of investment.

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 2013	**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	126 324	15 558	373 555	212	3 192	970	519 811
Change in fair value of investment property	-	15 259	-	-	-	-	15 259
Gain from sale of non-current assets	1 220	4 943	1 143	-	-	(151)	7 155
Inter-segment income from non-financial activities	45 287	4 936	2 328	-	1 636	(54 187)	-
Total income from non-financial activities	**172 831**	**40 696**	**377 026**	**212**	**4 828**	**(53 368)**	**542 225**
Result from non-financial activities	**27 075**	**40 696**	**15 560**	**(33)**	**687**	**2 742**	**86 727**
Insurance income from external customers	-	387 451	-	-	-	-	387 451
Inter-segment insurance income	-	5 036	-	-	-	(5 036)	-
Total insurance income	**-**	**392 487**	**-**	**-**	**-**	**(5 036)**	**387 451**
Result from insurance	**-**	**25 858**	**-**	**-**	**-**	**(4 387)**	**21 471**
Interest income	9 682	254 961	12 960	506	230	(43 237)	235 102
Interest expenses	(14 573)	(153 355)	(16 233)	-	(718)	42 764	(142 115)
Result from interest	**(4 891)**	**101 606**	**(3 273)**	**506**	**(488)**	**(473)**	**92 987**
Gains from transactions with financial instruments from external customers	11 263	414 093	2 025	-	-	(8 039)	419 342
Result from transactions with financial instruments	**11 235**	**66 929**	**2 022**	-	-	**(7 583)**	**72 603**
Administrative expenses	**(12 980)**	**(192 238)**	**(11 744)**	**(204)**	-	**4 799**	**(212 367)**
Gain from purchases	-	-	-	-	-	**724**	**724**
Net result from equity accounted investments in associates	**108**	**-**	**13 737**	**-**	**-**	**-**	**13 845**
Other financial income/ (expenses)	(1 367)	68 309	(2 412)	-	(102)	1 246	65 674
Profit for allocating insurance batches	-	(32 530)	-	-	-	-	(32 530)
Profit for the period before tax	**19 180**	**78 630**	**13 890**	**269**	**97**	**(2 932)**	**109 134**
Tax expense	(2 347)	(7 139)	14	(41)	(25)	261	(9 277)
Net profit for the year	**16 833**	**71 491**	**13 904**	**228**	**72**	**(2 671)**	**99 857**

Operating segments 31 December 2013	**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	832 173	7 130 404	808 453	46 561	17 747	(2 364 452)	6 470 886
Equity accounted investments in associates	4 667	-	16 346	-	22	110 286	131 321
Total consolidated assets	**836 840**	**7 130 404**	**824 799**	**46 561**	**17 769**	**(2 254 166)**	**6 602 207**
Specialized reserves	**-**	**208 829**	**-**	**-**	**-**	**-**	**208 829**
Liabilities of the segment	394 721	5 020 915	373 321	235	14 222	(948 067)	4 855 347
Total consolidated liabilities	**394 721**	**5 020 915**	**373 321**	**235**	**14 222**	**(948 067)**	**4 855 347**

Operating segments 31 December 2012	**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	108 724	10 727	360 578	210	4 526	487	485 252
Change in fair value of investment property	-	8 047	(121)	-	-	-	7 926
Gain from sale of non-current assets	8 910	16 176	4 774	-	1 537	(7 097)	24 300
Inter-segment income from non-financial activities	29 582	4 957	5 005	-	673	(40 217)	-
Total income from non-financial activities	**147 216**	**39 907**	**370 236**	**210**	**6 736**	**(46 827)**	**517 478**
Result from non-financial activities	**12 534**	**39 907**	**(18 961)**	**(34)**	**1 090**	**(307)**	**34 229**
Insurance income from external customers	-	352 938	-	-	-	-	352 938
Inter-segment insurance income	-	6 924	-	-	-	(6 924)	-
Total insurance income	**-**	**359 862**	**-**	**-**	**-**	**(6 924)**	**352 938**
Result from insurance	**-**	**19 698**	**-**	**-**	**-**	**(5 609)**	**14 089**
Interest income	13 471	250 830	11 117	508	116	(41 482)	234 560
Interest expenses	(14 499)	(166 020)	(19 320)	-	(756)	41 482	(159 113)
Result from interest	**(1 028)**	**84 810**	**(8 203)**	**508**	**(640)**	**-**	**75 447**
Gains from transactions with financial instruments from external customers	15 063	314 249	44 233	-	-	(2 579)	370 966
Result from transactions with financial instruments	**14 854**	**111 922**	**43 732**	**-**	**-**	**94**	**170 602**
Administrative expenses	**(8 306)**	**(178 639)**	**(13 258)**	**(143)**	**(291)**	**10 231**	**(190 406)**
Gain from purchases	**346**	**-**	**-**	**-**		**-**	**346**
Gain from equity accounted investments in associates	108	421	11 373	-	-	-	11 902
Other financial income/ expense	(5 190)	58 104	(1 398)	(1)	(67)	465	51 913
Profit for allocating insurance batches	-	(42 150)	-	-	-	-	(42 150)
Profit for the period before tax	**13 318**	**94 073**	**13 285**	**330**	**92**	**4 874**	**125 972**
Tax expense	(665)	(9 996)	(29)	(41)	(30)	(33)	(10 794)
Net profit for the year	**12 653**	**84 077**	**13 256**	**289**	**62**	**4 841**	**115 178**

Operating segments 31 December 2012	**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	769 484	6 508 345	816 910	47 052	16 450	(2 294 398)	5 863 843
Equity accounted investments in associates	4 667	16 789	11 552	-	2	95 493	128 503
Total consolidated assets	**774 151**	**6 525 134**	**828 462**	**47 052**	**16 452**	**(2 198 905)**	**5 992 346**
Specialized reserves	**-**	**181 821**	**-**	**-**	**-**	**-**	**181 821**
Liabilities of the segment	345 804	4 498 224	377 521	108	12 990	(885 134)	4 349 513
Total consolidated liabilities	**345 804**	**4 498 224**	**377 521**	**108**	**12 990**	**(885 134)**	**4 349 513**

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:

2013	**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 2013	85 245	96 540	96 083	162 936	125 952	27 099	55 226	81 057	**730 138**
Additions:									
- separately acquired	8 521	36 444	17 926	1 818	2 805	991	1 470	77 990	**147 965**
Disposals									
- separately acquired	(436)	(13 324)	(2 784)	(743)	(3 369)	(150)	(150)	(76 532)	**(97 488)**
- reclassified to investment property	(30 763)	(27 147)	(3 640)	(19 665)	-	-		(9 856)	**(91 071)**
- through business combination	(6)	(504)	(39)	(76)	(157)	-	(8)	-	**(790)**
- assets held for sale (or in disposal group)	-	338	-	-	-	-	-	-	**338**
Balance at 31 December 2013	**62 561**	**92 347**	**107 546**	**144 270**	**125 231**	**27 940**	**56 538**	**72 659**	**689 092**
Depreciation									
Balance at 1 January 2013	-	(28 084)	(78 991)	(35 039)	(55 526)	(24 189)	(27 851)	-	**(249 680)**
Disposals assets held for sale	-	69	-	-	-	-	-	-	**69**
Disposal reclassified to investment property	-	2 760	1 630	1 994	-	-	-		**6 384**
Disposal	-	4 110	1 116	482	3 108	150	73	-	**9 039**
Depreciation	-	(1 399)	(8 700)	(4 337)	(6 297)	(2 512)	(1 318)	-	**(24 563)**
Balance at 31 December 2013	**-**	**(22 544)**	**(84 945)**	**(36 900)**	**(58 715)**	**(26 551)**	**(29 096)**	**-**	**(258 751)**
Carrying amount at 31 December 2013	**62 561**	**69 803**	**22 601**	**107 370**	**66 516**	**1 389**	**27 442**	**72 659**	**430 341**

- for the period ending 31 December 2012

2012	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 2012	117 237	86 228	66 603	164 311	135 713	26 853	47 785	85 373	**730 103**
Additions:									
- through business combinations	1 201	17 947	30 236	128	429	-	4 584	-	**54 525**
- separately acquired	410	22 441	12 623	1 529	4 786	560	3 726	27 406	**73 481**
Disposals									
- through business combinations	-	(5 722)	(5 505)	(17)	-	(314)	-	(4 263)	**(15 821)**
- separately disposed of	(127)	(23 090)	(6 205)	(1 915)	(14 600)	-	(868)	(26 612)	**(73 417)**
- reclassification to investment property	(18 329)	(823)	-	-	-	-	-	(847)	**(19 999)**
- Assets held for sale (or in disposal group)	(15 147)	(441)	(1 669)	(1 100)	(376)	-	(1)	-	**(18 734)**
Balance at 31 December 2012	85 245	96 540	96 083	162 936	125 952	27 099	55 226	81 057	**730 138**
Depreciation and impairment									
Balance at 1 January 2012	-	(25 826)	(51 095)	(30 772)	(52 155)	(21 282)	(25 265)	-	**(206 395)**
Additions through business combinations, net	-	(4 228)	(22 356)	(207)	(384)	-	(909)	-	**(28 084)**
Disposals assets held for sale	-	470	846	89	307	-	-	-	**1 712**
Disposals	-	3 443	2 263	526	4 031	-	192	-	**10 455**
Depreciation and impairment	-	(1 943)	(8 649)	(4 675)	(7 325)	(2 907)	(1 869)	-	**(27 368)**
Balance at 31 December 2012	-	(28 084)	(78 991)	(35 039)	(55 526)	(24 189)	(27 851)	-	**(249 680)**
Carrying amount at 31 December 2012	**85 245**	**68 456**	**17 092**	**127 897**	**70 426**	**2 910**	**27 375**	**81 057**	**480 458**

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 2013	2 114	13 546	51 657	25 111	1 620	94 048
Carrying amount as at 31 December 2012	18 906	30 741	62 550	30 121	1 110	143 428

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, 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 35 668 thousand (2012: BGN 41 800 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 2013	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	5 460	10 748	16 208
Finance charges	(392)	(354)	(746)
Net present values	**5 068**	**10 394**	**15 462**

31 December 2012	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	5 965	16 160	22 125
Finance charges	(548)	(698)	(1 246)
Net present values	**5 417**	**15 462**	**20 879**

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 2013	53 477	131 239	28 597	**213 313**
31 December 2012	62 002	146 841	48 369	**257 212**

Lease payments recognized as an expense during the period amount to BGN 58 319thousands (2012: 63 224 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 18 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 2013 and 2012 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2013 amounted to BGN 17 663 thousand (2012: BGN 17 567 thousand).

In 2013 and 2012, the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Rental income for 2013, amounting to BGN 6 909 thousand (2012: BGN 5 311 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 2013	7 250	13,002	15,024	**35 276**
31 December 2012	4 200	11 361	14 109	**29 670**

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	Buildings	Machines and equipment	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Carrying amount at 1 January 2012	**23 694**	**71 909**	**-**	**95 603**
Additions:				
-through business combinations and reclassifications	4 506	24 966	-	29 472
Reclassification to investment property from Property, plant and equipment (note 8)	18 329	1 670	-	19 999
Gain from changes of the fair value of investment property	-	8 067	-	8 067
Loss from changes of fair value of investment property	-	(141)	-	(141)
Disposals	-	(6 931)	-	(6 931)
Carrying amount at 31 December 2012	**46 529**	**99 540**	**-**	**146 069**
Additions:				
-from improvement expenditure	903	329	-	1 232
-from subsequent expenditure	-	3 666	-	3 666
-from reclassification of Property Plant and Equipment (note 8)	30 763	24 387	29 537	84 687
Gain from change of the fair value of investment property	32	15 231	-	15 263
Loss from change of fair value of investment property	-	(4)	-	(4)
Disposals	(619)	(1 318)	-	(1 937)
Reclassification in Non-current assets as held for sale (note 21)	-	(608)	-	(608)
Carrying amount at 31 December 2013	**77 608**	**141 223**	**29 537**	**248 368**

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 2013, according to a decision of management of the Group assets from property, plant and equipment have been reclassified as investment property in connection with the transfer of the main volume of trade in cereals to other companies. Machinery and equipment, generating rental income are reclassified under "Investment Property"

Investment properties that are pledged as collateral are at the amount of BGN 78 414 thousand (2012: BGN 17 344 thousand).

Revenue from investment properties for the year 2013 amounted to BGN 5 825 thousand (2012: BGN 4 140 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 409 thousand are recognized as "non-financial activities" (2012: BGN 397 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
2012	
Carrying amount at 1 January	42 140
Acquired through business combination	3 615
Derecognized on disposal of a subsidiary	(5 611)
Impairment loss recognized	(728)
Carrying amount at 31 December	**39 416**
2013	
Carrying amount at 1 January	39 416
Derecognized on disposal of a subsidiary	(527)
Impairment loss recognized	(1 123)
Carrying amount at 31 December	**37 766**

For the purpose of annual impairment testing in 2013 the carrying amount of goodwill is allocated to the following cash-generating units:

	2013 BGN'000	2012 BGN'000
Zarneni Hrani Bulgaria AD	11 232	11 408
ZAD Armeec	8 541	8 541
Central Cooperative Bank AD – Skopje	3 937	4 884
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Asenova Krepost AD	2 628	3 155
Plovdivska 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	83	83
Omega Finance OOD	47	47
POAD CCB Sila	46	46
	37 766	**39 416**

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 2013 an impairment of goodwill was performed and are related to Zarneni Hrani Bulgaria AD Central Cooperative Bank AD - Skopje totaling BGN 1 123 thousand. Impairment of goodwill is included within "Expenses of non-financial activities" 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 2013	44 885	8 396	5 517	6 742	1 145	6 031	43 631	906	117 253
Additions:									-
- separately acquired	-	458	1 899			11 048	-	939	14 344
Disposals									
- through business combination		(40)	(113)	(342)			(6 541)		(7 036)
- separately acquired	-	(8)	(31)	-	-	(9 754)	-	(70)	(9 863)
Balance at 31 December 2013	44 885	8 806	7 272	6 400	1 145	7 325	37 090	1 775	115 381
Amortization and impairment									
Balance at 1 January 2013	(20 874)	(4 585)	(5 491)	(1 936)	(52)	-	(12 894)	(695)	(46 527)
Disposals	-	36	77	-	-	-	2 459	19	2 591
Amortization and impairment	(4 299)	(683)	(494)	(413)			(1)	(191)	(6 081)
Balance at 31 December 2013	(25 173)	(5 232)	(5 908)	(2 349)	(52)	-	(10 436)	(867)	(50 017)
Carrying amount at 31 December 2013	**19 712**	**3 574**	**1 364**	**4 051**	**1 093**	**7 325**	**26 654**	**908**	**64 681**

- For the period ended 31 December 2012:

	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 2012	44 885	8 218	7 351	6 742	1 145	3 745	43 631	904	116 621
Additions:									-
- through business combination	-	-	7	-	-	-	-	563	570
- separately acquired	-	186	512	-	-	6 689	-	-	7 548
Disposals									
- separately disposed of	-	(8)	(2 353)	-	-	(4 403)		(722)	(7 486)
Balance at 31 December 2012	44 885	8 396	5 517	6 742	1 145	6 031	43 631	906	117 253
Amortization and impairment									
Balance at 1 January 2012	(16 568)	(3 941)	(5 070)	(1 258)	(52)	-	(8 003)	(508)	(35 400)
Acquired through business combinations, net	-	-	(3)	-	-	-	-	-	(3)
Disposals	-	8	576	-	-	-	-	-	584
Amortization and impairment	(4 306)	(652)	(994)	(678)	-	-	(4 891)	(187)	(11 708)
Balance at 31 December 2012	(20 874)	(4 585)	(5 491)	(1 936)	(52)	-	(12 894)	(695)	(46 527)
Carrying amount at 31 December 2012	**24 011**	**3 811**	**26**	**4 806**	**1 093**	**6 031**	**30 737**	**211**	**70 726**

Established Property Right

Established property rights to the buildings relate to the twenty-six 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 for the terms until 2016, 2020 and 2022 for a total amount of BGN 37 090 thousand (2012 BGN 43 631 thousand). carrying amount of each entitlement is amortized in equal installments 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 2013 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 7 325 thousand (2012: BGN 6 031 thousand).

	2013 BGN'000	2012 BGN'000
Block 1-12 Knezha	7 232	5 954
Block 1-4 Kavarna	-	77
Block 1-17 Ovcha mogila	93	-
	7 325	**6 031**

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. For some of the exploration plots impairment indications were identified. As a result, Exploration and evaluation at the amount of BGN 971 thousand were impaired (2012: BGN 4 403 thousand). These expenses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other expenses".

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	2013 BGN '000	2012 BGN '000
Loans and receivables	13.1	1 244 326	1 058 720
Held-to-maturity financial assets	13.2	146 777	98 068
Financial assets at fair value through profit or loss	13.3	4 427	3 284
Available-for-sale financial assets	13.4	280 867	270 538
		1 676 397	**1 430 610**

13.1. Loans and receivables

Loans and receivables	Note	2013 BGN'000	2012 BGN'000
Long-term bank loans and client advance payments	13.1.1	1 082 265	926 806
Less impairment		(17 116)	(10 801)
		1 065 149	916 005
Other long-term loans	13.1.2	179 177	142 715
		1 242 881	**1 058 720**

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

	2013 BGN'000	2012 BGN'000
Analysis by type of the client:		
Natural persons		
-in BGN	109 742	114 695
-in foreign currency	68 110	18 316
Legal entities		
-in BGN	423 047	380 691
-in foreign currency	481 366	413 104
	1 082 265	**926 806**
Impairment for uncollectibility	(17 116)	(10 801)
Total bank loans granted and client advance payments	**1 065 149**	**916 005**

	2013 BGN'000	2012 BGN'000
Analysis by economic sectors:		
Agriculture and forestry	44 178	39 561
Manufacturing	51 248	52 037
Construction	59 239	49 198
Trade and finance	600 018	519 111
Transport and communications	95 760	77 330
Natural persons	177 852	133 011
Others	53 970	56 558
	1 082 265	926 806
Impairment for uncollectibility	(17 116)	(10 801)
Total bank loans granted and client advance payments	**1 065 149**	**916 005**

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

	2013 BGN'000	2012 BGN'000
Receivables on provided loans	125 783	114 695
Receivables on cession agreements	53 394	28 020
	179 177	**142 715**

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 2014. 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:

	2013 BGN '000	2012 BGN '000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	65 417	50 143
Long-term Bulgarian government bonds	34 500	27 027
Mid-term Macedonian government bonds	26 394	-
Corporate bonds	20 466	20 898
	146 777	**98 068**

Bulgarian securities pledged as collateral
As at 31 December 2013 government bonds, issued by the Bulgarian government at the amount of BGN 87 886 thousand (2012: BGN 47 361 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.

	2013 BGN'000	2012 BGN'000
Capital investments with market value	4 175	3 014
Other	252	270
	4 427	**3 284**

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

	2013 BGN '000	2012 BGN '000
Bulgarian corporate bonds	98 567	108 377
Capital investments with market value	56 053	65 112
Long-term Bulgarian government bonds	14 172	32 860
Investments in shares for not listed companies	46 356	38 505
Mid-term Bulgarian government bonds	27 854	24 278
Foreign corporate bonds	37 865	1 406
	280 867	**270 538**

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 46 356 thousand (2012: BGN 38 505 thousand).

Bulgarian securities pledged as collateral

As at 31 December 2013 government bonds, issued by the Bulgarian government at the amount of BGN 42 476 thousand (2012: BGN 62 852 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 2013 BGN'000	Recognized in equity BGN'000	Recognized in business combination BGN'000	Recognized in profit or loss BGN'000	31 December 2013 BGN'000
Non-current assets					
Property, plant and equipment	14 478	-	(198)	(369)	13 911
Long - term financial assets	(671)	41	-	356	(274)
Investment property	3 379	-	-	1 528	4 907
Others	6 344	-	(6)	(234)	6 104
Current assets					
Trade and other receivables	(1 183)	-	-	424	(759)
Financial assets	4 363	-	-	2 262	6 625
Others	(23)	-	-	5	(18)
Non-current liabilities	-				-
Pension and other employee obligations	(202)	(3)	-	(20)	(225)
Provisions and trade payables	(526)	-	-	(38)	(564)
Current liabilities					
Pension and other employee obligations	(403)	-	1	(49)	(451)
Others	(147)	-	-	(8)	(155)
Unused tax losses	(1 872)	-	-	(903)	(2 775)
	23 537	**38**	**(203)**	**2 954**	**26 326**
Recognized as:					
Deferred tax asset	**(5 027)**				**(5 221)**
Deferred tax liability	**28 564**				**31 547**

Deferred taxes for the comparative period 2011 can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2012 BGN'000	Recognized in equity BGN'000	Recognized in business combination BGN'000	Recognized in profit or loss BGN'000	31 December 2012 BGN'000
Non-current assets					
Property, plant and equipment	14 059	-	1 047	(628)	14 478
Long - term financial assets	(419)	81	-	(333)	(671)
Investment property	2 631	-	-	748	3 379
Others	7	-	-	6 337	6 344
Current assets					
Trade and other receivables	(366)	-	(353)	(464)	(1 183)
Financial assets	4 300	376	-	(313)	4 363
Others	(141)	-	-	118	(23)
Non-current liabilities					
Pension and other employee obligations	(219)	22	(68)	63	(202)
Others	(86)	-	-	(440)	(526)
Current liabilities					-
Pension and other employee obligations	(565)	-	(19)	181	(403)
Others	(140)	-	(1)	(6)	(147)
Unused tax losses	(474)	-	(625)	(773)	(1 872)
	18 587	**479**	**(19)**	**4 490**	**23 537**
Recognized as:					
Deferred tax asset	**(2 410)**				**(5 027)**
Deferred tax liability	**20 997**				**28 564**

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 analyzed as follows:

	2013 BGN'000	2012 BGN'000
Raw materials	13 218	13 608
Production	2 666	4 101
Trading goods	15 280	11 811
Work in progress	992	1 427
Spare Parts	4 968	4 474
Others	31	1 577
	37 155	**36 998**

In 2013 inventories of the Group amounting to BGN 6 766 thousand (2012: BGN 5 484 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	2013 BGN '000	2012 BGN '000
Loans and receivables	16.1	902 886	818 160
Financial assets at fair value through profit or loss	16.2	860 544	714 361
Held-to-maturity financial assets	16.3	156 458	191 281
Held for sale financial assets	16.516.4	27 033	18 808
Receivables on insurance and reinsurance contracts	16.5	56 985	53 098
		2 003 906	**1 795 708**

16.1. Loans and receivables

	Note	2013 BGN '000	2012 BGN '000
Bank loan and client advance payments	16.1.1	564 494	563 985
Less impairment		(16 577)	(22 170)
		547 917	**541 815**
Other short-term loans contracts	16.1.2	311 610	240 954
Receivables on repo purchases	16.1.3	43 359	35 391
		902 886	**818 160**

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:	2013 BGN '000	2012 BGN '000
Natural persons		
-in BGN	57 416	70 047
-in foreign currency	35 635	11 185
Legal entities		
-in BGN	221 337	230 467
-in foreign currency	250 106	252 286
	564 494	**563 985**
Impairment for uncollectibility	(16 577)	(22 170)
Total bank loans and client advance payments	**547 917**	**541 815**

Analysis by economic sectors:	2013 BGN '000	2012 BGN '000
Agriculture and forestry	23 114	24 160
Manufacturing	26 813	31 779
Construction	30 994	30 046
Trade and finance	312 184	315 002
Transport and communications	50 101	47 226
Natural persons	93 051	81 231
Others	28 237	34 541
	564 494	**563 985**
Impairment for uncollectibility	(16 577)	(22 170)
Total bank loans and client advance payments	**547 917**	**541 815**

16.1.2. Contracts for other short-term loans

	2013 BGN '000	2012 BGN '000
Short term loan receivables	242 792	177 530
Receivable on cession agreements	68 818	63 424
	311 610	**240 954**

The short-term loans are granted at annual interest levels between 7% - 14% 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 2013 the Group has signed agreements with a repo clause amounting to BGN 43 359 thousand, including interest receivables. Some of them amounting to BGN 15 489 thousand are secured by a pledge of the Bulgarian government securities of the same value. The rest amounting to BGN 37 870 thousan is secured by a pledge of corporate securities of approximately the same value. The maturity of these agreements is between January and June 2014.
As of 31 December 2012 agreements with repo clause are totaling BGN 35 391 thousand, including interest receivables.

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.

	2013 BGN '000	2012 BGN '000
Bulgarian corporate securities	511 652	431 871
Shares from EU countries	192 072	104 568
Long-term Bulgarian government bonds	37 976	53 713
Mid-term Bulgarian government bonds	13 795	18 882
Short-term Bulgarian government bonds	30 499	13 539
Derivatives, held-for-trade	13 097	12 252
Bank deposits	41 662	76 931
Others	19 791	2 605
	860 544	**714 361**

Bulgarian corporate securities

As at 31 December 2013 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 511 654 thousand (2012: BGN 431 871 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 2013 the Group holds Bulgarian government bonds at the amount of BGN 82 270 thousand (2012: BGN 86 134 thousand).

Derivatives, held-for-trade

As at 31 December 2013 derivatives held-for-trade amounting to BGN 13 097 thousand (2012: 12 252 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 at 31 December 2013 bonds issued by the Bulgarian government in the amount of BGN 35 068 thousand (2012 BGN 33 472 thousand) are pledged as collateral for servicing budget accounts

16.3. Financial assets held-to-maturity

	2013 BGN'000	2012 BGN'000
Short-term Macedonian government securities	89 954	101 412
Short-term Bulgarian government bonds	39 869	54 539
Short-term bonds issued by the National Bank of the Republic of Macedonia	2 572	7 943
Others	24 063	27 387
	156 458	**191 281**

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 2013 the short-term Bulgarian government bonds, amounting BGN 39 869 thousand (2012 BGN 54 539 thousand) are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

16.4. Financial assets available-for-sale

	2013 BGN'000	2012 BGN'000
Short-term Bulgarian government bonds	6 056	13 193
Foreign capital investments	5 391	3 359
Others	15 586	2 256
	27 033	**18 808**

16.5. Receivables on insurance and reinsurance contracts

	2013	2012

	BGN‘000	BGN‘000
Accrued premiums on insurance contracts	55 478	52 042
Transactions under reinsurance contracts	1 378	902
Transactions for co-insurance contracts	129	154
	56 985	**53 098**

17. Trade receivables

	2013 BGN‘000	2012 BGN‘000
Trade receivables, gross	186 834	173 008
Impairment	(5 786)	(9 417)
Trade receivables	**181 048**	**163 591**

The trade receivables as at 31 December 2013 are as follows:

	2013 BGN‘000	2012 BGN‘000
Advances for acquisition of investments	92 056	60 000
Receivables from sale of plastic and other packaging products	8 526	16 834
Receivables from sale of petroleum products	3 609	16 176
Receivables from sale of airline tickets and other aviation services	51 210	15 216
Receivables from sale of cereals	1 043	6 381
Insurance customers	8 311	6 602
Receivables from sale of pharmaceuticals	6 710	3 837
Banking customers	4 743	1 261
Other	4 840	37 284
	181 048	**163 591**

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 1 608 thousand (2012: BGN 12 330 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:

	2013 BGN‘000	2012 BGN‘000
Balance as at 1 January	9 417	575
Written off amounts (uncollectable)	(5 156)	(3 485)
Impairment loss	1 608	12 330
Recovery of impairment loss	(83)	(3)
Balance as at 31 December	**5 786**	**9 417**

18. Tax receivables

	2013 BGN'000	2012 BGN'000
Corporate income tax receivables	800	1 488
VAT receivables	3 252	904
Excise receivables	91	88
Other	203	348
	4 346	**2 828**

19. Other receivables

	2013 BGN'000	2012 BGN'000
Court receivables	62 779	62 400
Short-term deposits and guarantees	10 824	12 785
Prepaid expenses	10 486	11 282
Foreign activity	9 521	9 951
Advance payments	18 378	17 059
Others	123	22 656
	112 111	**136 133**

The major part of court receivables amounting to BGN 60 326 thousand (2012: BGN 62 400 thousand) relate to litigation of the Group against it's 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 8 738 thousand (2012: BGN 10 038 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 totaling BGN 10 486 thousand (2012: BGN 11 282 thousand) represent prepaid advertising costs, rent, insurance, etc.

The balances in foreign operations amounting to BGN 9 521 thousand (2012: BGN 9 951 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:

	2013 BGN'000	2012 BGN'000
Cash at bank and in hand:		
- BGN	766 896	791 429
- EUR	318 250	329 932
- USD	137 954	25 692
- other currencies	94 312	64 967
	1 317 412	**1 212 020**

	2013 BGN'000	2012 BGN'000

Current accounts with the Central Bank	846 391	826 862
Short-term investments	370 752	232 240
Placements with, and advances to, banks	62 329	93 005
Deposits in conformity with the Insurance Code	33 726	50 234
Blocked cash and cash equivalents	4 214	9 679
	1 317 412	**1 212 020**

Restricted cash related to activity other than banking as at 31 December 2013 amounts to BGN 334 thousand (2012: BGN 5 993 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:

	2013 BGN'000	2012 BGN'000
Cash in hand:	136 321	105 500
Term deposits with local banks		
- in BGN	57 585	94 060
- in foreign currency	69 765	63 664
Term deposits with foreign banks in foreign currency	106 458	10 037
Restricted accounts with local banks in BGN	4 071	9 679
Nostro accounts with local banks		
- in BGN	33	12 668
- in foreign currency	30 630	5 263
Nostro accounts with foreign banks in foreign currency	32 432	34 053
Total placements with, and advances to, banks	**437 295**	**334 924**

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:

	2013 BGN'000	2012 BGN'000
Non-current assets		
Property, plant and equipment	44 576	72 827
Investment property	608	-
Assets, classified as held-for-sale	**45 184**	**72 827**

Non-current assets, classified as held-for-sale, at the amount of BGN 37 615 thousand (2012: BGN 39 743 thousand) are granaries (buildings, machines and others) that are not used by the Group and action on their sale is taken.

Non-current assets, classified as held-for-sale, at the amount of BGN 6 610 thousand (2012: BGN 6 509 thousand) are real estate properties, acquired by the banks in the Group in their capacity of mortgage creditors of granted and not serviced debt. Those assets will not be used by the Bank in its business activities, as a result of which the Group takes action on their sale.

Non-current assets classified as held for sale, amounting to BGN 959 thousand (2012: 0 thousand) represent a building "Health Service" and investment property, including a building constituting a restaurant and a restaurant and a dinning room with a carrying amount of BGN 608 thousand, which is located in Asenovgrad, a contract for pre-sale with a contract price of BGN 1 205 thousand was concluded in

December 2013. The result of the deal with the preliminary contract is expected to be a profit of BGN 597 thousand.
On 21 January 2013 the Group has sold its non-current assets, classified as held-for-sale, at the amount of BGN 26 575 thousand, land in Kazan, Russia.

22. Equity
22.1. Share capital

The share capital of Chimimport AD as at 31 December 2013 consists of 150 875 596 (2012: 150 875 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2012: 88 770 671) preferred shares with a par value of BGN 1, including 6 197 175 (2012: 5 962 675) ordinary shares and 5 265 899 (2012: 4 295 449) 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.

	2013 Number of shares	**2012 Number of shares**
Shares issued and fully paid at 1 January:	229 388 143	230 344 603
treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(1 204 950)	(956 460)
Shares issued and fully paid as at period end	**228 183 193**	**229 388 143**

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 875 612 preferred shares to ordinary shares and sale of 1 204 950 preferred and ordinary shares of the Group, from subsidiaries are allocated as follows:

- BGN 28 271 thousand – share premium
- BGN (1 492) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 16 770 thousand – current dividend payables
- BGN (1 226) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 34 851 thousand – non-current dividend payables

- BGN (2 548) 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:

	2013 Number of ordinary and preferred shares	**2013 %**	**2012 Number of ordinary and preferred shares**	**2012 %**
Chimimport Invest AD	111 539 365	73.93%	108 957 067	72.22%
CCB Group EAD	5 160 005	3.42%	5 160 005	3.42%
UniCredit Bank Austria	3 786 253	2.51%	5 208 127	3.45%
EFG EUROBANK ERGASIAS	2 878 750	1.91%	2 878 750	1.91%
The Bank Of New York Mellon	1 796 988	1.19%	452 029	0.30%
Eaton Vance Tax Managed Emerging markets	825 588	0.55%	487 988	0.32%
POK Saglasie AD.	788 972	0.52%	788 972	0.52%
Pireus Bank Bulgaria	687 795	0.46%	-	-
Russell Institutional funds public limited	532 000	0.35%	-	-
Palmer capital emerging Europe Equity	504 088	0.33%	-	-
POAD CCB Sila	483 070	0.32%	255 070	0.17%
ZAD Armeec	463 100	0.31%	463 100	0.31%
Blackrock Frontier Markets Fund	399 270	0.26%	-	-
The Royal bank of Scotland	391 424	0.26%	-	-
Eaton Vance Structured Emerging Markets	329 922	0.22%	329 922	0.22%
Danske invest trans-Balkan fund	292 639	0.19%	695 638	0.46%
DSK FONDS	230 526	0.15%	230 526	0.15%
EURIZON EASYFUND	217 567	0.14%	-	-
EFG Eurobank Clients ACC	203 412	0.13%	272 057	0.18%
Raiffeisen Bank International AG	180 692	0.12%	-	-
Eaton Vance International (Ireland) FU	93 190	0.06%	-	-
Artio International Equity Fund	-	-	5 744 865	3.81%
Consolid Comerce AD	-	-	704 276	0.47%
Other Legal entities	8 564 045	5.68%	10 529 794	6.98%
Other natural persons	10 526 935	6.99%	7 717 410	5.12%
	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	(463 100)	0.31%	(463 100)	0.31%
CCB AD	(91 000)	0.06%	(84 500)	0.06%
POAD CCB Sila	(483 070)	0.32%	(255 070)	0.17%
	(6 197 175)	**4.11%**	**(5 962 675)**	**3.95%**
Net number of shares	**144 678 421**		**144 912 921**	

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

	2013 Number of ordinary	**2013 %**	**2012 Number of ordinary**	**2012 %**
Chimimport Invest AD	182 480 887	76.15%	180 016 589	75.12%
CCB Group EAD	5 160 005	2.15%	8 233 658	3.44%
Unicredit Bank Austria	4 227 404	1.76%	5 750 082	2.40%
ZAD Armeec	3 463 100	1.45%	463 100	0.19%
EFG EUROBANK ERGASIAS	2 878 750	1.20%	272 657	0.11%
POAD CCB SILA	2 719 969	1.13%	1 476 866	0.62%
DSK Funds	2 305 370	0.96%	610 746	0.25%
The Bank of New York Mellon	1 796 988	0.75%	452 029	0.19%
POK Saglasie AD.	943 171	0.39%	1 724 555	0.72%
Pireus Bank Bulgaria	909 135	0.38%	-	-
Eaton Vance Tax-Managed Emerging	825 588	0.34%	-	-
Palmer capital emerging Europe Equity	574 088	0.24%	-	-
Russell Institutional funds public limited	532 000	0.22%	-	-
Blackrock Frontier Markets Fund	399 270	0.17%	-	-
The Royal bank of Scotland	391 424	0.16%	-	-
Eaton Vance Structured Emerging	329 922	0.14%	-	-
Danske invest trans-balkan fund	292 639	0.12%	929 138	0.39%
EURIZON EASYFUND	217 567	0.09%	-	-
EFG Eurobank Clients ACC	203 412	0.08%	-	-
Raiffeisen Bank International AG	180 692	0.08%	-	-
Eaton Vance International (Ireland) FU	93 190	0.04%	-	-
Artio International Equity Fund	-	-	12 093 007	5.05%
Consolid Comerce AD	-	-	704 276	0.29%
ING Pension fund	-	-	244 605	0.10%
Other legal entities	14 824 145	6.19%	12 717 127	5.31%
Other natural persons	13 897 551	5.81%	13 957 832	5.82%
	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%	(8 233 658)	3.44%
ZAD Armeec	(3 463 100)	1.45%	(463 100)	0.19%
CCB AD	(120 000)	0.05%	(84 500)	0.03%
POAD CCB Sila	(2 719 969)	1.13%	(1 476 866)	0.62%
	(11 463 074)	**4.78%**	**(10 258 124)**	**4.28%**
Net number of shares	**228 183 193**		**229 388 143**	

Withholding tax for dividends due from individuals and foreign legal entities, registered in countries that are not members of EU for 2012 and 2013 amounts to 5% and the tax is deducted from the gross amount of dividends.

22.2. Share premium

	2013 BGN'000	2012 BGN'000
Share premium from 2009, 2007 and 2006	257 674	257 674
Change in the begging of the period	(37 662)	(32 031)
Decrease of the reserve of treasury shares by acquired by subsidiaries for the period	(83)	(5 631)
	219 929	**220 012**

In 2013 the share premium changed by BGN 83 thousand (2012: BGN 5 631 thousand) as a result of acquisition of treasury shares of subsidiaries of the Group.

As at 31 December 2013 premium reserve amounts to BGN 219 929 thousand (2012: BGN 220 012 thousand). Premium reserve is formed by the following issues:

- Share premium amounting to BGN 28 256 thousand from the issue of preferred shares in 2009. The share premium is reduced by the portion of the issue expenses, attributable to equity, at the amount of BGN 2 033 thousand. In 2011, the share premium is increased by BGN 16 thousand, related to the converted during the year 16 787 preferred shares.
- Share premium amounting to BGN 199 418 thousand from secondary public offering of shares of the Group in 2007. The premium is reduced by the issue expenses at the amount of BGN 581 thousand.
- Share premium amounting to BGN 32 925 thousand from initial public offering of shares of the Group for the period of 7 September 2006 to 20 September 2006. Share premium of the issue is reduced by the share issue expenses at the amount of BGN 327 thousand.

22.3. Other reserves

As at 31 December 2013 amount of other reserves equals to BGN 91 001 thousand (2012: BGN 80 175 thousand). The increase in 2013 and 2012 is due mainly to the distribution of retained earnings to other reserves.
Other reserves include the revaluation surplus in a defined benefit plan in the amount of BGN 611 thousand to 31.12.2013 (2012: the amount of BGN 632 thousand).

23. Specialized reserves

	Note	2013 BGN'000	2012 BGN'000
Insurance reserves	23.1	202 819	176 966
Pension fund reserves	23.2	6 010	4 855
		208 829	**181 821**

23.1. Insurance reserves and reinsurance assets

Insurance reserves	Note	2013 BGN'000	2012 BGN'000
Premium reserve carried forward	23.1.1	79 428	73 824
Reserve for outstanding payments	23.1.2	98 388	88 832
Reserve for bonuses and discounts	23.1.3	963	953
Additional reserve for filed, but not paid claims	23.1.4	3 107	1 272
Additional reserve for Public liability insurance – motor vehicles	23.1.5	12 990	7 987
Contingency fund	23.1.6	589	545
Mathematical reserve	23.1.7	1 082	627
Unexpired risk reserve		6 272	2 926
		202 819	**176 966**

Reinsurance assets	2013 BGN'000	2012 BGN'000
Reinsurers' share in the premium reserve carried forward	4 546	5 618
Reinsurers' share in the reserve for outstanding payments	13 903	11 371
Reinsurers' share in the reserve for bonuses and discounts	273	398
Reinsurers' share in the shortage reserve according to art. 8a	1 608	58
	20 330	**17 445**

Insurance reserves for 31 December 2013 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 2013 amounts to BGN 79 428 thousand (2012: BGN 73 824 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 83% for Casco insurance, 40% for non-pecuniary damages and 68% 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 2013 and 31 December 2012 the reserve for outstanding payments amounts respectively to BGN 98 388 thousand and BGN 88 832 thousand.

23.1.2.2. Reserve for occurred, but not presented claims

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 2003-2013. The only exception of the method used is the public liability insurance for motorists.

For Public liability insurance for the possession and use of motor vehicle, the reserve for occurred, but not presented claims is calculated by applying the chain-ladder method based on accumulated amounts for paid claims separately for pecuniary and non-pecuniary damages, solely using private data of the Group for paid claims and weighted average coefficients of development based on market data. For non-pecuniary dames, the reserve for occurred, but not presented claims is calculated by applying the chain ladder method based on solely using private data of the Group and weighted average coefficients for development on the basis of market data

The period, used as a basis for calculating the reserve is eleven years – 2003-2012. The above mentioned method is in accordance with Ordinance 27, approved by decision N -209/24.02.2014 of FSC. The reserve is calculated both for compulsory public liability insurance for the possession and use of motor vehicle and the frontier liability insurance, and for the Green card insurance.

When forming the reserve, the data for the claimed damages until 2006 comprise not only the data regarding the Public liability insurance, but also data for Frontier liability insurance and Green card insurance.

The reserve for occurred but not presented claims is calculated separately for the Green card insurance for the period 2007-2013, using the chain-ladder method based on accumulated amounts of the presented claims, using the weighted average development coefficients, for material and non-material damages, solely using private data of the Group. Data refers to the period from 2003 to 2013.

For insurances, on which the Group offers inward reinsurance and a statistic for the damages in the past 3 years is available, the reserve for occurred, but not presented claims is calculated separately for the direct insurances and for the inward reinsurance. In the case of inward reinsurance the presentation of damages in significantly delayed in time, as compared to the presentation of damages in the case of direct insurances and when there is enough data to implement the chain-ladder method separately for the two business types, it's advisable to calculate everything separately. For Aviation Casco and Fire and nature disasters insurances the Group calculates the reserve for occurred, but not presented claims separately – for the direct insurances and for the inward reinsurance.

The Group does not set aside reserve for occurred, but unclaimed damages for the following insurances: "Illness Insurance", "Rail Vehicles Insurance", "Casco of vessels", "Vessel public liability", "Insurance of guarantees" and "Court Expenses insurance", because using the chain-ladder method for calculation of reserve for occurred but unclaimed damages at insurances such as "Casco of vessels", "Vessel public liability", and "Insurance of guarantees" results to BGN 0. No premium income is realized relating to "Illness insurance", "Rail vehicles insurance" and "Court Expenses Insurance".

Basis for the calculation of the reserve is the statistic of the claims included in the information system INSIS for the period 2003-2013.

The reinsurers' part of the reserve for occurred, but not presented claims is calculated under the reinsurance contracts in the year of occurrence of the damage – for the contracts of quota this is the ceding percentage and when mainly facultative contracts are present the reinsurers' share in the reserve for not presented claims is calculated proportionally to the reinsurers' share in the sum of the paid and outstanding amounts for presented claims.

23.1.3. Reserve for bonuses and discounts

The reserve for bonuses and discounts at the amount of BGN 963 thousand (2012: BGN 953 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 2013 and pending at the end of 2013, 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 2013, 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 31.12.2013 amounts to BGN 3 107 thousand (2012 BGM 1 272 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 2013 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 15.91.

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 31.12.2012 amounts to BGN 12 990 thousand (2012 BGN 7 987 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 589 thousand (2011: BGN 545 thousand).

23.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2013 for individual savings policies is 73 policies (2012: 68 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 1 082 thousand (2012: BGN 627 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 31.12.2013 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 260% for "General civil liability" insurance and 62% for insurance "Travel assistance". For the former insurance a reserve for unexpired risks amounting to BGN 5 866 thousand has been set aside, a second reserve amounting to BGN 208 thousand has been set aside, and a third reserve for "Travel assistance" amounts to BGN 198 thousand.

23.2. Pension fund reserves

	2013 BGN'000	2012 BGN'000
Reserves for guaranteeing minimal yield on UPF	5 239	4 192
Reserves for guaranteeing minimal yield on PPF	751	651
Life pension reserve UPF	20	12
	6 010	**4 855**

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		Non-current	
		2013 BGN'000	2012 BGN'000	2013 BGN'000	2012 BGN'000
Financial liabilities measured at amortized cost:					
Liabilities to depositors	24.1	2 633 684	2 254 126	712 690	656 366
Liabilities for dividends	24.2	15 544	15 935	32 303	43 834
Bonds and debenture loan	24.3	4 625	3 755	169 789	146 686
Bank loans	24.4	59 344	58 726	95 287	129 979
Other borrowings	24.5	57 636	59 160	7 813	14 841
Insurance contract liabilities	24.6	15 639	14 980	-	-
Derivatives, held-for-trading	24.7	10 860	8 265	-	-
Deposits from banks	24.8	22 722	36 013	620	2 934
Cession liabilities		16 109	5 209	-	-
Liabilities under repurchase agreements		-	20 143	-	-
Total carrying amount		**2 836 163**	**2 476 312**	**1 018 502**	**994 640**

24.1. Long- and short-term liabilities to depositors

Analysis by term and type of currency:	2013 BGN'000	2012 BGN'000
Demand deposits		
in BGN	552 574	483 449
in foreign currency	182 833	230 860
	735 407	714 309
Term deposits		
in BGN	1 042 318	1 035 879
In foreign currency	1 048 102	973 912
	2 090 420	2 009 791
Savings accounts		
in BGN	339 603	95 576
in foreign currency	152 564	64 814
	492 167	160 390
Other deposits		
in BGN	20 115	17 399
in foreign currency	8 265	8 603
	28 380	26 002
Total liabilities to depositors	**3 346 374**	**2 910 492**

	2013 BGN'000	2012 BGN'000
Individual deposits		
in BGN	1 271 031	1 091 944
in foreign currency	982 655	872 458
	2 253 686	1 964 402
Legal entities deposits		
in BGN	611 320	517 539
in foreign currency	450 595	399 791
	1 061 915	917 330
Deposits of other institutions		
in BGN	20 983	18 439
in foreign currency	9 790	10 321
	30 773	28 760
Total liabilities to other depositors	**3 346 374**	**2 910 492**

24.2. Dividend liabilities

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

	Current			Non-current	
	2013 BGN'000	2012 BGN'000	2	2013 BGN'000	2012 BGN'000
Dividend liabilities	15 544	15 935		32 303	43 834
	15 544	**15 935**		**32 303**	**43 834**

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 2013 and 2012 the Chimimport AD has paid out guaranteed dividend to its preferred shareholders at the amount of BGN 17 736 thousand for each year, respectively or BGN 0.1998 per share.

24.3. Bonds and debenture loans

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

	Current		Non-current	
	2013 BGN'000	2012 BGN'000	2013 BGN'000	2012 BGN'000
Chimimport Holland B.V.	3 442	3 217	142 156	134 951
CCB AD	-	-	15 898	-
Asenova Krepost AD	1 183	538	11 735	11 735
	4 625	**3 755**	**169 789**	**146 686**

Chimimport Holland B.V. – bonds

On 22 August 2008 the Group by its subsidiary Chimimport Holland B.V. has issued *a debenture loan, amounting to EUR 65 million with a 7-year maturity. The loan is with attached coupons bearing a fixed annual interest rate amounting to 7%, as the coupon payments are carried out twice a year, respectively on 22 February and on 22 August. According to the call option in the contract, agreed upon with Chimimport Invest AD, the bonds can be exchanged with ordinary shares of Chimimport AD with par value of BGN 1.00. The redemption of the bonds will be carried out on 22 August 2015 and the price of the redemption will be 118.9% of the total amount of the debenture loan.

According to Condition 8 (c) from the Terms and Conditions of the issued by Chimimport Holland B.V. bonds as at 31 December 2011 and 31 December 2009, each debenture holder has the right to claim the repurchase right for all or a portion of the bonds. The repurchase right could have been exercised on 22 August 2012. On 22 August 2012, none of the repurchase rights were exercised. The next date for exercising the right is 22 August 2015.

The fair value of the bonds as of the issue date is EUR 65 000 thousand. The expenditures that are directly attributable to the issue of the bonds – amounting to EUR 2 737 thousand, are deducted from the value of the principal of the bonds.

The value of the redemption and the respective expenditures, related to the bonds are accounted for on the basis of effective interest rate - 9.787968312%, applied to the principal, amounting to EUR 65 000 thousand. The market value of the bonds and the effective interest rate are calculated based on the method of discounted cash flows. The bonds are valued using the amortized value. In favor of the bond holders 11.6 million ordinary shares of Chimimport AD, owned by the main shareholder "Chimimport Invest" AD, are pledged as collateral.

As at 31 December 2013, the Group's liability to bondholders amounts to BGN 145 598 (2012 BGN 138 168 thousand).

Asenova Krepost AD – debenture loan

On 2 February 2009, the Company has announced a release for bond issue at the amount of BGN 11 735 thousand (EUR 6 million) for 6 000 bonds with nominal value amounting to EUR 1 thousand each. The debenture loan is dated 30 January 2009, maturing on 30 January 2015. Interest payments are made on 30 January and 30 July.

Debenture loan payments are services by the Central Depository. The maturity date of the first principal payment is 30 January 2015.

The interest expense on the debenture loan for the reporting period amounts to BGN 1 291 thousand. Other related expenses, amounting to BGN 114 thousand are included in the consolidated statement of profit or loss and other comprehensive income within 'Interest expense'.

The debenture loan is secured by insurance 'Financial Risk' in favor of the bank trustee Eurobank EFG Bulgaria. The risk exposure amounts to EUR 9 960 thousand, including single risk exposure to a six month coupon interest rate amounting to EUR 330 thousand for each maturity of the interest payment and single exposure of the principal at maturity of the Debenture emission on 30 January 2015 amounting to EUR 6 000 thousand.

The issue costs amounting to BGN 3 thousand are included in the initial valuation of the liability and are deducted from the amount of the financial liability. They are recognized as current finance cost on a straight line basis.

The carrying amount of the bond issue at 31 December 2013 is BGN 12 918 thousand (2012: BGN 12 273 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	
	2013 BGN'000	2012 BGN'000	2013 BGN'000	2012 BGN'000
Bank loans	59 344	58 726	95 287	129 979

24.4.1. Long-term bank loans

	2013 BGN'000	2012 BGN'000
Revolving and investment bank credits	88 215	87 676
Program for special purpose refinancing of commercial banks	7 072	40 937
Other bank loans	-	1 366
	95 287	**129 979**

Investment loans

In 2013 the Group has received the following investment loans as with the following terms and conditions:

- Agreement signed on July 4, 2011 for an amount of BGN 19 558 thousand with final maturity on June 25, 2017 and an interest rate of 7.375%. Payments on the loan are made in euro. The group should make yearly installments of repayment schedule by the end of the contract term. The loan is secured by the deterioration of the financial position of the Group, it should provide additional collateral acceptable to the Bank, within a specified period. The outstanding loan as at 31 December 2013 BGN 18 189 thousand (EUR 9 300 thousand.), Of which BGN 16,820 thousand term portion and BGN 1 369 thousand current portion

- Bank loan agreement dated July 4, 2011 for an amount of BGN 39 117 thousand, with final maturity on June 25, 2017 and the six month interest rate of 7.375%. Payments on the loan are made in euro. The group should make five installments. The loan is secured by a first pledge of all present and future claims under the current account agreement concluded with the Bank - contractor. The outstanding loan as at 31 December 2013 BGN 46 353 thousand (EUR 23 700 thousand.), Of which BGN 16,233 thousand (EUR 8 300 thousand) short-term portion
- The Group loan from a commercial bank under the loan agreement 114 dated June 6, 2006 with a maturity date: April 25, 2016 Interest at the rate of three-month EURIBOR plus 4.50%. Collateral for the loan real estate property - "House of Geologa" - Varna resort St. Constantine and Elena worth BGN 6 293 thousand - owned by Park Build OOD. The currency in which payments are made, is Euro. According to a repayment plan with the Group repaid the loan installments in the amount of BGN 189 thousand (EUR 97 thousand euros). The outstanding loan as at 31 December 2013 amounted to BGN 5 471 thousand (EUR 2 797 thousand), of which long-term portion - BGN 3 206 thousand and short-term portion - BGN 2 265 thousand
- As at 31 December 2013 the Group has received investment credit from commercial bank with maturity date 26 July 2014. The payments are carried out in US dollars and the interest rate is 3-month LIBOR, plus 3.5% premium. The loan is secured with an aircraft BOING 737 – 300. The outstanding balance of the loan as at 31 December 2013 amounts to BGN 1 927 thousand (USD 1 358 thousand), of which short-term portion – BGN 1 927 thousand.
- As at 31 December 2012 the Group has investment credit obligation with maturity date 31 December 2015 at the amount of BGN 1 437 thousand with interest rate – 3-month Libor plus 4 points premium. Payments are carried out in euro. The credit is secured with mortgage on second and third floor of administrative building on Korab Planina street and warranty agreement. The outstanding amount of the credit is as at 31 December 2013 is BGN 599 thousand. (EUR 306 thousand), of which long-term portion is BGN 292 thousand and short-term portion is BGN 307 thousand.
- The Group is party to a contract for an investment bank loan from Bulgarian Development Bank AD, signed on June 21, 2013, maturing on May 22, 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 2013 is BGN 9 439 thousand, including non-current portion - BGN 9 439 thousand.

Revolving Credit

- The revolving loan contract is concluded on 16 March 2011 with maturity date 31 December 2015. The interest rate equals 12-month EURIBOR, plus 7.0% premium. All payments are carried out in euro. According to the repayment schedule, the Group repays the loan by 7 equal payments at the amount of EUR 1 117 thousand each. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary, and mortgage on real estate, owned by a subsidiary. The outstanding amount of the loan as at 31 December 2013 amounts to BGN 10 861 thousand (EUR 5 553 thousand), (31 December 2012 amounts to BGN 15 396 thousand (EUR 7 872 thousand)), of which long-term portion is BGN 4 344 thousand (2012: BGN 8 689 thousand) and short-term portion – BGN 6 517 thousand (2012: BGN 6 707 thousand).
- The Group has concluded three contracts for a revolving credit with commercial banks on 10 November 2006, 16 November 2006 and 29 August 2008 with maturity dates 30 April 2015, 28 August 2017 and 28 August 2017 respectively. The interest rate on those three loans is 6-month EURIBOR plus 0.875% premium. Payments shall be made in euro. The outstanding amount of

the loans at 31 December 2013 amounts to BGN 6 808 thousand (EUR 3 481 thousand), of which long-term portion is BGN 4 974 thousand (2012: BGN 6 814 thousand) and short-term portion is BGN 1 834 thousand (2012 BGN 2 513 thousand). Discount on bank loans is BGN 522 thousand, of which BGN 346 thousand is long-term portion and BGN 176 thousand is short-term portion.

Program for special purpose refinancing of commercial banks

As of 31 December 2013 the Group has reflected a liability at Bulgarian Development Bank amounting to BGN 7 072 thousand, including interest obligations resulting from agreements concluded in 2013 contract assignment. The final date for payment of the debt is in April 2015

As at 31 December 2013 the Group has the following credit obligations: program for targeted refinancing of commercial banks amounting to BGN 40 937 thousand.

- on a program for refinancing of commercial banks for the medium and long-term investment and project financing for technical improvement, adoption of new technologies, know-how, increase competitiveness and export potential projects under the EU structural funds and short-term pre-export financing small and medium enterprises registered under the Commercial Law
- under a program to provide targeted credit lines to commercial banks for financing farmers.

24.4.2. Short-term bank loans

	2013 BGN'000	2012 BGN'000
Short-term portion of revolving and investment bank credits	16 314	15 617
Short-term revolving and investment bank credits	43 030	41 192
Other	-	1 917
	59 344	**58 726**

Investment Loans

Liabilities of the Group as at 31 December 2013 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 2014 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 is granted an investment loan under a contract amounting to BGN 10 million, dated 28 January 2008, with maturity date 25 March 2017. The interest rate equals to 1-month SOFIBOR, plus 6% premium. Payments are carried out in Bulgarian leva. The loan is secured with mortgages on real estate, pledge in machines, plant and equipment, and with pledge on tangible fixed assets under the Law on registered pledges;
- In 2007 he Group has concluded 2 bank revolving credits which will be in force until 20 September 2013 at total amount of BGN 18 195, with interest rates as follows: 1-month SOFIBOR plus 3 points premium and 1-month SOFIBOR plus 3.5 points premium. Repayments under both agreements are carried out in Bulgarian leva. The agreements are secured with mortgages on real estate property, machines and equipment under the Law on registered pledges, as well as pledges on inventory and future receivables. The outstanding amount of the credits as at 31 December 2013 is BGN 16 200 thousand. Discount on credits amounts to BGN 72 thousand.

As of 31 December 2013 the loans are overdue. At the date of preparation of the financial statements is signed to take credit obligations between the Group and the bank - lender. In the month of January 2014 the Group's debt (principal, interest, fees, commissions and expenses) under the two contracts is fully repaid

- On 12 May 2009 the Group has concluded an overdraft agreement at the amount of EUR 6 135 thousand. The loan is classified as short-term because the Group is entitled to receive and return the funds allocated to the limit during the financial year. As at 31.12.2012 the utilized amount is BGN 8 865 thousand (2012: BGN 8 867 thousand). The loan repayments are carried out in euro. The interest rate on the overdraft is 3-month EURIBOR, plus 7 points premium, but not less than 8.51%. The contract is secured by Group's assets – a hangar, pledged rental receivables according to signed operating lease contract with Lufthansa Technik Sofia OOD, pledged assets of the related party Aviation company Hemus Air EAD and a warranty of the related party Bulgarian Airways Group EAD. The outstanding balance of the loan as at 31 December 2013 amounts to BGN 8 865 thousand (EUR 4 533 thousand);
- Three contracts for bank loans have been concluded with Commercial bank for working capital. The maturities are 31.03.2014, 28.06.2014 and 01.02.2021, respectively. The utilized amount and the amount due as at 31.12.2012 amounts to BGN 759 thousand (2011 BGN 505 thousand). The annual interest rate under the agreement is within 6.5% - 8.00% on the utilized amount. The carrying amount of the assets pledged as a security is presented in note 15.

24.5. Other borrowings

	Current		Non-current	
	2013 BGN'000	2012 BGN'000	2013 BGN'000	2012 BGN'000
Other borrowings	57 636	59 160	7 813	14 841

24.5.1. Other non-current borrowings

	2013 BGN'000	2012 BGN'000
Financing from State Agricultural Fund	157	668
Long term borrowings	7 656	14 173
	7 813	**14 841**

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

	2013 BGN'000	2012 BGN'000
Current borrowings	57 636	59 160
	57 636	**59 160**

Other current borrowings are received under annual interest rates from 8% to 12% 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

	2013 BGN'000	2012 BGN'000
Insurance liabilities	8 717	7 799
Reinsurance liabilities	5 281	5 957
Transactions with Guarantee fund	1 640	1 206
Other	1	18
	15 639	**14 980**

24.7. Derivatives, held-for-trading

As at 31 December 2013 derivatives, held-for-trading, amounting to BGN 10 860 thousand (2012: BGN 8 265 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	
	2013 BGN'000	2012 BGN'000	2013 BGN'000	2012 BGN'000
Demand deposits – local banks				
-in Bulgarian leva	2 439	1 537		-
-in foreign currency	430	793		-
Demand deposits from foreign banks in foreign currency	789	6		-
Term deposits from local banks in Bulgarian leva	-	17 995		-
Term deposits from foreign banks in foreign currency	19 064	15 682	620	2 934
	22 722	**36 013**	**620**	**2 934**

25. Liabilities to insured individuals

	2013	2012

	BGN'000	BGN'000
Attracted funds in a voluntary pension fund	59 824	54 697
Attracted funds in a professional pension fund	75 232	65 158
Attracted funds in a universal pension fund	524 750	420 093
	659 806	**539 948**

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2013 amounts to BGN 659 806 thousand. The increase compared to the liabilities as at 31 December 2012, amounts to BGN 119 858 as a result of proceeds and positive return on investment of the insured individuals, realized in 2013 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:

	2013 BGN'000	2012 BGN'000
Beginning of the period	**539 948**	**424 466**
Received pension contributions	89 387	79 027
Amounts received from pension funds, managed by other Pension Insurance Companies	41 220	22 506
Total increase of pension contributions	**130 607**	**101 533**
Positive/ (negative) income from investment of funds	32 530	42 150
Result from investment of funds	**32 530**	**42 150**
Paid off pensions	(105)	(109)
One-time paid pensions to insured individuals	(3 839)	(3 448)
Funds for disbursement of funds to heirs of insured individuals	(773)	(576)
Amounts paid to the National Revenue Agency	(1 234)	(640)
Amounts paid under social security contracts	**(5 951)**	**(4 773)**
Amounts, paid to insured individuals, transferred to other pension funds	(27 168)	(14 753)
Amounts paid to state budget	(91)	(98)
Transferred amount to pension reserve	(8)	(5)
Entrance fee	(5)	(5)
Service fee	(167)	(166)
9% yield fee	(359)	(355)
5% service fee	(4 177)	(3 650)
1% investment fee	(5 343)	(4 282)
Transfer fee	-	(105)
Withdrawal fee	(10)	(9)
End of the period	**659 806**	**539 948**

The net assets available for income are distributed as follows:

	2013 BGN'000	2012 BGN'000
Individual accounts	658 838	539 023
Reserve for minimal return	968	925
Net assets available for income	**659 806**	**539 948**

26. Trade payables

	Current		Non-current	
	2013	2012	2013	2012
	BGN'000	BGN'000	BGN'000	BGN'000
Trade payables	123 428	109 895	16 043	21 337

26.1. Non-current trade payables

	2013	2012
	BGN'000	BGN'000
Public liabilities	16 024	21 318
Other	19	19
	16 043	**21 337**

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

Public payables

Noncurrent liabilities in the amount of BGN 16 024 thousand (2012: BGN 21 318 thousand) represent the carrying value of the liability for taxes and other public liabilities, calculated using the effective interest method. According to an agreement from 21 July 2009 liabilities of the Group are deferred to 20 July 2017 and accordingly deferred for the first 3 years. The principal obligation is in the amount of BGN 17 998 thousand Effective annual interest rate is set at 10.44%, taking into account the terms of the agreement and other factors that could have an influence. The currency in which the payments will be made is BGN.

26.2. Current trade payables

	2013	2012
	BGN'000	BGN'000
Trade payables aviation activity	65 914	58 116
Trade payables manufacturing	5 255	8 350
Trade payables river transportation	6 605	8 052
Trade payables insurance	4 385	6 064
Trade payables bank activity	4 406	3 824
Trade payables pharmaceuticals	3 010	2 747
Other	33 748	22 742
	123 323	**109 895**

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:

	2013	2012
	BGN'000	BGN'000

Wages expense	(90 215)	(89 973)
Social security costs	(15 613)	(15 351)
Employee benefits expense	**(105 828)**	**(105 324)**

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:

	2013 BGN'000	2012 BGN'000
Non-current:		
Pension provisions	2 254	2 019
Non-current pension and other employee obligations	**2 254**	**2 019**
Current:		
Employee benefits obligations	9 439	9 669
Payables to social security institutions	3 001	2 889
Pension provisions	388	374
Current pension and other employee obligations	**12 828**	**12 932**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2014.

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

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

	2013 BGN'000	2012 BGN'000
Pension provisions, beginning of period	2 393	2 436
Expenses for current service	469	351
Interest expenses	94	109
Adjustments - actuarial (gains) / losses from changes in demographic assumptions and financial assumptions	24	(235)
Benefits paid	(335)	(268)
Pension provisions, end of period	**2 642**	**2 393**

28. Tax liabilities

Tax liabilities include:

	2013 BGN'000	2012 BGN'000
Corporate income tax	5 815	3 378
Excise duty on imports	150	90
Other tax liabilities	3 553	5 299

	9 518	**8 767**

29. Other liabilities

Other liabilities can be summarized as follows:

	Current		Non-current	
	2013 BGN'000	**2012 BGN'000**	**2013 BGN'000**	**2012 BGN'000**
Other liabilities	90 501	89 394	1 288	3 276

29.1. Other non-current liabilities

	2013 BGN'000	2012 BGN'000
Innovation contract	1 252	1 790
Trans-European Transport Network financing	-	1 173
Other	36	313
	1 288	**3 276**

As at 31 December 2013 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.

The group has an obligation to provide bank guarantee at the amount of EUR 640 thousand (BGN 1 252 thousand) under contract № 80800BBG-A-0191, dated 24 July 2009 in order to limit the financial risk associated with the pre-financing payment. Pledged as a security for the guarantee are Groups'machines, presented in note 8.

29.2. Other current liabilities

	2013 BGN'000	2012 BGN'000
Pledges	33 374	36 726
Tickets sold	25 371	24 177
Advances from customers	9 410	6 843
Liabilities under concessionary remunerations	3 167	1 980
Penalties	2 012	-
Other	17 167	19 668
	90 501	**89 394**

Substantial part of guarantees amounting to BGN 30 649 thousand (2012: BGN 30 649) represent liabilities from received guarantee deposit formed by contract for the sale of fixed assets with Cetisime Trade EOOD. The Group has received guarantees in the amount of BGN 1 816 thousand (2012: BGN 2 225 thousand) contracts for the leasing of aircraft leasing of other airlines.

Liabilities on tickets sold amounting to BGN 25 371 thousand (2012: BGN 24 177 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 analyzed as follows:

	2013 BGN'000	2012 BGN'000
Income from sale of plane tickets	288 318	265 760
Income from services rendered	72 276	65 469
Income from sale of trading goods	67 262	64 272
Income from sale of finished goods	50 674	46 991
Other	41 281	42 760
	519 811	**485 252**

31. Expenses for non-financial activities

	2013 BGN'000	2012 BGN'000
Hired service expense	(209 141)	(205 803)
Cost of materials	(143 777)	(158 447)
Carrying amount of goods sold	(47 850)	(42 569)
Employee expense	(35 589)	(35 921)
Depreciation, amortization and impairment of non-financial assets	(16 819)	(25 662)
Change in the stock from work in progress	(379)	482
Other Expenses	(1 943)	(15 329)
	(455 498)	**(483 249)**

Independent audit fees for 2013 amount to BGN 137 thousand (2012: BGN 137 thousand).

32. Gain from sale of non-current assets

	2013 BGN'000	2012 BGN'000
Proceeds from sale of non-current assets	44 521	48 815
Carrying amount of non-current assets sold	(37 366)	(24 515)
	7 155	**24 300**

33. Insurance income

	2013 BGN'000	2012 BGN'000
Insurance premium income	174 704	166 528
Income from released insurance reserves	176 106	154 510
Income from reinsurance operations	29 204	24 198
Regression income	7 288	7 235
Other insurance income	149	467
	387 451	**352 938**

33.1. Income from insurance premiums

	2013 BGN'000	2013 %	2012 BGN '000	2012 %
Casco	92 987	53.23%	85 220	51.17%
Motor public liability insurance	55 638	31.85%	52 415	31.48%
Fire and natural calamities	9 770	5.59%	10 031	6.02%
Travel Assistance	3 090	1.77%	2 987	1.79%
Accidents	2 803	1.60%	3 753	2.25%
General liability	2 246	1.29%	2 703	1.62%
Property damage	1 605	0.92%	1 461	0.88%
Casco of aircrafts	1 367	0.78%	2 340	1.41%
Life and annuity	1 070	0.61%	942	0.57%
Additional insurance	940	0.54%	892	0.54%
IT related to aircraft	788	0.45%	1 783	1.07%
Casco of vessels	611	0.35%	177	0.11%
Insurance guarantees	575	0.33%	486	0.29%
Freight transport	477	0.27%	528	0.32%
Loans and leases	357	0.20%	214	0.13%
Other financial losses	221	0.13%	40	0.02%
Hospital care	134	0.08%	123	0.07%
IT related to vessels	25	0.01%	15	0.01%
Improve health and prevent disease	-	-	120	0.07%
Reimbursement of expenses	-	-	105	0.06%
Dental care	-	-	84	0.05%
Outpatient medical care	-	-	80	0.05%
Additional services related to domestic disabilities	-	-	29	0.02%
	174 704	**100.00%**	**166 528**	**100.00%**

34. Insurance expenses

	2013 BGN '000	2012 BGN '000
Expenses for insurance reserves set aside	(202 279)	(178 744)
Indemnities paid off	(80 754)	(79 538)
Reinsurance expenses	(32 151)	(33 330)
Acquisition expenses	(35 411)	(33 670)
Liquidation of damages expenses	(3 336)	(2 853)
Other insurance expenses	(12 049)	(10 714)
	(365 980)	**(338 849)**

34.1. Indemnities paid off

During 2013 and 2012 the following indemnities, classified by group of insurance, have been paid off:

	2013 Indemnities paid off BGN'000	2013 Share %	2012 Indemnities paid off BGN'000	2012 Share %
Casco	(54 180)	67.09%	(54 899)	69.02%
Motor public liability insurance	(18 093)	22.41%	(16 079)	20.22%
Fire and natural calamities	(4 134)	5.12%	(3 032)	3.81%
Casco of aircrafts	(1 280)	1.58%	(497)	0.62%
Travel assistance	(958)	1.19%	(888)	1.12%
Accident	(496)	0.61%	(1 102)	1.39%
General public liability insurance	(460)	0.57%	(1 658)	2.08%
Property damage	(370)	0.46%	(432)	0.54%
Life insurance	(315)	0.39%	(619)	0.78%
Additional insurance	(147)	0.18%	-	
Freight transport	(135)	0.17%	(3)	0.00%
Casco of vessels	(91)	0.11%	(67)	0.08%
Loans and leases	(78)	0.10%	(18)	0.02%
IT connected with aircraft	(10)	0.01%	(27)	0.03%
Health services	(7)	0.01%	(205)	0.26%
Other financial losses	-	-	(12)	0.02%
	(80 754)	**100.00%**	**(79 538)**	**100.00%**

35. Interest income

	2013 BGN'000	2012 BGN'000
Interest income by types of sources:		
Legal entities	162 582	153 926
Government securities	32 985	27 735
Banks	8 526	16 828
Individuals	30 474	32 292
Other	535	3 779
	235 102	**234 560**

36. Interest expense

	2013 BGN'000	2012 BGN'000
Interest expense by depositors:		
Legal entities	(55 393)	(45 284)
Individuals	(78 032)	(84 768)
Banks	(8 095)	(28 437)
Other	(595)	(624)
	(142 115)	**(159 113)**

37. Gains from transactions with financial instruments and investments

	2013 BGN'000	2012 BGN'000
Revaluation of financial instruments	388 189	294 921
Gains from transactions with securities and investments	26 757	68 859
Income from financial instruments dividends	4 396	3 435
Other	-	3 751
	419 342	**370 966**

38. Losses from transactions with financial instruments and investments

	2013 BGN'000	2012 BGN'000
Revaluation of financial instruments	(339 490)	(188 709)
Losses from transactions with securities and investments	(7 247)	(11 172)
Other	(2)	(483)
	(346 739)	**(200 364)**

39. Administrative expense

	2013 BGN'000	2012 BGN'000
Employee benefits expense	(70 239)	(69 403)
Hired services expense	(66 316)	(61 168)
Depreciation and amortization	(33 943)	(25 460)
Cost of materials	(6 676)	(7 126)
Other	(35 193)	(27 249)
	(212 367)	**(190 406)**

40. Gain from acquisitions

From the concluded in 2013 business combinations, the Group has recognized gain at the amount of BGN 724 thousand, related to the following entities:

	2013 BGN'000	2012 BGN'000
Alfa Airport Service OOD	724	-
Asela AD	-	183
Bessa Tour AD	-	135
AK Plastik OOD	-	28
	724	**346**

41. Other financial income

	2013 BGN'000	2012 BGN'000
Revenue from fees and commissions, net	45 389	41 688
Net result from foreign exchange differences	3 146	4 195
Other	17 139	6 030
	65 674	**51 913**

41.1. Revenue from fees and commissions

	2013 BGN'000	2012 BGN'000
Bank transfers in Bulgaria and abroad	21 942	18 941
Servicing deposit accounts	10 696	5 746
Servicing loans	1 864	5 844
Servicing commitments and contingencies	1 240	1 359
Other fees and commissions income, different from banks	10 359	8 673
Other income	7 247	8 231
Total Revenue from fees and commissions	**53 348**	**48 794**

41.2. Fees and commissions expense

	2013 BGN'000	2012 BGN'000
Bank transfers in Bulgaria and abroad	(5 375)	(3 125)
Servicing accounts	(1 125)	(296)
Release of precious parcels	(203)	(208)
Transactions with securities	(73)	(407)
Other fees and commissions expenses, different from banks	(427)	(2 535)
Other expenses	(756)	(535)
Total fees and commissions expenses	**(7 959)**	**(7 106)**

42. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2012: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2013 BGN'000	2012 BGN'000
Profit before tax	109 134	125 972
Tax rate	10%	10%
Expected tax expense	**(10 913)**	**(12 597)**
Net effect of the decrease of the financial result	4 590	6 293
Current tax expense	**(6 323)**	**(6 304)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	(2 954)	(4 490)
Tax expenses	**(9 277)**	**(10 794)**
Deferred tax expense recognized in other comprehensive income	(38)	(479)

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

43. Earnings per share

43.1. 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 2013	31 December 2012
Profit attributable to the shareholders of the Group (BGN)	86 892 000	104 099 000
Weighted average number of outstanding shares	150 875 596	145 607 982
Basic earnings per share (BGN per share)	**0.5759**	**0.7149**

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 2013	31 December 2012
Net profit, attributable to shareholders of the Group, adjusted with dividend expense (BGN)	92 688 000	110 883 200
Weighted average number of shares	229 436 069	230 205 369
Diluted earnings per share (BGN per share)	**0.4040**	**0.4817**

44. Related party transactions

The Group's related parties include its owners, associates and key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions. Outstanding balances are usually settled by bank transfers, in cash or set off.

44.1. Transactions with owners

Sale of goods and services, interest income and other income	**2013**	**2012**
	BGN'000	**BGN'000**
- interest income		
Chimimport Invest AD	11 302	13 317
Purchase of services, interest expense and other expenses		
- purchase of services		
Chimimport Invest AD	-	(10)
- interest expense	(3)	-

44.2. Transactions with associates and other related parties under common control

Sale of goods and services, interest income and other income	**2013**	**2012**
	BGN'000	**BGN'000**
- sale of work in progress		
Kavarna Gas OOD	1 021	1 326
Chimsnab Trade OOD	484	433
Fraport TSAM AD		-
- sale of finished goods		
Fraport TSAM AD	1 265	1 267
VTC AD	285	254
Aviation Company Hemus Air EAD	114	-
Chimsnab Trade OOD	1	23
Other	2	21
- sale of services		
Lufthansa Technik Sofia OOD	2 841	2 840
CCB Lider DF	537	506
CCB Aktiv DF	433	410
Aviation Company Hemus Air EAD	67	385
Balcan Tours OOD	54	50
Neochim AD	48	-
CCB Garant VF	22	13
Consortium Energoproekt – Royal Haskoning	-	103
Other	78	74
- interest income		
Aviation Company Hemus Air EAD	8 362	8 351
Konor GmbH	833	90
Niko Commerce EAD	587	714
Varna Ferry OOD	88	49
Fraport TSAM AD	20	467

Sale of goods and services, interest income and other income	2013	2012
	BGN'000	BGN'000
Lufthansa Technik Sofia OOD	-	85
MCar OOD	-	33
Other	234	139
- other income		
Aviation Company Hemus Air EAD	966	960
Bulgaria On Air OOD	648	-
Lufthansa Technik Sofia OOD	462	2 065
Other	52	40
Purchases of services and interest expense		
-purchases of services		
Lufthansa Technik Sofia OOD	(8 316)	(6 813)
Fraport TSAM AD	(6 103)	(4 097)
Aviation Company Hemus Air EAD	(2 603)	(5 450)
Alfa Airport services	(1 566)	-
Bulgaria On Air OOD	(1 097)	-
Swissport Bulgaria AD	(774)	-
Varna Ferry OOD	(121)	-
Other	(35)	(38)
-interest expense		
Niko Comers AD	(132)	-
CCB Cyprus	(62)	(227)
Fraport TSAM AD	(36)	(304)
Dobrichki panair AD	(35)	(39)
Amadeus Bulgaria OOD	(18)	(20)
Invest Capital EAD	(7)	(8)
PIC Saglasie AD	-	(70)
CHPB Texim AD	-	(64)
Other	(99)	(97)

44.3. Transactions with key management personnel

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

	2013	2012
	BGN'000	BGN'000
Short-term employee benefits:		
Salaries, including bonuses	(2 411)	(570)
Social security costs	(28)	(28)
Group car allowance	(6)	(9)
Total short-term benefits	**(2 445)**	**(607)**

45. Related party balances at year-end

	2013 BGN‘000	2012 BGN‘000
Non-current receivables from:		
- owners		
Chimimport Invest AD	2 200	2 300
	2 200	**2 300**
- associates		
Lufthansa Technik Sofia OOD	2 959	3 042
Varna Ferry OOD	1 993	-
	4 952	**3 042**
- other related parties		
PFK Cherno More AD	1 564	
Aviation Company Hemus Air EAD	99	8 078
Other	-	1 459
	1 663	**9 537**
Total non-current receivables from related parties	**8 815**	**14 879**

	2013 BGN’00	2012 BGN’000
Current receivables from:		
- owners		
Chimimport Invest AD	141 649	126 536
	141 649	**126 536**
- associates		
Kavarna Gas OOD	629	592
Lufthansa Technik Sofia OOD	355	900
Fraport TSAM AD	151	91
VTC AD	1	-
PIC Saglasie Co.Ltd.	-	1
Holding Nov Vek AD	-	1
	1 136	**1 585**
- other related parties		
Aviation Company Hemus Air EAD	115 178	86 530
Konor GmbH	9 828	9 356
Niko Comers OOD	7 784	8 889
Consortium Energoproekt – Royal Haskoning	1 415	1 414
Via Intercar 2007	364	-
PFC Cherno More AD	143	-
M Car OOD	58	1
Chimsnab Trade OOD	37	56
Other	213	4 741
	135 020	**110 987**
Total current receivables from related parties:	**277 805**	**239 108**

	2013 BGN‘000	2012 BGN‘000
Non-current payables to:		
-owners		
Chimimport Invest AD	2	157
- associates		
Fraport TSAM AD	1 719	2 039
VTC AD	1 491	1 383
Nuance BG AD	162	162
Amadeus Bulgaria OOD	127	135
Kavarna Gaz OOD	6	6
Lufthansa Technik Sofia OOD	1	15
	3 506	**3 740**
- other related parties		
M Car OOD	164	80
Varna Cars OOD	62	-
Capital Invest EAD	21	17
Chimsnab Trade OOD	20	27
Invest Capital EAD	3	1
Aviation Company Hemus Air EAD	1	58
Other	344	73
	615	**256**
Total non-current payables to related parties:	**4 123**	**4 153**

Current payables to:	2013 BGN’000	2012 BGN’000
-owners		
Chiminvest Institute	1	494
Chimimport Invest AD	12 593	9 482
	12 594	**9 976**
-associates		
Fraport TSAM AD	7 176	17 305
Lufthansa Technik Sofia OOD	3 140	2 675
VTC AD	1 490	645
Alfa Airport Services OOD	988	-
Dobrichki panair AD	986	951
Amadeus Bulgaria OOD	478	401
Swissport Bulgaria AD	445	-
Nuance BG AD	126	338
Kavarna Gaz OOD	-	62
	14 829	**22 377**
- other related parties		
Consortium Energoproekt – Royal Haskoning	1 900	1 900
Niko Comers AD	1 827	-
Invest Capital EAD	242	252
M Car OOD	202	437
Capital Invest EAD	8	39
Chimsnab Trade OOD	4	-
Varna Cars OOD	-	143
Aviation Company Hemus Air EAD	-	39
Other	2 028	1 796
	6 211	**4 606**
Total current payables to related parties:	**33 634**	**36 959**

46. Contingent assets and liabilities and other commitments

As at 31 December 2013 and 2012, 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:

	2013 BGN'000	2012 BGN'000
Bank guarantees in: BGN	33 636	27 510
Bank guarantees in: foreign currency	30 678	50 331
• Irrevocable commitments	108 698	78 806
• Other contingent liabilities	241	95
Total contingent liabilities	**173 253**	**156 742**

The Group is a counterparty to bank guarantees issued under contract dated with DSK Bank EAD, secured by mortgage on the building "House of geologist" located in resort St. Constantine and Elena, owned by Park Build Ltd.:

- Bank guarantee in favor of Immorent Bulgartransgaz at the amount of EUR 141 thousand;
- Bank guarantee in favor of the Ministry of Economy, Energy and Tourism at the amount of up to BGN 86 thousand and BGN 98 thousand.
- Bank guarantees in favor of the Ministry of Transport of up to BGN 449 thousand and BGN 160 thousand.

Other bank guarantees issued by DKS Bank EAD are as follows:

- For the sum of EUR 50 000, guaranteeing the activities of environmental protection and reclamation of damaged as a result of geological terrains activities in Block 1-12 Knezha, Bulgarian land. The bank guarantee is valid until 30.06.2015;
- For the amount of 18 thousand guaranteeing the execution of the work program of the Group for the first year under the Contract for prospecting and exploration of crude oil and natural gas in Block 1-12 Knezha, Bulgarian land. In connection with the expiration of validity of the bank guarantee, issued by the "DSK Bank" EAD a new bank guarantee for the amount EUR 44 000, guaranteeing the execution of the work program of the Group for the third year of the term of the prospecting and exploration of crude oil and natural gas in Block 1-12 Republic, Bulgarian land has been issued.

The Group is party to bank guarantees issued by UniCredit Bulbank totaling BGN 427 thousand The guarantees are valid until 30.11.2030.

At 31 December 2013 the Group has issued a guarantee from "Eurobank EFG Bulgaria" AD amounting to BGN 2 600 thousand Levs in favor of the Customs Agency valid until 5 April 2015

In connection with the contract for the concession of "port terminal Lom" - part of the public transport of port Lom, the Group should maintain a bank guarantee in the amount of:

- bank guarantee for good performance to guarantee the investment program for the first investment year in the amount of BGN 160 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.

The Company maintains a counter bank guarantee in the amount of BGN 44 thousand to a bank guarantee for the implementation of an investment program for the first investment year.

Commitments

At the date of preparation of the consolidated financial statements, the Group has assumed the following commitments:

- Concession Agreement for Port Terminal - Balchik: Investment Program in the amount no less than BGN 3 475 thousand
- Contract for the concession of port terminal "Lesport" for a period of 30 years from 3 May 2006: Investment Program; - For the entire period - amounting to no less than BGN 129,010 thousand
- Contract for the concession of port terminal "Lesport" port terminal "Port Terminal Nikopol" for a period of 35 years.
- Concession contract "Lom Port Terminal" for a period of 35 years. Investment program for the first contract year in terms of investment commitments amounted to BGN 1 602 thousand
- As of 31 December 2013 a commitment to the provision of port services in a port for public transport with regional importance - Port "Pristis" for a period of not more than 5 years is effective. The Group undertakes to implement an annual traffic for each year of the contract period as follows: 1 510 Ship visits and 23 050 passengers. As of 31 December 2013 annual traffic was carried as follows: 1 074 ship visits and 32 139 passengers.
- According to signed concession contracts for crude oil and natural gas the Group is obligated to make concession payments (concession fee) every six months based on the realized crude oil and natural gas. Accumulated concession fee for 2013 amounts to BGN 2 496 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**	**2013 BGN '000**	**2012 BGN '000**
Financial assets held to maturity	16.3, 13.2		
- debentures		**303 235**	**289 349**
Financial assets available for sale:	16.4, 13.4		
- Securities and debentures		**307 900**	**289 346**
Financial assets held for trading (carried at fair value through profit or loss):	16.2, 13.3		
- Non-derivative financial assets securities and debentures		851 874	705 393
- Derivatives		13 097	12 252
		864 971	**717 645**
Loans and receivables			
- Trade and other receivables	17, 19	264 295	271 383
- Receivables on insurance and reinsurance contracts		56 985	53 098
- Receivables on loans provided		2 147 212	1 876 880
- Receivables from related parties	46	286 620	253 988
- Cash and cash equivalents	20	1 317 412	1 212 020
		4 072 524	**3 667 369**
		5 548 630	**4 963 709**

Financial liabilities, measured at mortised cost:			
Non-current:			
- liabilities to depositors	24.1	3 346 374	2 910 492
- loans	24.3, 24.4, 24.5	394 494	413 147
- dividend obligations	24.2	47 847	59 769
- bank deposits	24.8	23 342	38 947
- cession payables		16 109	5 209
- insurance contracts payables	24.6	15 639	14 980
- obligations under repo agreements		-	20 143
- finance lease obligations	9.1	15 462	20 879
- trade and other payables	26, 29	221 634	217 059
- related parties payables	46	37 757	41 112
		4 118 658	**3 741 737**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	24.7	**10 860**	**8 265**
		4 129 518	**3 750 002**

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 24. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 49.

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 analyze 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 2013	**Profit**	**Equity**	**Solvency limit**	**Coverage coefficient**	**Δ of the coverage coefficient**
	BGN '000	**BGN '000**	**BGN '000**	%	%
Current capital position	443	60 215	27 100	222%	
Return on investments (+2%)	7 263	67 035	27 100	247%	25%
Return on investments (-1.5%)	3 082	62 854	27 100	232%	10%
Increase of the expenses quota (+10%)	(3 550)	56 222	27 100	207%	(15%)
Increase of the damages (+10%)	(4 325)	55 447	27 100	205%	(18%)

Simulations as at 31 December 2012	**Profit**	**Equity**	**Solvency limit**	**Coverage coefficient**	**Δ of the coverage coefficient**
	BGN '000	**BGN '000**	**BGN '000**	%	%
Current capital position	205	58 319	25 750	226%	
Return on investments (+2%)	13 938	72 052	25 750	280%	53%
Return on investments (-1.5%)	9 983	68 097	25 750	264%	38%
Increase of the expenses quota (+10%)	(3 848)	54 265	25 750	211%	(16%)
Increase of the damages (+10%)	(4 823)	53 291	25 750	207%	(20%)

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 or damages.

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 or damages.

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 analyzes the credit rating of the respective reinsurer. Only the ones with high credit rating are being chosen. The Group periodically analyzes 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	**2013 Damages, quota, gross %**	**2013 Damages, quota, net %**	**2012 Damages, quota, gross %**	**2012 Damages, quota, net %**
Accident insurance	51%	52%	23%	23%
Including obligatory accident insurance of the passengers in the public transport	2%	2%	3%	4%
Illness	0%	0%	0%	0%
Casco	65%	66%	67%	68%
Insurance of rail vehicles	0%	0%	0%	0%
Casco of aircrafts	141%	30%	4%	360%
Casco of vessels	21%	(9%)	49%	68%
Cargo insurance during transportation	27%	20%	4%	0%
Fire and natural calamities insurance	14%	14%	70%	58%
Property damage insurance	24%	28%	30%	33%
Insurance associated with the ownership and usage of motor vehicles, including:	46%	40%	44%	42%
Third-party vehicle insurance	42%	36%	44%	42%
“Green Card” insurance	439%	405%	46%	48%
Third-party boarder insurance	14%	14%	4%	4%
Third-party carrier insurance	27%	27%	53%	41%
Third-party aviation insurance	0%	35%	1%	13%
Third party vessels insurance	6%	10%	(86%)	(13%)
General third-party insurance	38%	46%	39 603%	(1 012%)
Credit insurance	32%	32%	7%	7%
Guarantees insurance	0%	0%	0%	0%
Insurance against financial losses	53%	53%	0%	0%
Insurance against legal expenses	0%	0%	0%	0%
Travel assistance	41%	41%	39%	39%
Total:	**54%**	**53%**	**57%**	**59%**

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

Type of insurance	BGN	Number	Average indemnity 2013	Average indemnity 2012	Average indemnity 2011	Average indemnity 2010
Accident insurance	702 361	1 522	461	764	519	967
Casco	54 286 153	72 479	749	767	760	735
Casco of aircrafts	1 287 890	15	85 859	57 053	162 113	14 077
Casco of vessels	91 176	11	8 289	17 934	15 402	12 199
Cargo insurance during transportation	135 256	52	2 601	469	1 190	414
Fire and Natural calamities insurance	4 223 814	1 583	2 668	1 364	965	1 476
Property damage insurance	377 899	47	8 040	7 957	8 526	9 433
Insurance associated with the ownership and usage of motor vehicles, including:	18 102 046	8 079	2 241	2 235	2 180	2 291
Third-party aviation insurance	10 256	5	2 051	10 645	5 222	-
Third party vessels insurance	-	-	-	-	36 270	14 200
General third-party insurance	460 188	36	12 783	23 774	12 997	14 572
Credit insurance	78 033	8	9 754	9 754	40 511	78 899
Guarantees insurance	-	-	-	-	161	-
Insurance against financial losses	-	-	-	7 758	7 350	13 152
Travel assistance	959 162	1 320	727	717	983	836
Total:	**80 714 234**	**85 157**	**948**	**949**	**960**	**935**

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

	2013 BGN '000	2012 BGN '000	2011 BGN '000	2010 BGN '000	2009 BGN '000	2008 BGN '000	Total BGN '000
At the end of the period	48 106	53 652	42 426	48 100	42 465	34 034	268 782
1 year later	-	21 692	18 447	18 664	16 751	20 079	95 633
2 years later	-	-	4 275	4 033	3 311	3 021	14 640
3 years later	-	-	-	1 282	3 083	1 651	6 016
4 years later	-	-	-	-	2 539	1 325	3 864
5 years later	-	-	-	-	-	1 057	1 057
Cumulative payments, current	48 106	75 344	65 148	72 079	68 148	61 167	389 992
General assessment of the indemnities	79 165	86 502	70 512	75 625	69 347	61 167	442 317
Payments:							
Assessment:	31 059	11 158	5 364	3 546	1 198	-	52 325
Actual	50 000	25 281	11 371	4 844	3 205	1 973	96 675

The presented table shows that the reserves for unsettled payments are adequate as at the end of 2013.

48.1.3. Solvency limit

As at the end of 2013 the defined solvency limit is in accordance with the respective legal requirements:

	2013 BGN '000
Equity, less intangible assets	**55 282**
Share capital	33 019
Reserves and funds	46 104
Revaluation reserve	(18 908)
Deductions	
Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21	(410)
Intangible assets	(4 523)
Solvency limit	**27 100**
Surplus	**28 182**

	2012 BGN '000
Equity, less intangible assets	**52 717**
Share capital	15 019
Reserves and funds	63 444
Revaluation reserve	(20 144)
Deductions	
Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21	(410)
Intangible assets	(5 192)
Solvency limit	**26 597**
Surplus	**26 120**

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 subsidiary's assets and liabilities, denominated in Macedonian dinars, which is the functional currency of the subsidiary. As a result of this, these positions do not expose the Group to foreign currency risk.

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2013 is as follows:

	BGN	EUR	USD	Other	Total
	'000	'000	'000	'000	'000
Financial assets					
Placements with, and advances to, banks	31 075	159 876	8 256	63 612	262 819
Receivables under repurchase agreements	47 695	969	-	-	48 664
Financial asset held-for-trading	97 491	21 415	10 822	2 311	132 039
Loans and advances to customers, net	928 568	756 123	89 074	87 087	1 860 852
Available-for-sale financial assets	40 916	153 891	11 430	8 959	215 196
Held-to-maturity financial assets	69 837	90 415	-	123 299	283 551
Total assets	**1 215 582**	**1 182 689**	**119 582**	**285 268**	**2 803 121**
Financial liabilities					
Deposits from banks	4 541	13 445	2 272	448	20 706
Bank loans	7 072	-	-	739	7 811
Liabilities to other depositors	2 038 970	1 074 740	180 406	187 320	3 481 436
Other attracted funds	290	-	-	778	1 068
Subordinated liabilities	-	69 897	-	-	69 897
Total liabilities	**2 050 873**	**1 158 082**	**182 678**	**189 285**	**3 580 918**
Net position	**(835 291)**	**24 607**	**(63 096)**	**95 983**	**(777 797)**

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2012 is as follows:

	BGN	EUR	USD	Other	Total
	'000	'000	'000	'000	'000
Financial assets					
Placements with, and advances to, banks	28 217	83 694	23 673	36 916	172 500
Receivables under repurchase agreements	42 866	21 110	-	-	63 976
Financial asset held-for-trading	72 148	12 214	8 621	3 423	96 406
Financial assets at fair value	-	-	-	1 446	1 446
Loans and advances to customers, net	834 277	611 731	141 314	64 777	1 652 099
Available-for-sale financial assets	48 976	152 385	47	3 876	205 284
Held-to-maturity financial assets	58 991	93 507	-	117 176	269 674
Total assets	**1 085 475**	**974 641**	**173 655**	**227 614**	**2 461 385**
Financial liabilities					
Deposits from banks	19 532	14 195	1 724	562	36 013
Bank loans	40 937	-	-	1 213	42 150
Liabilities to other depositors	1 729 888	993 179	163 082	186 211	3 072 360
Other attracted funds	1 000	-	-	778	1 778
Subordinated liabilities	45 023	-	-	-	45 023
Total liabilities	1 836 380	1 007 374	164 806	188 764	3 197 324
Net position	**(750 905)**	**(32 733)**	**8 849**	**38 850**	**(735 939)**

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 2013, 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 + / - 7.64%, 3-month SOFIBOR, amounting to + / - 9.23% and a floating rate based on 3-month EURIBOR, up to + / - 8.29%, 6-month-EURIBOR, amounting to + / - 5.37%, 12 - month EURIBOR, amounting to + / - 5.32%, 3-month LIBOR, amounting to + / - 7.20% 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 2013	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	(9)	9	(9)	9
3M SOFIBOR	(2)	2	(2)	2
3M EURIBOR	(11)	11	(11)	11
6M EURIBOR	(3)	3	(3)	3
12M EURIBOR	(6)	6	(6)	6
3M LIBOR	(2)	2	(2)	2

31 December 2012	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	(119)	119	(119)	119
3M SOFIBOR	(17)	17	(17)	17
1M EURIBOR	(21)	21	(21)	21
3M EURIBOR	(26)	26	(26)	26
12M EURIBOR	(33)	33	(33)	33

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 2013 is negative, amounting to BGN 882 743 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 31.49%.

	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	243,648	15,427	710	3,034	-	262,819
Receivables under repurchase agreements	11,469	17,246	19,949	-	-	48,664
Financial assets held-for-trade	-	10,167	31,387	3,811	9,556	54,921
Financial assets at fair value	-	-	-	-	-	-
Loans and advances to customers, net	230,142	112,380	384,846	779,257	354,227	1,860,852
Financial assets held-for-trade	524	2,865	5,523	152,899	25,557	187,368
Financial assets held-to-maturity	2,887	63,916	69,971	112,277	34,500	283,551
Interest-bearing assets	488,670	222,001	512,386	1,051,278	423,840	2,698,175
Interest-bearing liabilities						
Deposits from banks	12,254	8,452	-	-	-	20,706
Bank loans	90	-	168	7,328	225	7,811
Liabilities to other depositors	1,395,128	406,819	995,761	678,738	4,990	3,481,436
Other attracted funds	17	34	82	157	778	1,068
Shares Issues	-	-	-	-	69,897	69,897
Interest-bearing liabilities	1,407,489	415,305	996,011	686,223	75,890	3,580,918
Imbalance between interest bearing assets and liabilities, net	**(918,819)**	**(193,304)**	**(483,625)**	**365,055**	**347,950**	**(882,743)**

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 2013, over the net interest income, assuming an increase of 2% (2012: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 809 thousand (2012:BGN 1 690 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2012 is negative, amounting to BGN 821 264 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 33.42%.

	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	161 915	7 583	3 002	-	-	172 500
Receivables under repurchase agreements	37 671	12 860	13 445	-	-	63 976
Financial assets held-for-trade	-	-	12	37 303	5	37 320
Loans and advances to customers, net	523	923	-	-	-	1 446
Financial assets held-for-trade	218,203	98 639	372 350	625 198	337 709	1 652 099
Financial assets held-to-maturity	893	9 510	943	119 251	47 670	178 267
Total interest-bearing assets	84 796	84 343	2 576	70 932	27 027	269 674
Interest-bearing assets	**504 001**	**213 858**	**392 328**	**852 684**	**412 411**	**2 375 282**
Interest-bearing liabilities						
Deposits from banks	31 787	2 416	1 182	628	-	36 013
Bank loans	162	98	288	5 453	36 149	42 150
Liabilities under repurchase agreements	-	-	-	-	-	-
Liabilities to other depositors	1 222 810	434 451	805 254	602 059	7 786	3 072 360
Other attracted funds	52	40	240	668	778	1 778
Total interest-bearing liabilities	-	-	-	-	45 023	45 023
Interest-bearing liabilities	**1 254 811**	**437 005**	**806 964**	**608 808**	**89 736**	**3 197 324**
Imbalance between interest bearing assets and liabilities, net	**(750 810)**	**(223 147)**	**(414 636)**	**243 876**	**322 675**	**(822 042)**

48.4. Other price risk sensitivity

A threat for the Group is the decrease of the market prices of its equity instruments, held-for-trade, which will lead to a decrease of the net profit. The Group does not possess significant exposure to derivative instruments, based on the equity instruments and indices. The carrying amount of equity instruments and investments in mutual funds, which are from financial assets held- for-trade portfolio, exposures to risk amounts to BGN 63 279 thousand (2012: 46 092 thousand).

48.5. Credit risk sensitivity

Group's policy regarding other than banking activities

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2013 BGN'000	2012 BGN'000
Financial assets – carrying amounts:		
Non-current financial assets	1 676 397	1 430 610
Related parties receivables	8 815	14 879
Current financial assets	2 003 906	1 795 708
Related parties receivables	277 805	239 108
Cash and cash equivalents	1 317 412	1 212 020
Trade and other receivables	264 295	271 384
Carrying amount	**5 548 630**	**4 963 709**

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

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

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

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

Group's policy regarding banking activities

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, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 974 682 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 262 952 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 2013 the lump sum of this risk amounts to BGN 56 010 thousand. As at 31 December 2013 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 133 thousand.

The receivables under repurchase agreements, amounting to BGN 48 664 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 13 964 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 33 175 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 132 039 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 28 632 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 28 632 thousand. As at 31 December 2013 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 280 thousand.

The debentures at the amount of BGN 86 321 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 100 523 thousand, bear credit risk, whose maximum exposure is 100% or BGN 100 523 thousand .

The debentures held to maturity and issued by the Republic of Bulgaria in the amount of BGN 139 787 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 2 572 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 116 348 thousand do not carry credit risk as they are guaranteed by the Macedonian state. The debentures held to maturity and issued by the Russian Federation in the amount of BGN 4 379 thousand do not carry credit risk as they are guaranteed by the Russian Federation.

The debt instruments held-to-maturity and issued by foreign trade company, amounting to BGN 20 465 thousand carry credit risk to the Group, whose maximum exposure in percentage is one hundred percent or BGN 20 465 thousand

Loans and advances to customers with a carrying value of BGN 1 894 564 thousand carry credit risk for the Group. To determine the amount of exposure of the Group to this risk, an analysis of individual risk for the Group arising from each particular exposure , the Group applies the criteria for assessment and classification of risk exposures , compliance with the banking legislation of the Republic of Bulgaria , the Republic of Macedonia and Russian Federation. According to these criteria and performed analysis of the Group 's maximum exposure to credit risk amounts to BGN 1 570 972 thousand In order to minimize the credit risk in the lending process detailed procedures for the analysis of the economic viability of each project, the types of collateral acceptable to the Group's control over the use of allocations and administration associated with this activity, are applied. The Group maintains respect to total capital ratio above the statutory requirements, mainly as a response to concentration risk.

The adoption and control over the limits for credit risk restrict concentrations of risk exposures by geographic regions, industries, business segments and groups of loans, common risk bearers. The Group has adopted a methodology for calculating the allowance for impairment of loans and advances to customers based on the requirements of the banking legislation, respectively, in the Republic of Bulgaria, the Republic of Macedonia and the Russian Federation, which do not differ substantially. As of 31 December 2013 the amount of formed by the provisions for losses on impairment of loans and advances amounts to BGN 33 712 thousand.

Quality of the credit portfolio

Classes of financial assets as at 31 December 2013:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Group**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Regular	1 802 568	95.14	3 059	107 854	64 314	100	22
Monitored	25 927	1.37	1 514	533	-		-
Not serviced	18 687	0.99	3 637	184	-		-
Loss	47 382	2.50	25 502	149	-		-
Total	1 894 564	100	33 712	108 720	64 314	100	22

Classes of financial assets as at 31 December 2012:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Group**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Regular	1 587 047	94.01	3360	78 049	77 876	100	59
Monitored	29 333	1.74	2 346	488	-	-	-
Not serviced	21 085	1.25	3 370	167	-	-	-
Loss	50 710	3.00	27 000	125	-	-	-
Total	**1 688 175**	**100**	**36 076**	**78 829**	**77 876**	**100**	**59**

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

Name of the group	**31 December 2013**			**31 December 2012**		
	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	1 344 261	70.95	48 664	1 138 551	67.44	63 796
Outstanding but not impaired	425 513	22.46	-	452 331	26.79	-
Impaired on individual base	124 790	6.59	-	97 293	5.76	-
Total	1 894 564	100	48 664	1 688 175	100	63 796
Set-aside provisions	(33 712)		-	(36 076)		-
Net loans	**1 860 852**		**48 664**	**1 652 099**		**63 796**

As at 31 December 2013 and 2012 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:

	2013 BGN '000	2012 BGN'000
Individuals		
Credit cards and overdrafts	22 102	22 024
Consumer loans	94 670	108 831
Mortgage loans	40 565	44 677
Corporate clients	1 186 924	969 278
Total		
Individuals	**1 344 261**	**1 144 810**

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.

	2013 BGN '000	2012 BGN'000
Individuals		
Credit cards and overdrafts	8 152	10 508
Consumer loans	15 577	17 737
Mortgage loans	20 234	24 420
Corporate clients	381 550	399 666
Total	**425 513**	**452 331**

The book value of the loans, with accrued provision on an individual basis as at 31 December 2013 and 2012 is BGN 51 230 thousand and BGN 56 280 thousand. These amounts do not include cash flows from the collaterals of these loans.

2013	**Book value before impairment**	**Book value before impairment**	**Book value before impairment**	**Total highly liquid collateral**
	BGN '000	BGN '000	BGN '000	BGN '000
Credit cards and overdrafts	245	78	2 184	-
Consumer loans	7 405	3 781	8 528	5 078
Mortgage loans	1 046	147	6 361	9 882
Corporate clients	2,543	1 274	17 638	21 358
Total	**11 239**	**5 280**	**34 711**	**36 318**

2012	**Book value before impairment**	**Book value before impairment**	**Book value before impairment**	**Total highly liquid collateral**
	BGN '000	BGN '000	BGN '000	BGN '000
Credit cards and overdrafts	2 103	759	4 584	-
Consumer loans	7 233	4 124	6 415	5 668
Mortgage loans	73	434	5 074	6 982
Corporate clients	4 768	393	20 320	22 809
Total	**14 177**	**5 710**	**36 393**	**35 459**

The net exposure to the ten largest loans and advances to clients is presented in the table below:

Client	Contracted limit	Net exposure as at 31 December 2013	Client	Contracted limit	Net exposure as at 31 December 2012
Company 1	75 008	80 112	Company 1	73 464	74 894
Company 2	75 916	77 810	Company 2	60 000	60 310
Company 3	65 850	65 864	Company 3	48 636	49 014
Company 4	68 255	60 385	Company 4	55 249	47 294
Company 5	71 697	49 444	Company 5	45 047	45 377
Company 6	48 070	49 273	Company 6	56 197	42 990
Company 7	42 246	44 096	Company 7	37 835	37 974
Company 8	39 420	39 576	Company 8	37 253	36 656
Company 9	52 844	37 699	Company 9	34 412	32 156
Company 10	58 969	36 611	Company 10	33 771	33 907
Total	**598 275**	**540 870**		**481 864**	**460 572**

The total net exposure for 2013 and 2012 represents 29.07 % and 27.88%, respectively, from the Group's loans and advances from clients.

The following table presents the Group's portfolio by type of collateral:

	2013 BGN '000	2012 BGN '000
Secured with cash and government securities	125 781	115 103
Mortgage	599 152	514 013
Other collateral	992 335	897 179
No collateral	177 296	161 880
Expenses for provisions of impairment losses	(33 712)	(36 076)
Total	**1 860 852**	**1 652 099**

Business segment, classification group and delays of payments as at 31 December 2013:

Segment	Amount			Delay of payment				
	Group	Number of transactions	Debt	Principal	Interest	Court receivables	Provisions	Unutilized engagement
Trade	Regular	75 777	241 892	481	196	-	2 751	37 486
	Monitored	3 296	15 369	467	268	-	912	508
	Not serviced	1 540	10 118	778	418	-	1 950	183
	Loss	3 703	20 121	2 212	1 215	9 964	14 159	134
Total		**84 316**	**287 500**	**3 938**	**2 097**	**9 964**	**19 772**	**38 311**
Corporate	Regular	1 297	1 443 214	2 301	2 412	-	307	70 298
	Monitored	98	10 558	65	101	-	602	24
	Not serviced	54	7 004	335	194	-	906	2
	Loss	225	27 261	3 617	1 425	17 200	12 125	15
Total		1 674	**1 488 03**7	6 318	4 132	17 200	13 940	70 339
Budget	Regular	9	119 027	-	92	-	-	49
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		9	119 027	-	92	-	-	49
	Total portfolio	**85 999**	**1 894 564**	**10 256**	**6 321**	**27 164**	**33 712**	**108 699**

Business segment, classification group and delays of payments as at 31 December 2012:

Segment	Amount Group	Number of transactions	Debt	Delay of payment Principal	Interest	Court receivables	Provisions	Unutilized engagement
Trade	Regular	72 037	214 842	530	343	0	2 719	35 042
	Monitored	3 695	17 250	549	318	6	986	443
	Not serviced	1 706	13 883	1 274	552	0	2 468	149
	Loss	3 824	18 115	3 543	1 633	5 616	11 898	117
Total		81 262	264 090	5 896	2 846	5 622	18 071	35 751
Corporate	Regular	1 337	1 328 495	14 511	3 268	0	128	42 937
	Monitored	121	12 082	386	97	0	1 359	45
	Not serviced	66	7 202	478	267	0	120	18
	Loss	275	32 594	7 223	2 282	19 050	16 398	8
Total		1 799	1 380 373	22 598	5 914	19 050	18 005	43 008
Budget	Regular	7	43 712	-	14	-	-	47
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		7	43 712	-	14	-	-	47
	Total portfolio	83 068	1 688 175	28 494	8 774	24 672	36 076	78 806

48.6. 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 2013 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 months BGN'000	From 1 to 5 years BGN'000	Within 12 months BGN'000
Dividend payables	15 544	32 303	-
Bank and other loans	121 605	198 530	74 359
Related parties payables	33 634	4 123	-
Financial lease payables	5 068	10 394	-
Trade and other payables	2 903 317	702 279	28 362
Total	**3 079 168**	**947 629**	**102 721**

As at 31 December 2012 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 months	From 1 to 5 years	Within 12 months
	BGN'000	BGN'000	BGN'000
Dividend payables	15 935	43 834	-
Bank and other loans	121 641	247 955	43 551
Related parties payables	36 959	4 153	-
Financial lease payables	5 417	15 462	-
Trade and other payables	2 507 318	615 694	7 676
Total	**2 687 270**	**927 098**	**51 227**

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 16 383 thousand (2012: BGN 20 456 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 they cover about 25% 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 they cover about 7% of the total assets. Bonds issued by the Republic of Bulgaria and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about 5% of the Group's assets. Maintaining over 35% 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 2013, 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	12 254	8 452	-	-	-	20 706
Credits from banks	90		168	7 328	225	7 811
Liabilities to other depositors	1 395 855	406 819	995 761	678 011	4 990	3 481 436
Other borrowed funds	17	34	82	157	778	1 068
Issued bonds	-	-	-	-	69 897	69 897
Other liabilities	19 017	-	-	-	-	19 017
Financial liabilities	1 427 233	415 305	996 011	685 496	75 890	3 599 935

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities. Most of them – above 40% 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 2012, 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	35 528	485	-	-	-	36 013
Credits from banks	162	98	288	5 453	36 149	42 150
Liabilities to other depositors	1 222 811	434 451	805 253	602 059	7 786	3 072 360
Other borrowed funds	52	40	240	668	778	1 778
Subordinated liabilities	-	-	-	-	45 023	45 023
Other liabilities	19 634	-	-	-	-	19 634
Financial liabilities	1 278 187	435 074	805 781	608 180	89 736	3 216 958

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

Set out below is a comparison of the carrying amounts and fair values of financial instruments at the end of the presented reporting periods

Financial assets	**31 December 2013**	
	Fair value	**Carrying amount**
	BGN'000	**BGN'000**
Financial assets at fair value through profit or loss	608 175	608 175
	608 175	**608 175**

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels 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.

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement

31 December 2013	Note	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Assets					
Financial assets held for trading	a)	339 936	40 341	4 680	384 957
Financial assets available for sale:	b)	151 938	-	71 280	223 218
Total		**491 874**	**40 341**	**75 960**	**608 175**
Liabilities					
Derivatives	a)	**-**	10 860	**-**	**10 860**
Total		**-**	**10 860**	**-**	**10 860**

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

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 2013:

31 December 2013	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property:				
Land, building, machines and equipment	-	-	248 368	248 368

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 fair value of the investment properties are estimated using an income approach. The land, buildings, machines and equipment are revaluated on 31.12.2013.

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 2013	146 069
Gains recognised in profit or loss	
- increase in fair value of investment property	15 288
Acquisitions and reclassifications	89 556
Disposals and reclassifications	(2 545)
Balance at 31 December 2013	**248 368**
Total amount included in Income from non-financial activities	15 259

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:

	2013 BGN '000	2012 BGN '000
Shareholders' equity	1 538 031	1 461 012
Equity	**1 538 031**	**1 461 012**
Debt	4 855 347	4 349 513
- Cash and cash equivalents	(1 317 412)	(1 212 020)
Net debt	**3 537 935**	**3 137 493**
Capital to net debt	**1:2.3**	**1:2.15**

The increase in ratio during 2013 is primarily a result of the increase in the Group's net debt due to its bank and other activities. The Group has honored 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.

52. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 (including comparatives) were approved by the Managing board on 30 April 2014.