

Annual Consolidated Activity Report of the Group of CHIMIMPORT AD, Sofia for 2012

The following Annual Consolidated Activity Report presents comments and analysis of the financial reports and other substantial information regarding the financial statement and results from the activity for the period 1 January 2012 – 31 December 2012.

It has been prepared in accordance with Article 33, Paragraph 1 from the Accountancy Act; Article 100n, Paragraph 7 from the Public Offering of Securities Act and Appendix No. 10 to Article 32, Paragraph 1, Section 2, Article 35, Paragraph 1, Section 2, Article 41, Paragraph 1, Section 2.

Chimimport AD is a public joint-stock company with a registered office at 2 Stefan Karadja Str., Sofia, Bulgaria.

Managing bodies: General Meeting of the Shareholders, Supervisory Board and Managing Board.

1 Members of the Supervisory Board:

1. Chimimport Invest AD – Represented by Martin Mitev;
2. CCB Group EAD, represented by Miroljub Ivanov;
3. Mariana Bazhdarova.

2 Members of the Managing Board:

1. Alexander Kerezov
2. Ivo Georgiev
3. Marin Mitev
4. Nicola Mishev
5. Miroljub Ivanov
6. Tzvetan Botev

The Company is represented by its executive directors Ivo Kamenov and Martin Mitev together and separately.

The shares of Chimimport AD are listed on the Bulgarian Stock Exchange – Sofia AD.

Share capital: The Company's share capital amounts to BGN 239 646 267 reduced with treasury shares /ordinary and preferred/, sale, (acquired) by subsidiaries to 229 388 143.

Number of shares issued: The share capital of Chimimport AD as at 31 December 2012 consists of 150 857 596 (2011: 150 857 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2011: 88 770 671) preferred shares with a par value of BGN 1, including 5 962 675 (2011: 5 170 175) ordinary shares and 4 295 449 (2011: 4 131 489) preferred shares, acquired by companies of Chimimport Group. 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.



| | 2012 | 2011 |
|--|--------------------|--------------------|
| Shares issued and fully paid: | | |
| - beginning of the year | 230 344 603 | 229 758 894 |
| - reduction of preferred shares due to conversion into ordinary shares during the year | - | (16 787) |
| - increase in ordinary shares due to conversion of preferred shares into ordinary shares during the year | - | 16 787 |
| - treasury shares /ordinary and preferred/, sale, (acquired) by subsidiaries during the year | (956 460) | 585 709 |
| Shares issued and fully paid as at period end | 229 388 143 | 230 344 603 |

Share premium

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 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 8 348 thousand – current dividend payables
- BGN 70 008 thousand – non-current dividend payables
- BGN 3 391 thousand – share issue expenses

Dividend payables and share premium, resulting from the conversion of 875 612 preferred shares and the acquisition of 956 460 shares of the Group by subsidiaries, are allocated as follows:

- BGN 28 272 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 (835) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 46 147 thousand – non-current dividend payables
BGN (2 313) thousand – reduction of non-current dividend payables due to treasury shares acquired by subsidiaries



| | 2012 BGN'000 | 2011 BGN'000 |
|---|-----------------|-----------------|
| Share premium from 2009, 2007 and 2006 | 257 674 | 257 674 |
| Change in the begging of the period | (32 031) | (37 913) |
| Increase/ (Decrease) of the reserve of treasury shares by acquired by subsidiaries for the period | (5 631) | 5 882 |
| | 220 012 | 225 643 |

In 2012 the share premium changed by BGN (5 631) thousand (2011: BGN 5 882 thousand) as a result of acquisition of treasury shares of subsidiaries of the Group.

As at 31 December 2012 premium reserve amounts to BGN 220 012 thousand (2011: BGN 225 643 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.

The Group of Chimimport AD is engaged in the following business activities:

The main business activity of the Group consists of:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies, in which interest is held;
- Bank services, finances, insurance and social security;
- Securitization of real estate and receivables;
- Extraction of oil and natural gas;
- Creation of facilities in the area of oil industry, production of bio fuel and production of rubber products;
- Production and trade with oil and chemical products;
- Production of vegetable oil, purchase, processing and trade with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transportation and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehousing services



The subsidiaries included in the consolidation are as follows:

| Name of the subsidiary | Country of incorporation | Main activities | 31.12.2012 % | 31.12.2011 % |
|--|---------------------------------|--------------------------------|-------------------------|-------------------------|
| Central Cooperative Bank AD | Bulgaria | Finance | 81.56% | 77.12% |
| Central Cooperative Bank AD – Skopje | Macedonia | Finance | 71.24% | 78.78% |
| TAT Investbank OAO | Russia | Finance | 49.16% | - |
| CCB Group EAD | Bulgaria | Finance | 100.00% | 100.00% |
| CCB Assets Management EOOD | Bulgaria | Finance | 81.56% | 77.12% |
| ZAD Armeec | Bulgaria | Finance | 85.35% | 87.19% |
| ZAED CCB Life | Bulgaria | Finance | 100.00% | 100.00% |
| ZOK CCB Health EAD | Bulgaria | Finance | 100.00% | 100.00% |
| POAD CCB Sila | Bulgaria | Finance | 46.75% | 46.75% |
| DPF CCB Sila | Bulgaria | Finance | 46.75% | 46.75% |
| UPF CCB Sila | Bulgaria | Finance | 46.75% | 46.75% |
| PPF CCB Sila | Bulgaria | Finance | 46.75% | 46.75% |
| Chimimport Holland B.V. | The Netherlands | Finance | 100.00% | 100.00% |
| Chimimport Group EAD | Bulgaria | Production, Trade and Services | - | 100.00% |
| Zarneni Hrani Bulgaria AD | Bulgaria | Production, Trade and Services | 66.67% | 59.77% |
| Oil and Gas Exploration and Production AD | Bulgaria | Production, Trade and Services | 38.24% | 51.88% |
| Bulgarska Petrolna Rafinieria EOOD | Bulgaria | Production, Trade and Services | 38.24% | 51.88% |
| Slanchevi Iachi Provadia EOOD | Bulgaria | Production, Trade and Services | 66.67% | 59.77% |
| Asenova Krepost AD | Bulgaria | Production, Trade and Services | 54.75% | - |
| PDNG Service EOOD | Bulgaria | Production, Trade and Services | 38.24% | 51.88% |
| Izdatelstvo Geologia i Mineralni Resursi OOD | Bulgaria | Production, Trade and Services | 26.77% | 37.75% |
| Bulchimtrade OOD | Bulgaria | Production, Trade and Services | 44.00% | 60.00% |
| Chimoil Trade OOD | Bulgaria | Production, Trade and Services | 40.00% | 60.00% |
| Rubber Trade OOD | Bulgaria | Production, Trade and Services | 40.00% | 60.00% |
| Orgachim Trading 2008 OOD | Bulgaria | Production, Trade and Services | 66.67% | - |



| Name of the subsidiary | Country of incorporation | Main activities | 31.12.2012 % | 31.12.2011 % |
|---|---------------------------------|--------------------------------|-------------------------|-------------------------|
| Bulchimtrade OOD | Bulgaria | Production, Trade and Services | 40.00% | 60.00% |
| Chimceltex OOD | Bulgaria | Production, Trade and Services | 40.09% | 60.00% |
| Fertilizers Trade OOD | Bulgaria | Production, Trade and Services | 34.00% | - |
| Chimoil BG EOOD | Bulgaria | Production, Trade and Services | 38.24% | 51.88% |
| Zarneni Hrani Grain AD | Bulgaria | Production, Trade and Services | 66.67% | - |
| Fertilizers Trade OOD | Bulgaria | Production, Trade and Services | - | 52.00% |
| Dializa Bulgaria OOD | Bulgaria | Production, Trade and Services | 33.33% | 50.00% |
| Chimimport Pharma AD | Bulgaria | Production, Trade and Services | 45.33% | 60.00% |
| Siliko 07 OOD | Bulgaria | Production, Trade and Services | - | 50.00% |
| Chimtrans OOD | Bulgaria | Production, Trade and Services | - | 60.00% |
| Plovdivska Stokova Borsa AD | Bulgaria | Production, Trade and Services | 76.63% | 75.00% |
| Asela AD | Bulgaria | Production, Trade and Services | 28.14% | - |
| AK Plastic OOD | Bulgaria | Production, Trade and Services | 54.21% | - |
| Prime Lega Consult OOD | Bulgaria | Production, Trade and Services | 70.00% | 70.00% |
| AH HGH Consult OOD | Bulgaria | Production, Trade and Services | 59.34% | 59.34% |
| Omega Finance OOD | Bulgaria | Production, Trade and Services | 61.80% | 83.80% |
| Medical Center Health Medica OOD | Bulgaria | Production, Trade and Services | 60.00% | 90.00% |
| IT Systems Consult EOOD | Bulgaria | Production, Trade and Services | 66.67% | 100.00% |
| Anitas 2003 EOOD | Bulgaria | Production, Trade and Services | 100.00% | 100.00% |
| Besa Tour AD | Bulgaria | Production, Trade and Services | 54.91% | - |
| Bulgarian Shipping Company EAD | Bulgaria | Sea and River Transport | 100.00% | 100.00% |
| Parahodstvo Bulgarsko Rechno Plavane AD | Bulgaria | Sea and River Transport | 82.20% | 81.91% |
| Port Balchik AD | Bulgaria | Sea and River Transport | 68.33% | 61.78% |
| Port Lesport AD | Bulgaria | Sea and River Transport | 99.00% | 99.00% |
| Lesport Project Management EOOD | Bulgaria | Sea and River Transport | 99.00% | 99.00% |
| MAYAK KM AD | Bulgaria | Sea and River Transport | 76.43% | 78.16% |
| Bulgarian Logistic Company EOOD | Bulgaria | Sea and River Transport | 100.00% | 100.00% |
| Port Pristis OOD | Bulgaria | Sea and River Transport | 44.60% | 45.61% |
| Portstroi Invest EOOD | Bulgaria | Sea and River Transport | 100.00% | 100.00% |



| Name of the subsidiary | Country of incorporation | Main activities | 31.12.2012 % | 31.12.2011 % |
|---|--------------------------|------------------------------|--------------|--------------|
| Port Invest EOOD | Bulgaria | Sea and River Transport | 100.00% | - |
| Blue See horizon corp. | Seychelles | Sea and River Transport | 82.16% | 82.16% |
| Interlihter EOOD | Slovakia | Sea and River Transport | 81.09% | 81.91% |
| VTC AD | Bulgaria | Sea and River Transport | - | 42.29% |
| Bulgarian Aviation Group EAD | Bulgaria | Aviation Transport | 100.00% | 100.00% |
| Bulgaria Air AD | Bulgaria | Aviation Transport | 99.99% | 99.99% |
| Airport Services Bulgaria EAD (Molet EAD) | Bulgaria | Aviation Transport | 100.00% | 100.00% |
| Airport Services EOOD | Bulgaria | Aviation Transport | - | 100.00% |
| Bulgaria Air Technique EOOD | Bulgaria | Aviation Transport | 99.99% | 100.00% |
| Trans intercar EOOD | Bulgaria | Vehicle Transport | 100.00% | 100.00% |
| Energoproekt AD | Bulgaria | Construction and engineering | 83.20% | 83.20% |
| Triplan Architects EOOD | Bulgaria | Construction and engineering | 83.20% | 83.20% |
| Energoproekt Utilities OOD | Bulgaria | Construction and engineering | 42.43% | 42.43% |
| Bulgaria Air OOO Russia | Russia | Real Estate | - | 99.99% |
| Golf Shabla AD | Bulgaria | Real Estate | 24.85% | 36.38% |
| Sporten Complex Varna AD | Bulgaria | Real Estate | 65.00% | 65.00% |
| Sporten management AD | Bulgaria | Real Estate | 65.00% | 65.00% |
| Bulchimex GmBH | Germany | Real Estate | 100.00% | 100.00% |

On 17 December 2012 the Managing Board of ZAD Armeec took a decision to increase the share capital of the Company by BGN 18 000 thousand through the issuance of 180 000 new ordinary shares having a nominal value of BGN 100. The shares should be proposed to the existing shareholders of the Company. As at 31 December 2012, the parent – company CCB Group EAD paid the amount of BGN 17 544 thousand referred to its proportion share of ZAD Armeec..



Information regarding the value and the quality of the general categories of goods, products and/or provided services including their contribution to the issuer's revenue from sales and the changes occurred in the current financial year.

General changes in the profit and revenue from non-financial activity of the Group by segments:

| Business Segments | Production, Trade and Services | Financial sector | Transport sector | Real estates | Construction and Engineering sector |
|--|---------------------------------------|-------------------------|-------------------------|---------------------|--|
| 31 December 2012 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Share of the single segment in the Group's profit | 11.48% | 76.35% | 11.85% | 0.26% | 0.06% |

The Finance segment has the biggest share of the Group's net profit in 2012.

| Business Segments | Production, Trade and Services | Financial sector | Transport sector | Real estates | Construction and Engineering sector |
|--|---------------------------------------|-------------------------|-------------------------|---------------------|--|
| 31 December 2011 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Share of the single segment in the Group's profit | 13.04% | 76.57% | 10.50% | (0.16%) | 0.05% |

Information regarding the income, distributed in separate activity category, internal and external markets

| Operating segments | Production, trade and services | Financial sector | Transport sector | Real estate sector | Construction and engineering sector | Elimination | Consolidated |
|--|--------------------------------------|---------------------|---------------------|-----------------------|---|-----------------|----------------|
| 31 December 2012 | 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 |
| Profit from the sale of non-current assets | - | 8 047 | - | - | - | - | 8 047 |
| Change in fair value of investment property | 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 | 370 357 | 210 | 6 736 | (46 827) | 517 599 |
| Result from non-financial activities | 12 309 | 39 907 | (18 927) | (34) | 1 090 | (307) | 34 038 |
| 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 | 13 304 | 250 830 | 11 117 | 508 | 116 | (41 482) | 234 393 |
| Interest expenses | (14 439) | (166 020) | (19 558) | - | (756) | 41 482 | (159 291) |
| Result from interest | (1 135) | 84 810 | (8 441) | 508 | (640) | - | 75 102 |
| Gains from transactions with financial instruments from external customers | 15 063 | 309 504 | 43 351 | - | - | (387) | 367 531 |
| Inter-segment gains from transactions with financial instruments | - | - | - | - | - | - | - |
| Gains from transactions with financial instruments | 15 063 | 309 504 | 43 351 | - | - | (387) | 367 531 |
| Result from transactions with financial instruments | 14 854 | 107 177 | 42 850 | - | - | 2 286 | 167 167 |
| Administrative expenses | (8 087) | (178 639) | (13 258) | (143) | (291) | 10 231 | (190 187) |
| Gain from purchases | 346 | - | - | - | - | - | 346 |
| Divident income | - | 4 745 | 882 | - | - | (2 192) | 3 435 |
| Net result from equity accounted investments in associates | 108 | 421 | 11 373 | - | - | - | 11 902 |
| Other financial income/ expense | (5 083) | 58 104 | (1 398) | (1) | (67) | 465 | 52 020 |
| Profit for allocating insurance batches | - | (42 150) | - | - | - | - | (42 150) |
| Profit for the period before tax | 13 312 | 94 073 | 13 081 | 330 | 92 | 4 874 | 125 762 |
| Tax expenses | (666) | (9 996) | (31) | (41) | (30) | (33) | (10 797) |
| Net profit for the year | 12 646 | 84 077 | 13 050 | 289 | 62 | 4 841 | 114 965 |



Information regarding the income, distributed in separate activity category, internal and external markets, as well as information on the rendering of services, reflecting the degree of dependency for each customer. In case the percentage of any of the customers exceeds 10% of the sales revenue or expenses, information should be provided for each person individually, the client's contribution to sale or purchases and its relationship with the issuer.

Income and expenses structure

Income from non-financial activities

| | 2012 BGN'000 | 2011 BGN'000 | Change |
|---------------------------------------|-----------------|-----------------|----------|
| Income from the sale of plane tickets | 265 760 | 224 696 | 18.28% |
| Income from sale of trading goods | 64 272 | 47 153 | 36.31% |
| Income from services rendered | 46 991 | 93 088 | (49.52%) |
| Income from sale of finished goods | 65 469 | 21 228 | 208.41% |
| Other | 42 760 | 91 714 | (53.38%) |
| | 485 252 | 477 879 | |

Expenses for non-financial activities

| | 2012 BGN'000 | 2011 BGN'000 | Change |
|---|------------------|------------------|----------|
| Cost of finished and trading goods sold | (42 569) | (39 520) | 7.72% |
| Cost of materials | (158 447) | (126 344) | 25.41% |
| Hired services | (205 803) | (178 453) | 15.33% |
| Depreciation and amortization | (26 017) | (31 253) | (16.75%) |
| Employee expenses | (35 387) | (33 445) | 5.81% |
| Other | (15 338) | (12 652) | 21.23% |
| | (483 561) | (421 667) | |

Change in fair value of investment property

| | 2012 BGN'000 | 2011 BGN'000 | Change |
|---|-----------------|-----------------|----------|
| Proceeds from sale of non-current assets | (20) | (851) | (97.65%) |
| Carrying amount of non-current assets sold | 8 067 | 43 934 | (81.64%) |
| Gain/(Loss) from sale of non-current assets | 8 047 | 43 083 | |



Insurance income

| | 2012 | 2011 | Change |
|---|----------------|----------------|---------------|
| | BGN'000 | BGN'000 | |
| Insurance premium income | 166 528 | 157 891 | 5.47% |
| Regression income | 7 235 | 6 626 | 9.19% |
| Income from released insurance reserves | 154 510 | 132 771 | 16.37% |
| Income from reinsurance operations | 24 198 | 20 648 | 17.19% |
| Other insurance income | 467 | 5 714 | (91.83%) |
| | 352 938 | 323 650 | |

Insurance expenses

| | 2012 | 2011 | Change |
|---|------------------|------------------|---------------|
| | BGN'000 | BGN'000 | |
| Indemnities paid off | (79 538) | (68 365) | 16.34% |
| Liquidation of damages expenses | (2 853) | (2 356) | 21.10% |
| Acquisition expenses | (33 670) | (29 947) | 12.43% |
| Expenses for insurance reserves set aside | (178 744) | (153 746) | 16.26% |
| Reinsurance expenses | (33 330) | (33 804) | (1.40%) |
| Other insurance expenses | (10 714) | (10 370) | 3.32% |
| | (338 849) | (298 588) | |

| | 2012 | 2011 | Change |
|---|----------------|----------------|---------------|
| | BGN'000 | BGN'000 | |
| Interest income by types of sources: | | | |
| Legal entities | 153 759 | 150 671 | 2.05% |
| Government securities | 27 735 | 25 216 | 9.99% |
| Banks | 16 828 | 6 982 | 141.02% |
| Individuals | 32 292 | 36 124 | (10.61%) |
| Other | 3 779 | 1 360 | 177.87% |
| | 234 393 | 220 353 | |

| | 2012 | 2011 | Change |
|---|------------------|------------------|---------------|
| | BGN'000 | BGN'000 | |
| Interest expenses by depositors: | | | |
| Legal entities | (45 462) | (56 340) | (19.31%) |
| Individuals | (84 768) | (74 764) | 13.38% |
| Banks | (28 437) | (13 200) | 115.43% |
| Other | (624) | (989) | (36.91%) |
| | (159 291) | (145 293) | |



Gains from transactions with financial instruments and investments

| | 2012 | 2011 | Change |
|---|----------------|----------------|---------------|
| | BGN'000 | BGN'000 | |
| Revaluation of financial instruments | 294 921 | 234 674 | 25.67% |
| Gains from transactions with securities | 68 859 | 50 497 | 36.36% |
| Other | 3 751 | 1 264 | 196.76% |
| | 367 531 | 286 435 | |

Losses from transactions with financial instruments and investments

| | 2012 | 2011 | Change |
|--|------------------|------------------|---------------|
| | BGN'000 | BGN'000 | |
| Revaluation of financial instruments | (188 709) | (214 578) | 39.02% |
| Losses from transactions with securities | (11 172) | (27 601) | 14.75% |
| Other | (483) | (1 932) | 268.70% |
| | (200 364) | (244 111) | |

Dividend income

| | 2012 | 2011 | Change |
|-----------------|----------------|----------------|---------------|
| | BGN'000 | BGN'000 | |
| Dividend income | 3 435 | 2 227 | 54.24% |
| | 3 435 | 2 227 | 54.24% |

Administrative expenses

| | 2012 | 2011 | Change |
|-------------------------------|------------------|------------------|---------------|
| | BGN'000 | BGN'000 | |
| Cost of materials | (7 126) | (6 110) | 16.63% |
| Hired services | (61 168) | (58 177) | 5.14% |
| Depreciation and amortization | (25 460) | (35 239) | (27.75%) |
| Employee expenses | (69 403) | (61 767) | 12.36% |
| Other | (27 030) | (27 688) | (2.38%) |
| | (190 187) | (188 981) | |

Employee expenses

| | 2012 | 2011 | Change |
|--------------------------|------------------|-----------------|---------------|
| | BGN'000 | BGN'000 | |
| Wages | (89 439) | (81 125) | 10.25% |
| Social security expenses | (15 351) | (14 087) | 8.97% |
| | (104 790) | (95 212) | |



Other financial income, net

| | 2012 | 2011 | Change |
|--|---------------|---------------|----------|
| | BGN'000 | BGN'000 | |
| Fees and commissions income, net | 41 628 | 22 417 | 85.70% |
| Net result from foreign exchange differences | 4 195 | 3 995 | 5.01% |
| Others | 6 197 | 16 599 | (62.67%) |
| | 52 020 | 43 011 | |

Fees and commissions income

| | 2012 | 2011 | Change |
|---|---------------|---------------|---------|
| | BGN'000 | BGN'000 | |
| Servicing loans | 5 844 | 2 194 | 166.36% |
| Servicing commitments and contingencies | 1 359 | 1 163 | 16.85% |
| Servicing of deposit accounts | 5 746 | 2 507 | 129.20% |
| Bank transfers in Bulgaria and abroad | 18 941 | 17 596 | 7.64% |
| Other income | 8 231 | 5 607 | 46.80% |
| Other fees and commissions income, different from banks | 8 673 | - | 100.00% |
| Total fees and commissions income | 48 794 | 29 067 | |

Fees and commissions expenses

| | 2012 | 2011 | Change |
|---|----------------|----------------|---------|
| | BGN'000 | BGN'000 | |
| Bank transfers in Bulgaria and abroad | (3 185) | (3 175) | 0.31% |
| Servicing accounts | (296) | (167) | 77.25% |
| Release of precious parcels | (208) | (158) | 31.65% |
| Transactions with securities | (407) | (70) | 481.43% |
| Other fees and commissions expenses, different from banks | (535) | (242) | 121.07% |
| Other expenses | (2 535) | (2 838) | -10.68% |
| Total fees and commissions expenses | (7 166) | (6 650) | |

Gain/ (loss) from sale of non-current assets

| | 2012 | 2011 | Change |
|---|---------------|---------------|---------|
| | BGN'000 | BGN'000 | |
| Revenue from sales | 48 815 | 42 578 | 14.65% |
| Carrying amount of the non-current assets sold | (24 515) | (11 740) | 108.82% |
| Gain/ (loss) from sale of non-current assets | 24 300 | 30 838 | |



In 2012 Chimimport AD paid to its shareholders, owners of preferred shares guaranteed dividend at the total of BGN 17 736 thousand or BGN 0.1998 per preferred share.

Important Research and Development

The Group did not appoint or perform any important research and development activities during 2012.

Information regarding conclusion of major deals or such of a significant importance for the activity of the issuer

The Group has not made any significant deals according to article 1 of the Law on Public Offering of Securities throughout the accounting period, that may have any serious impact on the future activity of the issuer.

Information regarding the transactions between the issuer and its related parties in 2011, the proposals for concluding such deals, as well as deals not related to the main activity, including the amount of the transactions, the relationship between the parties and any other information, needed for valuation of the impact on the financial statement of the issuer.

The related parties of the Group include the parent company, its subsidiaries, the key management personnel and other parties, described below.

Unless particularly stated, transactions with related parties were not performed under special conditions and no assurance were issued or received.

Transactions with the owners

Transactions with owners

| Sale of goods and services, interest income and other income | 2012 | 2011 |
|---|----------------|----------------|
| | BGN'000 | BGN'000 |
| <i>- interest income</i> | | |
| Chimimport Invest AD | 13 317 | 15 058 |

Purchase of services, interest expense and other expenses

| | | |
|-------------------------------|------|-------|
| <i>- purchase of services</i> | | |
| Chimimport Invest AD | (10) | (90) |
| <i>- interest expense</i> | | |
| Chimimport Invest AD | - | (284) |

Transactions with associates and other related parties under common control

| Sale of goods and services, interest income and other income | 2012 | 2011 |
|---|----------------|----------------|
| | BGN'000 | BGN'000 |
| <i>- sale of finished goods</i> | | |
| Kavarna Gas OOD | 1 326 | 1 379 |
| Chimsnab Trade OOD | 433 | - |
| Fraport TSAM AD | - | 181 |
| <i>- sale of finished goods</i> | | |
| Fraport TSAM AD | 1 267 | 1 012 |
| VTC AD | 254 | - |
| Chimsnab Trade OOD | 23 | 22 |
| Asenova Krepost AD | - | 73 |
| Other | 21 | - |
| <i>- sale of services</i> | | |
| Lufthansa Technik Sofia OOD | 2 840 | 411 |
| CCB Leader - VF | 506 | 479 |
| CCB Active - VF | 410 | 374 |
| Aviation Company Hemus Air EAD | 385 | 191 |
| Consortium Shlegel - Energoproekt | 103 | 71 |
| Balkan tours OOD | 50 | - |
| CCB Garant - VF | 13 | 12 |
| Chimsnab Trade OOD | - | 4 |
| Other | 74 | 643 |
| <i>- interest income</i> | | |
| Aviation Company Hemus Air EAD | 8 351 | 7 351 |
| Niko Commerce OOD | 714 | - |
| Fraport TSAM AD | 467 | 181 |
| Conor – Switzerland | 90 | 86 |
| Lufthansa Technik Sofia OOD | 85 | 23 |
| Varnaferry OOD | 49 | - |
| M Car OOD | 33 | 161 |
| Other | 139 | 1 657 |
| <i>- other income</i> | | |
| Lufthansa Technik Sofia OOD | 2 065 | 1 643 |
| Aviation Company Hemus Air EAD | 960 | 2 997 |
| Other | 40 | 25 |



| Purchase of services and interest expense | 2012 | 2011 |
|--|----------------|----------------|
| | BGN'000 | BGN'000 |
| <i>- purchase of services</i> | | |
| Lufthansa Technik Sofia OOD | (6 813) | (3 002) |
| Aviation Company Hemus Air EAD | (5 450) | (16 678) |
| Fraport TSAM AD | (4 097) | (3 393) |
| Capital Invest EAD | - | (1) |
| Other | (38) | (166) |
| <i>- interest expense</i> | | |
| Fraport TSAM AD | (304) | (480) |
| PIC Saglasie Co.Ltd. | (70) | (75) |
| Dobrichki panair AD | (39) | (32) |
| Amadeus Bulgaria OOD | (20) | (29) |
| Invest Capital EAD | (8) | (11) |
| Capital Invest EAD | - | (3) |
| Chimsnab Trade OOD | - | (1) |
| Other | (27) | (426) |

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:

| | 2012 | 2011 |
|----------------------------------|----------------|----------------|
| | BGN'000 | BGN'000 |
| Short-term employee benefits: | | |
| Salaries, including bonuses | (570) | (2 193) |
| Social security costs | (28) | (28) |
| Group car allowance | (9) | (8) |
| Total short-term benefits | (607) | (2 229) |

Related party balances at year-end

| | 2012 | 2011 |
|--------------------------------------|----------------|----------------|
| | BGN'000 | BGN'000 |
| Non-current | | |
| Non-current receivables from: | | |
| <i>- owners</i> | | |
| Chimimport Invest AD | 2 300 | - |
| | 2 300 | - |



| | 2012 BGN'000 | 2011 BGN'000 |
|--|-------------------------|-------------------------|
| <i>- associates</i> | | |
| Lufthansa Technik Sofia OOD | 3 042 | 94 |
| Fraport TSAM AD | - | 1 347 |
| | 3 042 | 1 441 |
| <i>- related parties</i> | | |
| Aviation Company Hemus Air EAD | 8 078 | 96 |
| Other | 1 459 | 644 |
| | 9 537 | 740 |
| Total non-current receivables from related parties: | 14 879 | 2 181 |
| | 2012 BGN'000 | 2011 BGN'000 |
| Current | | |
| Current receivables from: | | |
| <i>- owners</i> | | |
| Chimimport Invest AD | 126 536 | 147 383 |
| | 126 536 | 147 383 |
| <i>- associates</i> | | |
| Conor GmbH | 9 356 | 9 422 |
| Lufthansa Technik Sofia OOD | 900 | 726 |
| Kavarna Gaz OOD | 592 | 531 |
| Fraport TSAM AD | 91 | 5 974 |
| PIC Saglasie Co.Ltd. | 1 | 649 |
| Holding Nov Vek AD | 1 | - |
| | 10 941 | 17 302 |
| <i>- other related parties under common control</i> | | |
| Aviation Company Hemus Air EAD | 86 530 | 86 555 |
| Niko Comers OOD | 8 889 | - |
| Consortium Energoproekt – Royal Haskoning | 1 414 | 2 471 |
| Chimsnab Trade OOD | 56 | 27 |
| M Car OOD | 1 | 2 186 |
| Asenova Krepost AD | - | 26 |
| Kazan Airport OAO | - | 10 571 |
| Other | 4 741 | 154 |
| | 101 631 | 101 990 |
| Total current receivables from related parties: | 239 108 | 266 675 |



| | 2012 BGN'000 | 2011 BGN'000 |
|--|-----------------|-----------------|
| Non-current payables to: | | |
| <i>- owners</i> | | |
| Chimimport Invest AD | 157 | - |
| <i>- associates and other related parties under common control</i> | | |
| Nuance BG AD | 162 | - |
| M Car OOD | 80 | - |
| Aviation Company Hemus Air EAD | 58 | 170 |
| Chimsnab Trade OOD | 27 | 27 |
| Capital Invest EAD | 17 | 9 |
| Invest Capital EAD | 1 | 3 |
| Asela AD | - | 46 |
| Asenova Krepost AD | - | 21 |
| Pamporovo Property EOOD | - | 2 |
| Holding Asenova Krepost AD | - | 1 |
| Others | 39 | 45 |
| | 384 | 324 |

Total non-current payables to related parties:

| | |
|--------------|--------------|
| 4 153 | 2 037 |
|--------------|--------------|

| | 2012 BGN'000 | 2011 BGN'000 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

Current

Current payables to:

-owners

| | | |
|--------------------------|--------------|------------|
| Chiminvest Establishment | 494 | - |
| Chimimport Invest AD | 9 482 | 109 |
| | 9 976 | 109 |

-associates

| | | |
|--|---------------|---------------|
| Fraport TSAM AD | 17 305 | 2 773 |
| Lufthansa Technik Sofia OOD | 2 675 | 1 766 |
| PIC Syglasie AD, together with PPF, UPF and DPF Syglasie | 1 003 | 9 046 |
| Dobrichki panair AD | 951 | 897 |
| VTC AD | 645 | - |
| Amadeus Bulgaria OOD | 401 | 395 |
| Kavarna Gaz OOD | 62 | 62 |
| | 23 042 | 14 939 |

| | 2012 BGN'000 | 2011 BGN'000 |
|---|-----------------|-----------------|
| <i>- other related parties under common control</i> | | |
| Consortium Energoproekt – Royal Haskoning | 1 900 | 2 797 |
| M Car OOD | 437 | 216 |
| Nuance BG AD | 338 | - |
| Invest Capital EAD | 252 | 226 |
| Varna Cars OOD | 143 | - |
| Aviation Company Hemus Air EAD | 39 | 39 |
| Capital Invest EAD | 39 | 31 |
| Holding Asenova Krepost AD | - | 2 192 |
| Asenova Krepost AD | - | 429 |
| OAD Airport Kazan | - | 237 |
| Asela AD | - | 138 |
| Chimsnab Trade OOD | - | 19 |
| Other | 793 | 652 |
| | 3 941 | 6 976 |
| Total current payables to related parties: | 36 959 | 22 024 |

Information regarding unusual events and indices for the issuer that have a significant influence on its activity and realized income and expenses; valuation of this influence on the financial results for the current year.

No unusual events for the issuer that might have a significant impact on its activities occurred in 2012.

Information regarding off-balance transactions

As at 31 December 2012 and 2011, 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:

| | 2012 BGN'000 | 2011 BGN'000 |
|-------------------------------------|-----------------|-----------------|
| Bank guarantees in: | | |
| BGN | 27 510 | 22 702 |
| foreign currency | 50 331 | 49 279 |
| • Irrevocable commitments | 78 832 | 90 200 |
| • Other contingent liabilities | 71 | 98 |
| Total contingent liabilities | 156 744 | 162 279 |

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 Bulgaria at the amount of EUR 114 thousand;
- Bank guarantee on behalf of PDNG AD in favor of the National Revenue Agency at the amount of BGN 43 thousand;
- Bank guarantee in favor of the Ministry of Economy, Energy and Tourism at the amount of BGN 113 thousand.

Other commitments

As at the date of preparation of the consolidated financial statements, the Group has entered the following commitments:

- In connection with the concession contract, the Group is obligated to exploit and maintain Port Terminal – Balchik, the area of the port for public transportation with national importance – Varna, to make investments under the Investment program amounting to at least BGN 3 475 thousand by 31 December 2013 and to maintain certain average cargo turnover and implement personnel social program.
- In connection with the concession contract, the Group is a concessionary of port terminal Lesport for a period of 30 years, as of 30 May 2006. The Group is obligated to exploit and maintain Port terminal Lesport, part of the Port of public transportation with national importance – Varna, to make investments under the Plan for the development of Port Lesport, approved by the Ministry of Transport and the Ministry of Regional Development and Public Works, to invest funds under the Investment program, which for the first two years amounts to at least BGN 20 742 thousand, for the first ten years – BGN 99 192 thousand, and for the entire period – BGN 129 010 thousand. The Group is also obligated to maintain average traffic volume, maintain performance guarantees for the period and to implement a personnel social program.

The contingent liabilities of the Group in relation to the associated companies refer to Fraport TSAM AD. The associate is a concessionaire under contract to modernize and operate public civil airports “Burgas” and “Varna”. In connection with the execution of the contract, UniCredit Bulbank AD issued a performance guarantee in favor of Bayerische Hypo-Und Vereinsbank. The Group as a shareholder has provided a bank guarantee amounting to EUR 6 000 thousand, securing 40% of the amount of the issued bank counter-guarantee. The validity period of the guarantee expires on 10 December 2013.

Various legal claims have been brought to and from the Group during the year. With the exception of those claims, which have already accrued allowances, Management considers that the claims against the Group are unfounded and unlikely to lead to costs for the Group. The management’s assessment is supported by the opinion of independent legal consultant. None of the above mentioned claims is described in detail in order not to serious impact the Group’s position in resolving.

Information regarding the shares of the issuer, its major domestic and foreign investments (in securities, financial instruments, intangible assets and real estate), as well as investments in equity securities outside its economic group and the source of financing

Investments in subsidiaries

Changes in controlling shares in subsidiaries

Merger of Chimimport Group EAD in Zarneni Hrani Bulgaria AD

In 2012 between two subsidiaries of the Group a transformation through merger was concluded. Zarneni Hrani Bulgaria AD becomes universal successor of the assets and liabilities of the transferring company CHIMIMPORT Group EAD. The aim of the merger is to improve the position of Zarneni Hrani Bulgaria AD as the largest company in the industry with considerable potential for future development. Another major goal is the transformation of the business model of Zarneni Hrani Bulgaria AD through which to create a holding company through which planned separation of the business of the company into separate business units will take place. It is expected to consolidate the processes in Zarneni Hrani Bulgaria AD and its subsidiaries, which will contribute to better coordination and making more effective management decisions. This contributes to the improvement of the economic, financial and legal aspects of the activities of the companies within the holding structure and to coordinate their efforts to ensure a better competitive position on the Bulgarian market.

As a result, the registered transformation brings about change in the controlling interest in the following investments in subsidiaries to the Group Chimimport:

- Exploration and Production of Oil and Gas AD
- Bulgarian Oil Refinery EOOD
- PDNG-Service EOOD
- Geology and Mineral Resources OOD
- Bulchimtrade OOD
- Chimoil Trade OOD
- Rubber Trade OOD
- Orgahim Trading OOD 2008
- Chimceltex OOD
- Chimoil BG EOOD
- Dialysis Bulgaria OOD
- Chimimport Pharma AD
- Omega Finance OOD
- Medical Center Health Medica OOD
- IT Systems Consult EOOD
- Golf Shabla AD

Merger of Airport Services EOOD in Airport Services – Bulgaria EAD

On 29.12.2011 in accordance with the requirements of the Commercial Law chл.262d, between Airport Services Bulgaria EAD (former name Molet EAD) - parent company and Airport Services EOOD (direct subsidiary) contract has been concluded to convert through a merger of Airport Services EOOD in Airport Services Bulgaria EAD without liquidation with a total universal successor Molet EAD. All assets, liabilities, property and moral rights and duties of the merger company are transferred to Airport Services - Bulgaria EAD (former name Molet EAD).

The merger is concluded as to simplify and optimize operations and organizational structure, reducing administrative costs borne by each company, improvement in the management structures of the resources of the two companies.

As a result of the business combination negative difference was recognized between the investment cost and the company's net assets at the amount of BGN 483 thousand and is recognized in the consolidated statement of comprehensive income within "Loss from operations with financial instruments".

Sale of the subsidiary Bulgaria Air OOO Russia

In connection with the adopted business strategy of Bulgaria Air AD release of non-operational assets, the Group sold 100% of its share in the equity of the subsidiary Bulgaria Air OOO, Russia during December, 2012.

The carrying value of the net assets of the company Bulgaria Air OOO, Russia recognized at the date of sale is presented as follows:

| | As at 31 December 2012 |
|--|-------------------------------|
| | BGN'000 |
| Property, plant equipment | 7 189 |
| Deferred tax assets | 146 |
| Total non-current assets | 7 335 |
| Inventories | 4 824 |
| Trade and other receivables | 10 123 |
| Cash and cash equivalents | 314 |
| Total Current assets | 15 261 |
| Debt and borrowings | 17 417 |
| Total non-current liabilities | (17 417) |
| Debt and borrowings | 150 |
| Trade and other payables | 6 751 |
| Total current payables | (6 901) |
| Total carrying amount of the net assets | (1 722) |

Major part of property, plant and equipment of the sold subsidiary, represent real estates situated in the city of Kazan, Russia having the following technical and economical characteristics:

- 90 acres land designated for construction of modern multifunctional complex comprising eighteen –storey building with a business type hotel part, and office premises with total area of 1 500 sq.m. meters and built-up area 27960 sq.m and 4 residential buildings, three of which ten storey and one six-storey with total built area: 16,515 square meters and total



area 129,610 square meters. The whole complex will be a modern infrastructure, having recreation and entertainment places.

| | |
|---|-----------------|
| | BGN '000 |
| Total consideration | 32 858 |
| Carrying amount of net assets of the subsidiary as at the date of loss of control | (1 722) |
| Gain on sale | 31 136 |

Gain on sale recognized in the current year includes realized profit of BGN 31 136 thousand (the difference between the total consideration amounting to BGN 32 858 thousand and share in the Group's share in the subsidiary's net assets in the amount of BGN (1 722) thousand).

Gain on sale amounting to BGN 31 136 thousand is recognized in the consolidated statement of comprehensive income within "Profit from operations with financial instruments."

Liquidation of subsidiaries Fertilizers Trade OOD, Silico 07 OOD and Chimtrans OOD in 2012

In 2012, the subsidiaries of the Group - Fertilizers Trade OOD., Silico 07 OOD and Chimtrans OOD were terminated by liquidation. As a result, the amount of investment of thousand for the Group has been recovered through liquidation proceeds.

Transfer of the controlling share of VTC AD in 2012

On 10 January 2012 the Group transferred part of their shares amounting to 10.00% (adjusted to 1.29%) in its subsidiary VTC AD, thereby reducing its controlling interest from 42.29% of 41.00%.

The carrying value of the share of net assets of the subsidiary VTC AD recognized at the date of transfer of the financial statements is BGN 2 348 thousand The Group has recognized an increase in non-controlling interest in the amount of BGN 31 thousand and reduction retained earnings in the amount of BGN 31 thousand.

The Group maintained the rest of the group's share of 41% as an investment in associate, whose fair value at the date of transfer was BGN 2 317 thousand.

The carrying value of the net assets of the company VTC AD recognized at the date of sale is presented as follows:

| | |
|--|-------------------|
| | 10.01.2012 |
| | BGN'000 |
| Total Assets | 5 742 |
| Total Liabilities | (191) |
| Total carrying amount of net assets | 5 551 |
| Carrying amount of the reserved shares | 2 348 |



Changes in the controlling interests of the Group's subsidiary VTC AD can be represented as follows:

| | BGN'000 |
|--|----------------|
| Fair value of the reserved shares | 2 317 |
| Value of the reserved shares | (2 348) |
| Decrease in the retained earnings | (31) |

Acquisitions in 2012

Acquisition of Tat Investbank OAO

In 2012, the Group acquired 16 425 981 ordinary shares with voting aloud capital of Tat Investbank OAO based in Kazan, Russia. After this acquisition the Group has a direct holding of 3.55% and 55.92% through its subsidiary (recalculated to 45.61%) of the capital of Tat Investbank Corp., which gets controlling stake in the bank. Prior to the acquisition the Group has 1 042 537 shares in the capital of the subsidiary.

Investment in Tat Investbank OAO was carried out in order to expand the Group's banking sector in Russia and the expected reduction in the cost of banking activities from economies of scale.

The total cost for the Group amounted to BGN 9 433 thousand and was paid by bank transfer.

Total fair value of net assets acquired amounted to BGN 9 433 thousand. As a result of the acquisition, no goodwill was recognized. The recognized fair value of each group of assets acquired and liabilities Tat Investbank OAO as the date of acquisition is presented as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN'000 |
| Financial Assets | 38 722 |
| Fixed Assets | 8 912 |
| Cash and cash equivalents | 66 202 |
| Trade receivables | 654 |
| Payables | (95 341) |
| Net value of the assets | 19 149 |
| Non-controlling interest | (9 716) |
| Fair value of identifiable net assets acquired by the Group | 9 433 |
| Total consideration | 9 433 |
| Fair value of identifiable net assets acquired by the Group | (9 433) |
| Goodwill/ (profit) | - |



| | BGN'000 |
|---|----------------|
| Consideration transferred settled in cash | (9 433) |
| Cash and cash equivalents acquired | 13 339 |
| Net cash outflow on acquisition | 3 906 |

No major lines of business have been disposed of as a result of the combination.

Acquisition of Asenova Krepост AD

In 2012, the Group acquired control over the company Asenova Krepост AD, based in Asenovgrad, Bulgaria through the purchase of shares of the Company as a result of which holds 76.40% (adjusted to 54.75%) of its equity and the rights aloud in the company.

The total cost for the Group amounted to BGN 15 270 thousand allocation of purchase price to the acquired assets and liabilities of the company Asenova Krepост AD was made in 2012 The value of each group of assets acquired and liabilities and contingent liabilities recognized at the date of acquisition is as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN'000 |
| Property Plant Equipment | 17 245 |
| Investment property | 616 |
| Investments | 65 |
| Inventory | 4 019 |
| Cash and cash equivalents | 150 |
| Financial assets | 5 169 |
| Trade receivables | 24 155 |
| Payables | (28 128) |
| Net value of the assets | 23 291 |
| Non-controlling interest | (11 176) |
| Fair value of identifiable net assets acquired by the Group | 12 115 |
| | BGN'000 |
| Total consideration | 15 270 |
| Fair value of identifiable net assets acquired by the Group | (12 115) |
| Goodwill | 3 155 |
| | BGN'000 |
| Consideration transferred settled in cash | - |
| Cash and cash equivalents acquired | 150 |
| Net cash outflow on acquisition | 150 |



The goodwill that arised through the acquisition is recognized in the consolidated statement of financial position within 'Goodwill'.

Acquisition of Asela AD

In 2012, the Group acquired control over the company Asela AD seated in Sofia, Bulgaria by purchasing shares of its majority owner Assenova Krepost AD as a result of which holds 54.75% (adjusted to 28.14%) of its equity and rights aloud in the company.

The total cost for the Group amounted to BGN 34 thousand , whose distribution to the acquired assets and liabilities of the company Asela AD was made in 2012 The value of each group of assets acquired and liabilities and contingent liabilities recognized at the acquisition date is represented as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN'000 |
| Property, plant equipment | 172 |
| Inventory | 178 |
| Cash and cash equivalents | 298 |
| Trade and other receivables | 216 |
| Payables | (90) |
| Net value of the assets | 774 |
| Non-controlling interest | (557) |
| Fair value of identifiable net assets acquired by the Group | 217 |
| | |
| Total consideration | 34 |
| Fair value of identifiable net assets acquired by the Group | (217) |
| Goodwill/ (profit) | (183) |
| | BGN'000 |
| Consideration transferred settled in cash | - |
| Cash and cash equivalents acquired | 298 |
| Net cash outflow on acquisition | 298 |

The realized gain is recognized in the consolidated statement of comprehensive income of the Group within 'Profit from acquisitions'

Acquisition of AK Plastik OOD

In 2012, the Group acquired control over the company AK Plastic OOD. based in Asenovgrad, Bulgaria through the purchase of shares of its majority owner Asenova Krepost AD as a result of which holds 99.91% (adjusted to 54.21%) of its equity and voting rights in the company

The total cost for the Group is BGN 1 thousand allocation of purchase price to the acquired assets and liabilities of the company AK Plastic OOD. is carried out in 2012 The value of each group of assets acquired and liabilities and contingent liabilities recognized at the acquisition date is presented as follows:



| | Recognized value as at the date of acquisition |
|--|---|
| | BGN'000 |
| Trade receivables | 66 |
| Payables | - |
| Net value of the assets | 66 |
| Non-controlling interest | (37) |
| Fair value of identifiable net assets acquired by the Group | 29 |
| | BGN'000 |
| Total consideration | 1 |
| Fair value of identifiable net assets acquired by the Group | (29) |
| Goodwill/ (profit) | (28) |

The realized gain is recognized in the consolidated statement of comprehensive income of the Group within 'Gain from acquisitions'.

Acquisition of Petrochim Trade EAD

In 2012, the Group acquired control over the company Petrochim Trade EAD, based in Sofia, Bulgaria by purchasing shares of the Company as a result of which holds 100.00% (adjusted to 66.67%) of its equity and the voting rights in the company.

The total cost for the Group amounted to BGN 33 thousand, which is allocated to the assets acquired and liabilities Petrochim Trade EAD in 2012. The value of each group of assets acquired and liabilities and contingent liabilities recognized at the acquisition date is presented as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN '000 |
| Investments | 865 |
| Payables | (919) |
| Net value of the assets | (54) |
| Non-controlling interest | (21) |
| Fair value of identifiable net assets acquired by the Group | (33) |
| Total consideration | 33 |
| Fair value of identifiable net assets acquired by the Group | (33) |
| Goodwill/ (profit) | - |

Acquisition of Bessa Tour AD

In 2012, the Group has acquired control over Bessa Tour AD, with headquarters in Pazardjik, Bulgaria through the acquisition of the majority shareholder Petrochim Trade EAD, resulting in the acquisition of 82.37% (recomputed to 54.91%) of its share capital and the voting rights.



In 2012, the purchase price amounting to BGN 577 thousand is allocated to the acquired assets and liabilities of Bessa Tour AD. The fair value amounts recognized for each class of the acquired assets, liabilities and contingent liabilities as at the acquisition date is as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN '000 |
| Property, plant and equipment | 219 |
| Investments | 1 197 |
| Financial assets | 1 829 |
| Intangible assets | 3 |
| Inventory | 3 |
| Cash and cash equivalents | 78 |
| Trade receivables | 6 |
| Liabilities | (2 039) |
| Net value of the assets | 1 296 |
| Non-controlling interest | (584) |
| Fair value of identifiable net assets acquired by the Group | 712 |
| Total consideration | 577 |
| Fair value of identifiable net assets acquired by the Group | (712) |
| Gain from purchase | (135) |
| | BGN'000 |
| Consideration transferred settled in cash | - |
| Cash and cash equivalents acquired | 78 |
| Net cash outflow on acquisition | 78 |

The accrued gain is recognized in the consolidated statement of comprehensive income within 'Gain from acquisitions.



Acquisition of Texim Trading AD

In 2012, the Group has acquired 66.67% (recomputed to 34%) of the shares of Texim Trading AD, with headquarters in Sofia, Bulgaria, thus acquiring 66.67% (recomputed to 34%) of the voting rights.

In 2012, the purchase price amounting to BGN 821 thousand is allocated to the acquired assets and liabilities of Texim Trading AD. The fair value amounts recognized for each class of the acquired assets, liabilities and contingent liabilities as at the acquisition date is as follows:

| | Recognized value as at the date of acquisition |
|--|---|
| | BGN '000 |
| Investment property | 294 |
| Investment in associates | 887 |
| Inventory | 81 |
| Cash and cash equivalents | ui |
| Trade receivables | 38 |
| Liabilities | (245) |
| Net value of the assets | 1 060 |
| Non-controlling interest | (699) |
| Fair value of identifiable net assets acquired by the Group | 361 |
| | |
| Total consideration | 821 |
| Fair value of identifiable net assets acquired by the Group | (361) |
| Goodwill | 460 |
| | BGN'000 |
| Consideration transferred settled in cash | - |
| Cash and cash equivalents acquired | 5 |
| Net cash outflow on acquisition | 5 |

Goodwill has been recognized as a result of the acquisition in the consolidated statement of financial position within 'Goodwill'.

Acquisition of Zyreni Hrani Grain EOOD

In 2012, the Group has acquired control over Zyreni Hrani Grain EOOD, with headquarters in Sofia, Bulgaria through purchase of shares from the majority shareholder Zyreni Hrani Bulgaria AD, owner of 100% (recomputed to 66.67%) from the shares and the voting rights of Zyreni Hrani Grain EOOD.

The total cost of acquisition amounts to BGN 3 thousand is allocated to the acquired assets and liabilities of the Company in 2012. The fair value amounts recognized for each class of the acquiree's assets and liabilities are as follows:



| | Recognized value as at the date of acquisition |
|--|---|
| | BGN '000 |
| Cash and cash equivalents | 5 |
| Net value of the assets | 5 |
| Non-controlling interest | (2) |
| Fair value of identifiable net assets acquired by the Group | 3 |
| Total consideration | 3 |
| Fair value of identifiable net assets acquired by the Group | (3) |
| Goodwill/ (profit) | - |

Acquisition of Port Invest EOOD

On 2 November 2012 a newly established company was registered Port Invest EOOD. The group exercises control over the newly formed company, through its subsidiary Bulgarian River Shipping AD - Rousse. The main activity of Port Invest EOOD lies in performing activities of port operator, port services and other commercial activities. In 2012, the company has not generated revenues.

The company was established to develop the Group as a port operator in relation to a proceeding under the concession of the port of Lom. The total cost of the investment company incorporated is BGN 200 thousand and represents registered capital of the company. 25% of the price was paid by bank transfer.

| | BGN'000 |
|---|----------------|
| Consideration transferred settled in cash | (50) |
| Cash and cash equivalents acquired | 50 |
| Net cash outflow on acquisition | - |



Investments in associated

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

| Name | 2012 | Share | 2011 | Share |
|-----------------------------|----------------|--------|----------------|--------|
| | BGN'000 | % | BGN'000 | % |
| Fraport TSAM AD | 97 033 | 40,00% | 87 313 | 40,00% |
| PIC Saglasie Co.Ltd. | 18 157 | 49,43% | 17 736 | 49,43% |
| Amadeus Bulgaria OOD | 3 627 | 45,00% | 3 460 | 45,00% |
| Lufthansa Technik Sofia OOD | 4 840 | 24,90% | 3 838 | 24,90% |
| VTC AD | 2 801 | 41,00% | - | - |
| Dobrich fair AD | 1 214 | 37,92% | 1 112 | 37,92% |
| Kavarna Gas OOD | 581 | 35,00% | 557 | 35,00% |
| ZAO TAT Avia | - | - | 53 542 | 45,00% |
| | 128 253 | | 167 558 | |

The financial information about the associates can be summarized as follows:

| | 2012 | 2011 |
|----------------------------------|---------------|---------------|
| | BGN'000 | BGN'000 |
| Assets | 461 858 | 506 599 |
| Liabilities | 312 103 | 266 862 |
| Revenues | 217 839 | 232 360 |
| Profit for the period | 31 012 | 29 075 |
| Profit attributable to the Group | 11 902 | 10 899 |

In 2012 the Group sold its entire investment in the associate ZAO Tat – Avia, Russia accounted for the amount of BGN 53 542 thousand. The main line of business of the associate is management of companies operating in the aviation sector. The Group realized gain of BGN 10 427 thousand presented in the consolidated statement of comprehensive income within “Gains from transactions with financial instruments and investments”.

In 2011 the Group has increased its share by 4.9% in Lufthansa Technik Sofia AD with cash payment at the amount of BGN 640 thousand.

In 2012, the Company has received dividend payments from the associated companies at the amount of BGN 874 thousand (2011: BGN 1 470 thousand).

Investments in joint ventures

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

| Name | 2012 | Share | 2011 | Share |
|-----------------|------------|--------|----------|--------|
| | BGN '000 | % | BGN'000 | % |
| Nuance BG AD | 250 | 50,00% | - | - |
| Varna ferry OOD | - | 50,00% | - | 50,00% |
| | <u>250</u> | | <u>-</u> | |

In 2012, the Group acquired 50% of the rights aloud and equity of the newly formed company Nuance BG AD through its subsidiary Bulgarian Airways Group EAD.

The share capital of Nuance BG amounted to BGN 2,000 thousand , of which 500 thousand were paid. Nuance BG AD is based in Sofia and the main activity is the provision of commercial services for passengers with duty free goods and customs clearance aircraft, airports, land borders in Bulgaria.

As at 31 December 2012 the group owns 50% of the voting rights and share capital of Varna ferry OOD established in 2011 by Parahodstvo Balgarsko Rechno Plavane AD and Parahodstvo Bulgarski Morski Flot AD. The share capital of Varna ferry OOD amounts to BGN 100 thousand. The registered office of Varna ferry OOD is in Varna and main business activity is see transport and other related services. As at 31 December 2011 the investment in Varna ferry OOD at the amount of BGN 50 thousand is fully impaired.

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:

| | 2012 | 2011 |
|--|--------------|-------------|
| | BGN '000 | BGN '000 |
| Assets | 16 702 | 7 254 |
| Liabilities | 17 482 | 7 268 |
| Revenues | 1 024 | 159 |
| Loss for the period | (516) | (114) |
| Loss attributable to the Group not recognized in result for the current reporting period | <u>(258)</u> | <u>(58)</u> |

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



Information regarding the loan contracts concluded by the issuer, its subsidiary or its parent company as lessees.

Financial liabilities

| | Current | | Non-current | |
|---|------------------|------------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Financial liabilities measured at amortized cost: | | | | |
| Liabilities to depositors | 2 254 126 | 2 035 229 | 656 366 | 503 190 |
| Liabilities for dividends | 15 935 | 15 921 | 43 834 | 53 399 |
| Bonds and debenture loan | 3 755 | 135 115 | 146 686 | - |
| Bank loans | 58 726 | 42 702 | 129 979 | 151 891 |
| Other borrowings | 59 160 | 44 379 | 14 841 | 11 331 |
| Insurance contract liabilities | 14 980 | 18 846 | - | - |
| Derivatives, held-for-trading | 8 265 | 6 098 | - | - |
| Deposits from banks | 36 013 | 50 233 | 2 934 | - |
| Liabilities under repurchase agreements | 20 143 | 29 170 | - | - |
| Total carrying amount | 2 471 103 | 2 377 693 | 994 640 | 719 811 |

Long- and short-term liabilities to depositors

Analysis by term and type of currency:

| | 2012 | 2011 |
|--|------------------|------------------|
| | BGN'000 | BGN'000 |
| Demand deposits | | |
| in BGN | 483 449 | 384 933 |
| in foreign currency | 230 860 | 137 410 |
| | <u>714 309</u> | <u>522 343</u> |
| Term deposits | | |
| in BGN | 1 035 879 | 938 001 |
| In foreign currency | 973 912 | 963 195 |
| | <u>2 009 791</u> | <u>1 901 196</u> |
| Savings accounts | | |
| in BGN | 95 576 | 65 625 |
| in foreign currency | 64 814 | 36 902 |
| | <u>160 390</u> | <u>102 527</u> |
| Other deposits | | |
| in BGN | 17 399 | 7 119 |
| in foreign currency | 8 603 | 5 234 |
| | <u>26 002</u> | <u>12 353</u> |
| Total liabilities to depositors | 2 910 492 | 2 538 419 |



| | 2012 | 2011 |
|--|-------------------------|-------------------------|
| | BGN'000 | BGN'000 |
| Individual deposits | | |
| in BGN | 1 091 944 | 954 963 |
| in foreign currency | 872 458 | 798 491 |
| | <u>1 964 402</u> | <u>1 753 454</u> |
| Legal entities deposits | | |
| in BGN | 517 539 | 431 695 |
| in foreign currency | 399 791 | 339 288 |
| | <u>917 330</u> | <u>770 983</u> |
| Deposits of other institutions | | |
| in BGN | 18 439 | 7 499 |
| in foreign currency | 10 321 | 6 483 |
| | <u>28 760</u> | <u>13 982</u> |
| Total liabilities to other depositors | <u><u>2 910 492</u></u> | <u><u>2 538 419</u></u> |

Dividend liabilities

As at 31 December 2012 dividend liabilities for the preferred shares are as follows:

| | Current | | Non-current | |
|----------------------|---------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Dividend liabilities | 15 935 | 15 921 | 43 834 | 53 399 |
| | <u>15 935</u> | <u>15 921</u> | <u>43 834</u> | <u>53 399</u> |

In 2012 and 2011 the Group has paid out guaranteed dividend to its preferred shareholders, at the amount of BGN 17 736 thousand and BGN 17 635 thousand or BGN 0.1998 per share, respectively.

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.



Bonds and debenture loan

| | Current | | Non-current | |
|-------------------------|--------------|----------------|----------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Chimimport Holland B.V. | 3 217 | 135 115 | 134 951 | - |
| Asenova Krepost AD | 538 | - | 11 735 | - |
| | 3 755 | 135 115 | 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 2012, the Group’s liability to bondholders amounts to BGN 138 168 (2011 BGN 135 115 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 financial statement of comprehensive income within 'Finance cost'.

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.

Bank loans

| | Current | | Non-current | |
|------------|---------|---------|-------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Bank loans | 58 726 | 42 702 | 129 979 | 151 891 |

Long-term bank loans

| | 2012 | 2011 |
|---|----------------|----------------|
| | BGN'000 | BGN'000 |
| Revolving and investment bank credits | 87 676 | 110 358 |
| Program for special purpose refinancing of commercial banks | 40 937 | 40 062 |
| Other bank loans | 1 366 | 1 471 |
| | 129 979 | 151 891 |

Investment loans

In 2012 the Group has received the following investment loans as with the following terms and conditions:

- Contract concluded on 4 July 2011 at the amount of BGN 19 558 thousand with maturity date 25 June 2017 with interest rate equals 7.375%. All payments are made in euro. The Group should make annual payments according to repayment schedule until the maturity of the contract. The loan is not secured by collateral and in case of deteriorating of financial position of the Group, it should provide additional collateral acceptable by the bank within the specified term. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 19 558 thousand (EUR 10 000 thousand) where BGN 18 189 thousand are non-current and BGN 1 369 thousand are current;
- Contract for bank loan concluded on 4 July 2011 for the amount of BGN 39 117 thousand with maturity date 25 June 2017. The semi-annual interest rate equals 7.375%. All payments are made in euro. According to the repayment schedule, the Group repays the loan by 6 payments, the first of which is on 25 June 2013. The credit is secured with first rank collateral on current and future receivables arising from current bank account contracts, signed with the bank. The outstanding balance of the loan as at 31 December

2012 amounts to BGN 48 896 thousand (EUR 25 000 thousand) where BGN 2 543 thousand is current (EUR 1 300 thousand)

- The Group has received a loan from Commercial bank under loan agreement No 114, dated 6 June 2006 with maturity 25 April 2016. The interest rate is 3-month EURIBOR plus 4.5% premium. The loan is secured with real estate – “Dom na geologa”, located in Varna, St. St. Constantine and Elena resort at the amount of BGN 6 293 thousand – owned by Park Build OOD. Payments are carried out in euro. According to the repayment schedule, the Group repays the loan by monthly payments at the amount of BGN 187 thousand (EUR 97 thousand). The outstanding balance of the loan as at 31 December 2012 amounts to BGN 7 736 thousand (EUR 3 955 thousand), of which long-term portion – BGN 5 471 thousand and short-term portion – BGN 2 265 thousand.
- As at 31 December 2012 the Group has received investment credit from Commercial bank with maturity date 18 February 2015. 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 2012 amounts to BGN 3 573 thousand (USD 2 409 thousand), of which long-term portion – BGN 2 024 thousand and short-term portion – BGN 1 549 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 2012 is BGN 953 thousand. (EUR 487 thousand), of which long-term portion is BGN 651 thousand and short-term portion is BGN 302 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 2012 amounts to BGN 15 396 thousand (EUR 7 872 thousand), (31 December 2011 amounts to BGN 19 721 thousand (EUR 10 083 thousand)), of which long-term portion is BGN 8 689 thousand (2011: BGN 13 088 thousand) and short-term portion – BGN 6 707 thousand (2011: BGN 6 633 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 2012 amounts to BGN 9 327 thousand (EUR 4 769 thousand), of which long-term portion is BGN 6 814 thousand (2011: BGN 8 551 thousand) and short-term portion is BGN 2 513 thousand (2011: BGN 2 276 thousand). Discount on bank loans is BGN 777 thousand, of which BGN 515 thousand is long-term portion and BGN 262 thousand is short-term portion.



Program for special purpose refinancing of commercial banks

As at 31 December 2012 the Group has the following credit obligations: program for targeted refinancing of commercial banks amounting to BGN 35 875 thousand as loan funds are provided by the Group for medium and long-term investment lending and project financing for technical innovation, introduction of new technologies, know-how, increase competitiveness and export potential projects under EU structural funds and short-term pre-export financing of small and medium enterprises registered under the Commercial Code. The deadline for repayment of the loan is 30 December 2018 and the repayment is done at once. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%. The deadline for repayment of the loan is 30 March 2014 and the repayment is done at once. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%.

Short-term bank loans

| | 2012 | 2011 |
|---|----------------|----------------|
| | BGN'000 | BGN'000 |
| Short-term portion of revolving and investment bank credits | 15 617 | 13 252 |
| Short-term revolving and investment bank credits | 41 192 | 27 833 |
| Other bank loans | 1 917 | 1 617 |
| | 58 726 | 42 702 |

Investment Loans

Liabilities of the Group as at 31 December 2012 comprises 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 2013. 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 bank loan** -

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 2012. 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 the 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 2012 is BGN 16 200 thousand. Discount on credits amounts to BGN 72 thousand.



- 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 8 867 thousand (2011: BGN 10 884 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 2012 amounts to BGN 8 838 thousand (EUR 4 519 thousand);
- The Group has received a bank loan, dated 10 August 2006, with maturity date extended until 31 August 2012. The interest rate is 3-month SOFIBOR plus 5.00% premium. Payments are carried out in Bulgarian leva. The loan is secured with a mortgage of real estates, pledge on fixed assets under the terms of the Law for the Registered Pledges. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 2 467 thousand.
- Two contracts for bank loans have been concluded with Commercial bank for working capital. The maturities are 28.06.2013 and 28.02.2014, 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 9% on the utilized amount. The carrying amount of the assets pledged as a security is presented in note 15.

As at 31 December 2012 loans obligations to Eurobank EFG Bulgaria AD and DSK Bank EAD have expired maturities. The management of the Group has taken measures for renegotiation of the terms of the loans regarding their repayments. As at the date of the preparation of the consolidated financial statements no agreement between the parties have been reached

Other borrowings

| | Current | | Non-current | |
|------------------|---------|---------|-------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Other borrowings | 59 160 | 44 379 | 14 841 | 11 331 |

Other non-current borrowings

| | 2012 | 2011 |
|--|---------|---------|
| | BGN'000 | BGN'000 |
| Financing from State Agricultural Fund | 668 | - |
| Long term borrowings | 14 173 | 11 331 |
| | 14 841 | 11 331 |

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.



Other current borrowings

| | 2012 BGN'000 | 2011 BGN'000 |
|--------------------|-----------------|-----------------|
| Current borrowings | 59 160 | 44 379 |
| | 59 160 | 44 379 |

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.

Insurance contracts liabilities

| | 2012 BGN'000 | 2011 BGN'000 |
|----------------------------------|-----------------|-----------------|
| Insurance liabilities | 7 799 | 6 890 |
| Reinsurance liabilities | 5 957 | 10 662 |
| Transactions with Guarantee fund | 1 206 | 1 294 |
| Other | 18 | |
| | 14 980 | 18 846 |

Derivatives, held-for-trading

As at 31 December 2012 derivatives, held-for-trading, amounting to BGN 8 265 thousand (2011: BGN 6 098 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

Deposits from Banks

| | Current | | Non-current | |
|--|-----------------|-----------------|----------------|----------------|
| | 2012 BGN'000 | 2011 BGN'000 | 2012 BGN'00 | 2011 BGN'00 |
| Demand deposits – local banks | | | 0 | 0 |
| -in Bulgarian leva | 1 537 | 4 116 | - | - |
| -in foreign currency | 793 | 3 296 | - | - |
| Demand deposits from foreign banks in foreign currency | 6 | 915 | - | - |
| Term deposits from local banks in Bulgarian leva | 17 995 | 4 040 | - | - |
| Term deposits from foreign banks in foreign currency | 15 682 | 37 866 | 2 934 | - |
| | 36 013 | 50 233 | 2 934 | - |



Liabilities under repurchase agreements

As at 31 December 2012 the Group has signed contracts with a clause for repurchase of securities with local companies, amounting to BGN 20 143 thousand (2011: BGN 29 170 thousand), including the outstanding interest payables. The Group has collateralized this liability with government securities. The maturity date of those agreements is in the period January-June 2013.

Liabilities to insured individuals

| | 2012 BGN'000 | 2011 BGN'000 |
|--|-----------------|-----------------|
| Attracted funds in a voluntary pension fund | 54 697 | 48 894 |
| Attracted funds in a professional pension fund | 65 158 | 53 033 |
| Attracted funds in a universal pension fund | 420 093 | 322 539 |
| | 539 948 | 424 466 |

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2012 amounts to BGN 539 948 thousand. The increase compared to the liabilities as at 31 December 2011, amounts to BGN 115 482 as a result of proceeds and positive return on investment of the insured individuals, realized in 2012, 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:

| | 2012 BGN'000 | 2011 BGN'000 |
|---|-----------------|-----------------|
| Beginning of the period | 424 466 | 353 798 |
| Received pension contributions | 79 027 | 75 641 |
| Amounts received from pension funds, managed by other Pension Insurance Companies | 22 506 | 23 648 |
| Total increase of pension contributions | 101 533 | 99 289 |
| Positive/ (negative) income from investment of funds | 42 150 | 11 127 |
| Result from investment of funds | 42 150 | 11 127 |
| Paid off pensions | (109) | (103) |
| One-time paid pensions to insured individuals | (3 448) | (3 940) |
| Funds for disbursement of funds to heirs of insured individuals | (576) | (524) |
| Amounts paid to the National Revenue Agency | (640) | (10 433) |
| Amounts paid under social security contracts | (4 773) | (15 000) |
| Amounts, paid to insured individuals, transferred to other pension funds | (14 753) | (17 164) |
| Amounts paid to state budget | (103) | (97) |
| Entrance fee | (5) | (7) |
| Service fee | (166) | (155) |
| 9% yield fee | (355) | (137) |
| 5% service fee | (3 650) | (3 486) |
| 1% investment fee | (4 282) | (3 343) |
| Transfer fee | (105) | (352) |
| Withdrawal fee | (9) | (7) |
| End of the period | 539 948 | 424 466 |



The net assets available for income are distributed as follows:

| | 2012 | 2011 |
|--|----------------|----------------|
| | BGN'000 | BGN'000 |
| Individual accounts | 539 023 | 423 610 |
| Reserve for minimal return | 925 | 856 |
| Net assets available for income | 539 948 | 424 466 |

Leases

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 **Error! Reference source not found.**). Net book value of assets acquired under finance leases amounted to BGN 41 800 thousand (2011: BGN 39 794 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 2012 | Within 1 year BGN'000 | 1 to 5 years BGN'000 | After 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 |
| 31 December 2011 | Within 1 year BGN'000 | 1 to 5 years BGN'000 | After 5 Years BGN'000 | Total BGN'000 |
| Lease payments | 7 528 | 21 542 | 100 | 29 170 |
| Finance charges | (990) | (1 771) | (1) | (2 762) |
| Net present values | 6 538 | 19 771 | 99 | 26 408 |

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.



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 2012 | 62 002 | 146 841 | 48 369 | 257 212 |
| 31 December 2011 | 44 396 | 152 342 | 70 087 | 266 825 |

Lease payments recognized as an expense during the period amount to BGN 56 633 thousands (2011: 55 091 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.

Operating leases as lessor

In 2012 and 2011 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2012 amounted to BGN 17 567 thousand (2011: BGN 36 121 thousand).

In 2012 and 2011, the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Rental income for 2012, amounting to BGN 6 391 thousand (2011: BGN 4 350 thousand).

Future minimum lease payments are as follows:

| | Minimum lease payments due | | | |
|------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------------|
| | Within 1 year BGN'000 | 1 to 5 years BGN'000 | After 5 years BGN'000 | Total BGN'000 |
| 31 December 2012 | 21 411 | 81 211 | 10 944 | 113 566 |
| 31 December 2011 | 16 451 | 8 500 | - | 24 951 |

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

Information regarding the resources from the issuance of securities during the reporting period

- In 2012 the issuer did not increase its capital.

Analysis of the relationship between the financial result in the financial statements and the previously forecasted results.

In 2012 the Company has not published any forecasts of the financial result for the year. All publicly announced targets and objectives of the Group were accomplished.

Analysis and valuation of the financial resources management policy, including the ability to cover debt payments, subsequent threats and precautions that have been taken or are to be taken by the issuer for their avoidance.

The Company successfully manages its financial resources and regularly services its debt.

Valuation of the opportunity of realization of investment objectives, indicating the available amounts and possible changes in the financing structure of the activity

The Company will realize its investing objectives through debt and equity.

Information regarding changes that occurred during the accounting period in the basic management principles of the issuer and its economic group.

During the accounting period no changes took place in the issuer's basic management principles.

Information regarding changes in the Managing and the Supervisory boards during the accounting period.

During the accounting period no changes took place in the number and the individual, participating in the Managing and Supervisory boards of the company.

Information regarding the issuer's shares owned by the members of the Managing and Supervisory Boards.

According to a reference from the Central Depository issued as at 31 December 2012, the members of the Managing and Supervisory Board own the following number of shares:

| <u>Members of the Supervisory Board</u> | | |
|--|--------------------------------|----------------------------------|
| <u>Name</u> | <u>Number of shares</u> | <u>% of share capital</u> |
| 1. Chimimport Invest AD | 108 957 067 | 72.22% |
| 2. CCB Group EAD | 5 160 005 | 3.42% |

Members of the Managing Board

| Name | Number of shares | % of share capital |
|----------------------|------------------|--------------------|
| 1. Alexander Kerezov | 95 000 | 0,06% |
| 2. Ivo Kamenov | 309 925 | 0,21% |
| 3. Marin Mitev | 65 301 | 0,04% |
| 4. Nikola Mishev | 33 464 | 0,02% |
| 5. Miroljub Ivanov | 55 666 | 0,04% |

During the period there no changes in the number of shares held by any members of the Managing Board.

The issuer has not presented neither options for its shares, nor privileges to the Managing Board.

Information regarding the Company's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders.

There is no information regarding the Company's agreements (including post balance sheet period), that may cause changes in the relative number of the shares and bonds, owned by the current shareholders and bondholders

Information regarding pending suits, administrative or arbitration proceedings, relating to issuer's liabilities or receivables amounting to a minimum of 10 % from the owner's equity. If the total amount of the liabilities or the receivables from all pending suits and proceedings exceed 10 % of the owner's equity, the information is presented individually for each case.

The Company has not registered any pending suits, administrative or arbitration proceedings, receivables or liabilities that together or apart, do not exceed 10 % of the owner's equity.

Information regarding the Program for Applying the Internationally Recognized Corporative Governance Standards through the article 100n from Public Offering of Securities Act.

Information regarding this section is presented in a separate document.



Changes in the Company's share prices

According to information from the Bulgarian Stock Exchange – Sofia, the prices of the ordinary and preference shares during the twelve month period in 2012 are as follows:

Ordinary shares

Opening price : 1.399 BGN on 03 January 2012
Closing price : 0.834 BGN on 28 December 2012

Preference shares

Opening price : 1.828 BGN on 05 January 2012
Closing price : 1.450 BGN on 28 December 2012

Risk management objectives and policies

Categories of financial assets and liabilities

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

| | 2012 BGN '000 | 2011 BGN '000 |
|--|------------------|------------------|
| Financial assets | | |
| Financial assets held to maturity | | |
| - non-current | 98 068 | 130 919 |
| - current | 191 281 | 130 504 |
| Financial assets available for sale: | | |
| - non-current | 270 538 | 346 360 |
| - current | 54 199 | 32 858 |
| Financial assets held for trading (carried at fair value through profit or loss): | | |
| - non-current | 3 284 | 2 520 |
| - current | 714 361 | 542 326 |
| Loans and receivables: | | |
| - non-current | 1 297 828 | 865 084 |
| - current | 949 082 | 1 340 502 |
| Cash and cash equivalents | 1 212 020 | 1 021 696 |
| | 4 790 661 | 4 412 769 |
| Financial liabilities, measured at mortised cost: | | |
| Non-current: | | |
| - liabilities to depositors | 600 829 | 503 190 |
| - dividend obligations | 43 834 | 53 399 |
| - loans | 291 506 | 163 202 |
| - finance lease obligations | 15 462 | 2 037 |
| - trade and other payables | 22 541 | 450 025 |
| Current: | | |
| - liabilities to depositors | 2 309 663 | 2 035 229 |
| - dividend obligations | 15 935 | 15 921 |
| - loans | 121 641 | 222 196 |



| | 2012 | 2011 |
|-----------------------------|------------------|------------------|
| | BGN '000 | BGN '000 |
| - finance lease obligations | 5 417 | 22 024 |
| - trade and other payables | 197 655 | 197 449 |
| | <u>3 624 483</u> | <u>3 664 672</u> |

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 **Error! Reference source not found.** The most significant financial risks to which the Group is exposed to are described below.

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 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% |

| Simulations as at 31 December 2011 | Profit | Equity | Solvency limit | Coverage coefficient | Δ of the coverage coefficient |
|--|-------------|----------|-------------------|-------------------------|-------------------------------------|
| | BGN '000 | BGN '000 | BGN '000 | % | % |
| Current capital position | 899 | 40 517 | 25 750 | 157% | |
| Return on investments (+2%) | 3 431 | 43 049 | 25 750 | 167% | 10% |
| Return on investments (-1.5%) | 255 | 39 873 | 25 750 | 155% | -3% |
| Increase of the expenses quota (+10%) | -2 309 | 37 309 | 25 750 | 145% | -12% |
| Increase of the damages (+10%) | -3 002 | 36 616 | 25 750 | 142% | -15% |

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.

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.

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:

| ВИДОВЕ ЗАСТРАХОВКИ | 2012 | 2012 | 2011 | 2011 |
|---|------------------------------|----------------------------|------------------------------|----------------------------|
| | Damages, quota, gross | Damages, quota, net | Damages, quota, gross | Damages, quota, net |
| | % | % | % | % |
| Accident insurance | 23% | 23% | 45% | 43% |
| Including obligatory accident insurance of the passengers in the public transport | 3% | 4% | 0% | 0% |
| Illness | 0% | 0% | 0% | 0% |
| Casco | 67% | 68% | 59% | 59% |
| Insurance of rail vehicles | 0% | 0% | 0% | 0% |
| Casco of aircrafts | 4% | 360% | 45% | 73% |
| Casco of vessels | 49% | 68% | 39% | 41% |
| Cargo insurance during transportation | 4% | 0% | 1% | 1% |
| Fire and natural calamities insurance | 70% | 58% | 15% | 11% |
| Property damage insurance | 30% | 33% | -23% | -26% |
| Insurance associated with the ownership and usage of motor vehicles, including: | | | | |
| Third-party vehicle insurance | 44% | 42% | 60% | 55% |
| “Green Card” insurance | 46% | 48% | 26% | 32% |
| Third-party boarder insurance | 4% | 4% | 4% | 4% |
| Third-party carrier insurance | 53% | 41% | 52% | 54% |
| Third-party aviation insurance | 1% | 13% | 0% | 44% |
| Third party vessels insurance | (86%) | (13%) | 263% | 56% |
| General third-party insurance | 39 603% | (1 012%) | 72% | 61% |
| Credit insurance | 7% | 7% | 76% | 76% |
| Guarantees insurance | 0% | 0% | 0% | 0% |
| Insurance against financial losses | 0% | 0% | -1% | -1% |
| Insurance against legal expenses | 0% | 0% | 0% | 0% |
| Travel assistance | 39% | 39% | 35% | 35% |
| Total: | 57% | 59% | 52% | 53% |



Year the insurance event occurred

| | 2012 | | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | | Общо |
|-------------|--------|--------|-------|--------|-------|-------|--------|------|------|------|------|------|------|
| | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN | BGN |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Payments: | | | | | | | | | | | | | |
| Assessment: | 37 292 | 9 594 | 6 649 | 3 127 | 1 102 | 0 | 57 764 | | | | | | |
| Actual | 42 307 | 16 410 | 7 371 | 10 187 | 6 243 | 4 804 | 87 321 | | | | | | |

The presented table shows that the reserves for unsettled payments are adequate as at the end of 2012.

Solvency limit

As at the end of 2012 the defined solvency limit is in accordance with the respective legal requirements:

| | 2012 BGN '000 |
|---|------------------|
| Equity, less intangible assets | 62 720 |
| Share capital | 24 419 |
| Reserves and funds | 63 592 |
| Revaluation reserve | (19 579) |
| Retained earnings, less expected dividend payments and other deductions | 133 |
| Deductions | |
| Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21 | (410) |
| Intangible assets | (5 435) |
| Solvency limit | 27 178 |
| Surplus | 35 542 |

| | 2011 |
|---|-----------------|
| | BGN '000 |
| Equity, less intangible assets | 33 856 |
| Share capital | 15 019 |
| Reserves and funds | 45 000 |
| Revaluation reserve | (19 503) |
| Deductions | |
| Participations in subsidiaries under art. 5, par. 2, item 5 of Ordinance № 21 | (410) |
| Intangible assets | (6 250) |
| Solvency limit | 25 750 |
| Surplus | 8 106 |

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 2012 is as follows:

| | <u>BGN</u> <u>'000</u> | <u>EUR</u> <u>'000</u> | <u>USD</u> <u>'000</u> | <u>Other</u> <u>'000</u> | <u>Total</u> <u>'000</u> |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| 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 | 269 674 |
| | | | | 176 | 2 461 385 |
| Total assets | <u>1 085 475</u> | <u>974 641</u> | <u>173 655</u> | <u>227 614</u> | <u>385</u> |
| Financial liabilities | | | | | |
| Deposits from banks | 19 532 | 14 195 | 1 724 | 562 | 36 013 |
| Bank loans | 40 937 | - | - | 1 213 | 42 150 |
| Liabilities under repurchase agreements | - | - | - | - | - |
| | | | | 186 | 3 072 |
| Liabilities to other depositors | 1 729 888 | 993 179 | 163 082 | 211 | 360 |
| Other attracted funds | 1 000 | - | - | - | 1 000 |
| Subordinated liabilities | 45 023 | - | - | - | 45 023 |
| | | 1 007 | | 187 | 3 196 |
| Total liabilities | <u>1 836 380</u> | <u>374</u> | <u>164 806</u> | <u>986</u> | <u>546</u> |
| Net position | <u>(750 905)</u> | <u>(32 733)</u> | <u>8 849</u> | <u>39 628</u> | <u>(735 161)</u> |



The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2011 is as follows:

| | <u>BGN</u> <u>'000</u> | <u>EUR</u> <u>'000</u> | <u>USD</u> <u>'000</u> | <u>Other</u> <u>'000</u> | <u>Total</u> <u>'000</u> |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Financial assets | | | | | |
| Placements with, and advances to, banks | 11 | 369 050 | 17 977 | 18 747 | 405 785 |
| Receivables under repurchase agreements | 32 444 | - | - | - | 32 444 |
| Financial asset held-for-trading | 57 885 | 4 396 | 5 931 | 3 565 | 71 777 |
| Loans and advances to customers, net | 754 936 | 520 942 | 149 004 | 24 887 | 1 449 769 |
| Available-for-sale financial assets | 79 772 | 178 395 | 48 | 3 614 | 261 829 |
| Held-to-maturity financial assets | 71 099 | 77 147 | - | 89 501 | 237 747 |
| | | | | 140 | |
| Total assets | <u>996 147</u> | <u>1 149 930</u> | <u>172 960</u> | <u>314</u> | <u>2 459 351</u> |
| Financial liabilities | | | | | |
| Deposits from banks | 8 156 | 10 178 | 1 884 | 309 | 20 527 |
| Credits from banks | 40 062 | 1 956 | - | 1 342 | 43 360 |
| Liabilities under repurchase agreements | 3 008 | 16 874 | - | - | 19 882 |
| Liabilities to other depositors | 1 469 179 | 989 157 | 128 205 | 81 456 | 2 667 997 |
| Other attracted funds | 762 | - | - | - | 762 |
| | | 1 018 | | | |
| Total liabilities | <u>1 521 167</u> | <u>165</u> | <u>130 089</u> | <u>83 107</u> | <u>2 752 528</u> |
| Net position | <u>(525 020)</u> | <u>131 765</u> | <u>42 871</u> | <u>57 207</u> | <u>(293 177)</u> |

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 2012, 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 net financial result after tax to a reasonably possible increase/decrease in the following interest rates 1M SOFIBOR, amounting to +/- 0.45 %, 3M SOFIBOR, amounting to +/- 0.68% ,1M EURIBOR, amounting to +/- 0.23 %, 3M EURIBOR, amounting to +/- 0.34%, and 12M EURIBOR, amounting to +/- 0.42% .



| 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 |

| 31 December 2011 | 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 | (145) | 145 | (145) | 145 |
| 3M SOFIBOR | (21) | 21 | (21) | 21 |
| 1M EURIBOR | (26) | 26 | (26) | 26 |
| 3M EURIBOR | (32) | 32 | (32) | 32 |
| 12M EURIBOR | (40) | 40 | (40) | 40 |

These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the volatility of the average market interest rate for each period. All other variables are held constant.

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 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 33.37%.



| | <u>Up to 1 month</u> | <u>From 1 to 3 months</u> | <u>From 3 to 12 months</u> | <u>From 1 to 5 years</u> | <u>Over 5 years</u> | <u>Total</u> |
|---|--------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------|-------------------------|
| 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 | <u>84 796</u> | <u>84 343</u> | <u>2 576</u> | <u>70 932</u> | <u>27 027</u> | <u>269 674</u> |
| Interest-bearing assets | <u>504 001</u> | <u>213 858</u> | <u>392 328</u> | <u>852 684</u> | <u>412 411</u> | <u>2 375 282</u> |
| 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 | - | 1 000 |
| Total interest-bearing liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45 023</u> | <u>45 023</u> |
| Interest-bearing liabilities | <u>1 254 811</u> | <u>437 005</u> | <u>806 964</u> | <u>608 808</u> | <u>88 958</u> | <u>3 196 546</u> |
| Imbalance between interest bearing assets and liabilities, net | <u>(750 810)</u> | <u>(223 147)</u> | <u>(414 636)</u> | <u>243 876</u> | <u>323 453</u> | <u>(821 264)</u> |

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 2012, over the net interest income, assuming an increase of 2% (2011: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 915 thousand (2011: BGN 984 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2011 is negative, amounting to BGN 367 721 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 12.53%.



| | 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 | 402 173 | 530 | - | 3 082 | - | 405 785 |
| Receivables under repurchase agreements | 6 033 | 14 379 | 12 032 | - | - | 32 444 |
| Financial assets held-for-trade | 872 | - | - | 25 471 | 138 | 26 481 |
| Loans and advances to customers, net | 122 414 | 77 653 | 481 586 | 501 279 | 266 837 | 1 449 769 |
| Financial assets held-for-trade | 741 | - | - | 95 741 | 136 099 | 232 581 |
| Financial assets held-to-maturity | 52 223 | 37 278 | 21 437 | 109 205 | 17 604 | 237 747 |
| Total interest-bearing assets | 584 456 | 129 840 | 515 055 | 734 778 | 420 678 | 2 384 807 |
| Interest-bearing liabilities | | | | | | |
| Deposits from banks | 16 487 | 4 040 | - | - | - | 20 527 |
| Bank loans | 190 | 106 | 2 273 | 5 633 | 35 158 | 43 360 |
| Liabilities under repurchase agreements | 18 017 | 1 865 | - | - | - | 19 882 |
| Liabilities to other depositors | 891 637 | 393 752 | 867 300 | 508 857 | 6 451 | 2 667 997 |
| Other attracted funds | 139 | 45 | 241 | 337 | - | 762 |
| Total interest-bearing liabilities | 926 470 | 399 808 | 869 814 | 514 827 | 41 609 | 2 752 528 |
| Imbalance between interest bearing assets and liabilities, net | (342 014) | (269 968) | (354 759) | 219 951 | 379 069 | (367 721) |

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 15 080 thousand (2011: 35 834 thousand).

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:

| | 2012 BGN'000 | 2011 BGN'000 |
|--------------------------------------|-------------------------|-------------------------|
| Financial assets – carrying amounts: | | |
| Non-current financial assets | 371 890 | 479 799 |
| Related parties receivables | 14 879 | 2 181 |
| Long-term receivables | 1 297 828 | 862 903 |
| Current financial assets | 970 522 | 714 967 |
| Related parties receivables | 239 108 | 266 675 |
| Cash and cash equivalents | 1 212 020 | 1 021 696 |
| Trade and other receivables | 938 401 | 1 064 548 |
| Carrying amount | 5 044 648 | 4 412 769 |

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 928 111 thousand (2011: BGN 475 545 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 172 500 thousand (2011: BGN 405 785 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 2012 the lump sum of this risk amounts to BGN 42 856 thousand. As at 31 December 2012 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 135 thousand. (2011: BGN 135 thousand).

The receivables under repurchase agreements, amounting to BGN 63 976 thousand (2011: BGN 32 444 thousand) carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 39 860 thousand (2011: BGN 16 389 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 24 116 thousand (2011: BGN 16 055 thousand) carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 96 406 thousand (2011: BGN 71 777 thousand) carry mainly market risk to the Group, which is analyzed in the notes, related to the market risk.

The financial assets measured at fair value, amounting to BGN 1 446 thousand comprise debt securities, issued by the government of the Russian Federation, which do not bear credit risk, as they are guaranteed by the Russian Federation.

The equity instruments held-for-sale, amounting to BGN 27 826 thousand (2011: BGN 30 226 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 27 826 thousand (2011: BGN 30 226 thousand). As at 31 December 2012 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 286 thousand. (2011: BGN 237 thousand).

The debt instruments held-for-sale, amounting to BGN 68 669 thousand (2011: BGN 101 047 thousand) bear the credit risk of the country issuer.

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 109 075 thousand (2011: BGN 130 793 thousand), bear credit risk, whose maximum exposure is 100% or BGN 109 075 thousand (2011: BGN 130 793 thousand).

The debt instruments held-to-maturity and issued by Republic of Bulgaria, amounting to BGN 131 709 thousand (2011: BGN 127 343 thousand) do not carry credit risk to the Group, as they are secured by Bulgarian government.

The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia, amounting to BGN 7 943 thousand do not bear any credit risk for the Group, as they are secured by the National Bank of the Republic of Macedonia. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia at the amount of BGN 101 411 thousand do not bear any credit risk as they are guaranteed by the Republic of Macedonia.

The debt instruments held-to-maturity and issued by the Russian federation at the amount of BGN 7 821 thousand do not bear any credit risk for the Group, as they are secured by the Russian federation.

The debt instruments held-to-maturity and issued by foreign company at the amount of BGN 20 790 thousand (2011: BGN 20 903 thousand) bear credit risk with maximum exposure of 100% or BGN 20 790 thousand (2011: BGN 20 903 thousand).

Loans and advances to customers with book value of BGN 1 688 175 thousand (2011: BGN 1 479 831 thousand) expose the Group to credit risk. In order to determine the amount of exposure of the Group to this kind of risk, an analysis is being conducted of the individual risk for the Group, originating from every specifically determined exposure, as the Group applies the criteria for evaluation and classification of the risky exposures, set in the bank legislation of the Republic of Bulgaria and the Republic of Macedonia. In accordance with these criteria and the conducted analysis the Group's maximum exposure amounts to BGN 1 390 415 thousand (2011:

BGN 1 153 075 thousand). In order to minimize the credit risk, in the process of granting credits detailed procedures, regarding the analysis of the economic appropriateness of any single project, the different kinds of securities acceptable by the Group, the control of the placements and their administration, are applied. The Group monitors the observance of the limits for credit exposure by regions and industries. The purpose of the above-mentioned limits is to limit the concentration of one region or industry in the portfolio, which could lead to increased credit risk. The Group has adopted the methodology for calculating the provisions for impairment of loans and advances to customers, based on the requirements of the bank legislation, respectively in the Republic of Bulgaria and the Republic of Macedonia, as they do not differ significantly. As at 31 December 2012 the provisions for coverage of losses from impairment of loans and advances amount to BGN 36 076 thousand (2011: BGN 30 062 thousand).

Quality of the credit portfolio

Classes of financial assets as at 31 December 2012:

| Debt Group | Granted loans | | | Unutilized engagement Group | Given guarantees | | |
|---------------|--------------------|------------|------------------------|-----------------------------------|--------------------|------------|------------------------|
| | Amount BGN '000 | Share % | Provisions BGN '000 | | 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 |

Classes of financial assets as at 31 December 2011:

| Debt Group | Granted loans | | | Unutilized engagement Group | Given guarantees | | |
|---------------|--------------------|---------------|------------------------|-----------------------------------|-----------------------|------------|------------------------|
| | Amount BGN '000 | Share % | Provisions BGN '000 | | Amount BGN '000 | Share % | Provisions BGN '000 |
| Regular | 1 370 424 | 92.61 | 3 154 | 89 097 | 71 985 | 100 | 84 |
| Monitored | 33 275 | 2.25 | 1 370 | 525 | - | - | - |
| Not serviced | 28 771 | 1.94 | 3 152 | 129 | - | - | - |
| Loss | 47 361 | 3.20 | 22 386 | 529 | - | - | - |
| Total | 1 479 831 | 100.00 | 30 062 | 90 280 | 71 985 | 100 | 84 |

| Name of the group | 31 December 2012 | | 31 December 2011 | | | |
|----------------------------------|---|--|---|--|------------|---------------|
| | 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 | 1 138 551 | 67.4 | 63 796 | 941 880 | 63.6 | 32 444 |
| Outstanding but not impaired | 452 331 | 26.7 | - | 465 503 | 31.4 | - |
| Impaired on individual base | 97 293 | 5.76 | - | 72 448 | 4.89 | - |
| Total | 1 688 175 | 100 | 63 796 | 1 479 831 | 100 | 32 444 |
| Set-aside provisions | (36 076) | | - | 30 062 | | - |
| Net loans | 1 652 099 | | 63 796 | 1 449 769 | | 32 444 |

As at 31 December 2012 and 2011 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:

| | 2012 BGN '000 | 2011 BGN'000 |
|-----------------------------|------------------|-----------------|
| Individuals | | |
| Credit cards and overdrafts | 22 024 | 21 188 |
| Consumer loans | 108 831 | 104 614 |
| Mortgage loans | 44 677 | 50 723 |
| Corporate clients | 969 278 | 765 355 |
| Total | | |
| Individuals | 1 144 810 | 941 880 |

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.

| | 2012 BGN '000 | 2011 BGN'000 |
|-----------------------------|------------------|-----------------|
| Individuals | | |
| Credit cards and overdrafts | 10 508 | 7 579 |
| Consumer loans | 17 737 | 24 385 |
| Mortgage loans | 24 420 | 24 392 |
| Corporate clients | 399 666 | 409 147 |
| Total | 452 331 | 465 503 |

The book value of the loans, with accrued provision on an individual basis as at 31 December 2012 and 2011 is BGN 56 280 thousand and BGN 72 448 thousand. These amounts do not include cash flows from the collaterals of these loans.

| 2012 | Book value | Book value | Book value | Total highly liquid collateral |
|-----------------------------|---------------|--------------|---------------|-----------------------------------|
| | before | before | before | |
| | impairment | impairment | impairment | |
| | Group II | Group III | Group IV | |
| | 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 |

| 2011 | Book value | Book value | Book value | Total highly liquid collateral |
|-----------------------------|---------------|---------------|---------------|-----------------------------------|
| | before | before | before | |
| | impairment | impairment | impairment | |
| | Group II | Group III | Group IV | |
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Credit cards and overdrafts | 3 061 | 1 888 | 5 369 | - |
| Consumer loans | 11 912 | 4 587 | 15 315 | 5 016 |
| Mortgage loans | 39 | 224 | 2 342 | 3 502 |
| Corporate clients | 3 218 | 4 470 | 20 023 | 11 132 |
| Total | 18 230 | 11 169 | 43 049 | 19 650 |

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 2012 | Client | Contracted limit | Net exposure as at 31 December 2011 |
|--------------|---------------------|---|------------|---------------------|--|
| Company 1 | 73 464 | 74 894 | Company 1 | 60 000 | 60 020 |
| Company 2 | 60 000 | 60 310 | Company 2 | 56 291 | 55 848 |
| Company 3 | 48 636 | 49 014 | Company 3 | 62 332 | 46 074 |
| Company 4 | 55 249 | 47 294 | Company 4 | 46 212 | 34 380 |
| Company 5 | 45 047 | 45 377 | Company 5 | 33 503 | 33 325 |
| Company 6 | 56 197 | 42 990 | Company 6 | 33 609 | 32 626 |
| Company 7 | 37 835 | 37 974 | Company 7 | 32 084 | 32 119 |
| Company 8 | 37 253 | 36 656 | Company 8 | 30 032 | 29 049 |
| Company 9 | 34 412 | 32 156 | Company 9 | 27 382 | 27 130 |
| Company 10 | 33 771 | 33 907 | Company 10 | 26 722 | 26 807 |
| Total | 481 864 | 460 572 | | 408 167 | 377 378 |



The total net exposure for 2012 and 2011 represents 27.88% and 26.03%, respectively, from the Group's loans and advances from clients. Общият размер на нетната експозиция за 2012 и 2011 представлява съответно 27.88 % и 26.03 %.

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

| | 2012 BGN '000 | 2011 BGN '000 |
|--|------------------|------------------|
| Secured with cash and government securities | 115 103 | 142 651 |
| Mortgage | 514 013 | 510 301 |
| Other collateral | 897 179 | 702 108 |
| No collateral | 161 880 | 124 771 |
| Expenses for provisions of impairment losses | (36 076) | (30 062) |
| Total | 1 652 099 | 1 449 769 |

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

| Segment | Amount Group | Delay of payment | | | | | | Unutilized engagement |
|------------------------|-----------------|---------------------------|-----------|-----------|----------|----------------------|------------|--------------------------|
| | | Number of transactions | Debt | Principal | Interest | Court receivables | Provisions | |
| 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 |



Business segment, classification group and delays of payments as at 31 December 2011:

| Segment | Amount Group | Number of transaction | Debt | Delay of payment | | | Provisions | Unutilized engagement |
|------------------------|--------------|-----------------------|-----------|------------------|----------|-------------------|------------|-----------------------|
| | | | | Principal | Interest | Court Receivables | | |
| Trade | Regular | 75 233 | 219 836 | 359 | 275 | - | 3 088 | 33 416 |
| | Monitored | 4 670 | 23 682 | 780 | 435 | - | 1 241 | 399 |
| | Not services | 2 024 | 13 047 | 1 097 | 573 | - | 2 692 | 112 |
| | Loss | 7 311 | 22 417 | 3 865 | 1 508 | 8 451 | 15 583 | 125 |
| Total | | 89 238 | 278 982 | 6 101 | 2 791 | 8 451 | 22 604 | 34 052 |
| Corporate | Regular | 1 543 | 1 101 984 | 28 788 | 3 249 | - | 66 | 54 304 |
| | Monitored | 183 | 9 593 | 278 | 153 | - | 129 | 126 |
| | Not services | 58 | 15 724 | 6 799 | 730 | - | 460 | 17 |
| | Loss | 296 | 24 944 | 3 864 | 870 | 12 914 | 6 803 | 404 |
| Total | | 2 080 | 1 152 245 | 39 729 | 5 002 | 12 914 | 7 458 | 54 851 |
| Budget | Regular | 9 | 48 604 | - | 630 | - | - | 1 377 |
| | Monitored | - | - | - | - | - | - | - |
| | Not services | - | - | - | - | - | - | - |
| | Loss | - | - | - | - | - | - | - |
| Total | | 9 | 48 604 | - | 630 | - | - | 1 377 |
| Total portfolio | | 91 327 | 1 479 831 | 45 830 | 8 423 | 21 365 | 30 062 | 90 280 |

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 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 |

As at 31 December 2011 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 | 15 921 | 53 399 | - |
| Bank and other loans | 222 196 | 140 021 | 23 181 |
| Related parties payables | 12 573 | 2 037 | - |
| Financial lease payables | 6 538 | 19 771 | 99 |
| Trade and other payables | 2 220 105 | 951 178 | - |
| Total | 2 477 333 | 1 166 406 | 23 280 |

As at 31 December 2009, in regards to the issued secured exchangeable bonds by a company from the group of Chimimport AD there is an option in accordance with Condition 8 (c) from Terms and Conditions of the bonds issued on 22 August 2008 by Chimimport Holland B.V. (with sole owner of the share capital being Chimimport AD) at the amount of EUR 65 000 000 with 7% interest rate and exchangeable for ordinary shares of Chimimport AD (called "the Bonds"), each bondholder had the right (option) to present for repurchasing to the issuer Chimimport Holland B.V., all or a portion of the owned bonds. The right is exercisable on 22 August 2012. As at 22 August 2012 none of the rights were exercised. The following date for exercising the repurchasing rights is 22 August 2015.

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 19 477 thousand (2011: BGN 19 861 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 5% 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 5.25% of the Group's assets. Maintaining over 30% of its assets in highly liquid assets, the Group is able to cover all its needs regarding payments on matured financial liabilities.



The allocation of financial liabilities of the Group as of 31 December 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 |
| Obligations under agreements for security repurchasing | - | - | - | - | - | - |
| 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 | - | 1 000 |
| Other liabilities | - | - | - | - | 45 023 | 45 023 |
| Total financial liabilities | <u>20 412</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20 412</u> |
| Financial liabilities | <u>1 278 965</u> | <u>435 074</u> | <u>805 781</u> | <u>608 180</u> | <u>88 958</u> | <u>3 216 958</u> |

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.

Central Cooperative Bank AD entered into a subordinated debt agreement with its shareholder CCB Group EAD in accordance with regulations set forth by Ordinance N 8 dated 14 December 2006 of the Bulgarian National Bank for capital adequacy of the credit institutions. The maturity of the debt is December 2019 as a one-time repayment at maturity. Under the terms of the contract early repayment of debt is possible only after the prior written permission of the Bulgarian National Bank, while the creditor is not entitled to declare acceleration of the Loan under any circumstances

The allocation of financial liabilities of the Group as of 31 December 2011, according to their residual term is as follows:

| | Up to 1 month | From 1 to 3 month s | From 3 months to 1 year | From 1 year to 5 years | Abov e 5 years | Total |
|---|------------------------------|--|--|---------------------------------------|-------------------------------|------------------|
| Financial liabilities | | | | | | |
| Deposits from banks | 16 487 | 4 040 | - | - | - | 20 527 |
| Liabilities to other depositors | 190 | 106 | 2 273 | 5 633 | 35 158 | 43 360 |
| Other borrowed funds | 18 017 | 1 865 | - | - | - | 19 882 |
| Other liabilities | 891 637 | 393 752 | 867 300 | 508 857 | 6 451 | 2 667 997 |
| Obligations under agreements for security repurchasing | 139 | 45 | 241 | 337 | - | 762 |
| Short-term loans | 13 021 | - | - | - | - | 13 021 |
| Total financial liabilities | 939 491 | 399 808 | 869 814 | 514 827 | 41 609 | 2 765 549 |

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.

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:

| | 2012 | 2011 |
|-----------------------------|------------------|------------------|
| | BGN '000 | BGN '000 |
| Shareholders' equity | 1 460 443 | 1 414 233 |
| Equity | 1 460 443 | 1 414 233 |
| Debt | 4 355 792 | 3 799 467 |
| - Cash and cash equivalents | (1 212 020) | (1 021 696) |
| Net debt | 3 143 772 | 2 777 771 |
| Capital to net debt | 2.15 | 1.96 |

The increase in ratio during 2012 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



INFORMATION REGARDING

Chimimport AD,

according to Annex No.11 to Article 32, Paragraph 1, Item 4 of Regulation No. 2 as at 17.09.2003 for the prospectus for the public offering and admission to trading on the regulated market for securities and the disclosure of information by the public entities and other issuers of securities

Capital structure of the Group of Chimimport AD, including the securities, unadmitted to trading on the regulated market in the Republic of Bulgaria or other member-country, indicating the different classes of shares, the rights and the obligations, related to each class of shares, and the portion of the total share capital, constituting each class.

The share capital of Chimimport AD as at 31 December 2012 consists of 150 875 596 (2011: 150 875 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2011: 88 770 671) preferred shares with a par value of BGN 1, including 5 962 675 (2011: 5 170 175,) ordinary shares and 4 295 449 (2011: 4 131 489) preferred shares, acquired by companies of Chimimport Group. 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.

| | 2012 | 2011 |
|--|--------------------|--------------------|
| | Number of | Number of |
| | shares | shares |
| Shares issued and fully paid at 1 January: | 230 344 603 | 229 758 894 |
| - reduction of preferred shares due to conversion into ordinary shares during the year | - | (16 787) |
| - increase in ordinary shares due to conversion of preferred shares into ordinary shares during the year | - | 16 787 |
| treasury shares /ordinary and preferred/, acquired by subsidiaries during the year | (956 460) | 585 709 |
| Shares issued and fully paid as at period end | 229 388 143 | 230 344 603 |

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 956 460 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 (835) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 46 147 thousand – non-current dividend payables
- BGN (2 313) 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:

| | 2012 | 2012 | 2011 | 2011 |
|--|--------------------|-------------|--------------------|----------------|
| | Number of ordinary | % | Number of | % |
| | shares | | ordinary shares | |
| Chimimport Invest AD | 108 957 067 | 72.22% | 108 533 269 | 71.94% |
| Artio International Equity Fund | 5 744 865 | 3.81% | 10 693 367 | 7.09% |
| Unicredit Bank Austria | 5 208 127 | 3.45% | 1 161 064 | 0.77% |
| CCB Group EAD | 5 160 005 | 3.42% | 4 395 005 | 2.91% |
| EFG EUROBANK ERGASIAS | 2 878 750 | 1.91% | 1 378 750 | 0.91% |
| CACEIS Bank Deutschland GmbH | 2 841 264 | 1.88% | 2 833 188 | 1.88% |
| PIC Saglasie Co.Ltd. | 788 972 | 0.52% | 850 672 | 0.56% |
| Consolid Commerce | 704 276 | 0.47% | 704 276 | 0.47% |
| The Bank of New York Mellon | 452 029 | 0.30% | 633 049 | 0.42% |
| Danske invest trans-balkan fund | 695 638 | 0.46% | 505 999 | 0.34% |
| Eaton Vance Tax-Managed Emerging Markets | 487 988 | 0.32% | 487 988 | 0.32% |
| ZAD Armeec | 463 100 | 0.31% | 463 100 | 0.31% |
| Eaton Vance Structured Emerging Markets | 329 922 | 0.22% | 329 922 | 0.22% |
| EFG Eurobank Clients ACC | 272 057 | 0.18% | 337 796 | 0.22% |
| Clearstream Banking Luxembourg Clients | 80 | 0.00% | 446 080 | 0.30% |
| DIAS Investment Company | - | 0.00% | 1 500 000 | 0.99% |
| LIC Saglasie AD | - | 0.00% | 765 000 | 0.51% |
| MEI – Romanian and Bulgaria Funds | - | 0.00% | 504 088 | 0.33% |
| Skandinavian Enskilda Banken | - | 0.00% | 500 000 | 0.33% |
| Julius Baer Multistock - Black Sea Fund | - | 0.00% | 346 425 | 0.23% |
| Other legal entities | 8 174 046 | 5.42% | 7 139 704 | 4.73% |
| Other natural persons | 7 717 410 | 5.12% | 6 366 854 | 4.22% |
| | 150 875 596 | 100% | 150 875 596 | 100.00% |

| | 2012 Number of ordinary shares | 2012 % | 2011 Number of ordinary shares | 2011 % |
|--|--------------------------------------|--------------|--------------------------------------|--------------|
| Shares of the Group, acquired by subsidiaries | | | | |
| CCB Group AD | (5 160 005) | 3.42% | (4 395 005) | 2.91% |
| ZAD Armecc | (463 100) | 0.31% | (463 100) | 0.31% |
| CCB AD | (84 500) | 0.06% | (57 000) | 0.04% |
| POAD CCB Sila | (255 070) | 0.17% | (255 070) | 0.17% |
| | (5 962 675) | 3.96% | (5 170 175) | 3.43% |
| Net number of shares | 144 912 921 | | 145 705 421 | |

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

| | 2012 | 2012 | 2011 | 2011 |
|-----------------------------------|-------------------------|-------------|-------------------------|-------------|
| | Number of | % | Number of | % |
| | ordinary and | | ordinary and | |
| | preferred shares | | preferred shares | |
| Chimimport Invest AD | 175 710 589 | 73.32% | 179 885 551 | 75.06% |
| Artio International Equity Fund | 12 093 007 | 5.05% | 17 109 388 | 7.14% |
| CCB Group EAD | 8 233 658 | 3.44% | 7 468 658 | 3.12% |
| UniCredit Bank Austria | 5 750 082 | 2.40% | 1 909 993 | 0.80% |
| PIC Saglasie Co.Ltd. | 3 130 555 | 1.31% | 1 635 655 | 0.68% |
| LIC Saglasie AD | 2 902 819 | 1.21% | 765 000 | 0.32% |
| CACEIS Bank Deutschland GmbH | 2 841 264 | 1.19% | 2 833 188 | 1.18% |
| POAD CCB Sila | 1 476 866 | 0.62% | 1 287 106 | 0.54% |
| Danske invest trans-balkan fund | 929 138 | 0.39% | 505 999 | 0.21% |
| Consolid Commerce | 704 276 | 0.29% | 704 276 | 0.29% |
| The Bank Of New York Mellon | 452 029 | 0.19% | 633 049 | 0.26% |
| EFG EUROBANK ERGASIAS | 272 657 | 0.11% | 1 378 750 | 0.58% |
| ING Pension Funds | 244 605 | 0.10% | 539 525 | 0.23% |
| Dias investment company | - | 0.00% | 1 500 000 | 0.63% |
| MEI – Romanian and Bulgaria Funds | - | 0.00% | 574 088 | 0.24% |
| Skandinavian Enskilda Banken | - | 0.00% | 500 000 | 0.21% |
| Other legal entities | 10 946 890 | 4.57% | 11 694 067 | 4.88% |
| Other natural persons | 13 957 832 | 5.82% | 8 721 974 | 3.64% |
| | 239 646 267 | 100% | 239 646 267 | 100% |

| | 2012 Number of ordinary and preferred shares | 2012 % | 2011 Number of ordinary and preferred shares | 2011 % |
|--|---|--------------|---|--------------|
| Shares of the Group, acquired by subsidiaries | | | | |
| CCB Group AD | (8 233 658) | 3.44% | (7 468 658) | 3.12% |
| ZAD Armeec | (463 100) | 0.19% | (463 100) | 0.77% |
| CCB AD | (84 500) | 0.03% | (82 800) | 0.03% |
| POAD CCB Sila | (1 476 866) | 0.62% | (1 287 106) | 0.54% |
| | (10 258 124) | 4.28% | (9 301 664) | 4.46% |
| Net number of shares | 229 388 143 | | 230 344 603 | |

- Withholding tax for dividends due from individuals and foreign legal entities, registered in countries that are not members of EU for 2010, 2011 and 2012 amounts to 5% and the tax is deducted from the gross amount of dividends.

Limitations on share transfer, such as limitations on the holding of shares or the requirement for approval by the company or another shareholder.

Issue and disposal of dematerialized shares requires mandatory registration with the Central Depository

Information regarding the direct and indirect holding of more than 5% from the voting right at the General Meeting of the Shareholders, including shareholders data, the amount of the equity and the manner, in which the shares are held.

As at 31 December 2012, shareholders owning 5% and more Group's capital, are as follows:

| Name | Number of shares | % |
|----------------------|------------------|--------|
| Chimimport Invest AD | 108 957 067 | 72.22% |

The rest shareholders (legal entities and individuals) own shares for less than 5% of the Group's capital.

Shareholders with special control rights

No shareholders of the Group have special control rights.

Control system and restrictions on the exercise of the voting right at the shareholders' General Meeting.

Chimimport AD lacks control system when exercising the voting rights in the cases when Group's employees are also its shareholders and the rights are exercised by them personally. All shareholders, who are also Group's employees exercise their voting rights at their own judgement.

Agreements between shareholders

The Company is not familiar with any agreements between shareholders that may reflect in limitations in share transfer or voting rights.

Electing and dismissing of Group's managing bodies

The Group's managing bodies are:

- Shareholders' General Meeting;
- Supervisory Board;
- Managing Board;

The General Meeting elects and dismisses the members of the Supervisory Board and determines their compensation and bonuses.

The members of the Managing Board are appointed by the Supervisory Board, which can replace them anytime. One person cannot be both a member of the Managing and Supervisory Board of the Group. The members of the Managing Board may be re-elected without any restriction.

For members of the Managing Board of the Group of Chimimport can be elected only individuals, who meet the law requirements, namely:

to be physical or legal entities;

at the date of the election are not convicted for crimes against the property, business or financial, tax or insurance system, conducted in Republic of Bulgaria or abroad, unless rehabilitated;

were not members of managing or supervisory body of companies, ceased due to bankruptcy in the last 2 years preceding the date of the declaration of bankruptcy, if there are unsatisfied creditors;



Amendments and additions to the Group's Statute are adopted by the Shareholders' General Meeting.

Responsibilities of the governing bodies of the Group, including decisions on the issue and redemption of shares

The Managing board of the Group of Chimimport manages ongoing activities of the Group and represents it before the legal and natural persons in Bulgaria and abroad. The Managing Board shall decide all matters not within the exclusive competence the General Meeting or the Supervisory Board, subject to the General Meeting resolutions and the Supervisory Board, the provisions of the Charter and the law. For its activities The Managing board reports to the Supervisory board and the General Meeting.

The Managing Board adopts rules of procedure, approved by the Supervisory Board.

The Managing Board shall report its activities to the Supervisory Board of the Group at least once every three months. The Managing Board shall immediately notify the Chairman of the Supervisory Board of any relevant circumstances, essential to the Group.

The Managing Board submits to the Supervisory Board the annual financial statements, the annual activity report and the auditor's report, as well as the proposal for profit distribution, which it will present to the Shareholders' General Meeting.

By decision dated 17.09.2007 within 5 (five) years from the registration of this amendment to the Statute in the trade register, the Managing board may decide to issue bonds, including convertible to a total of BGN 100 000 000 (one hundred million) or the equivalent in another currency. In its decision-making the Governing Council determines the type of bonds, debenture loan parameters and procedures for the issuance of bonds. Decisions under this Article shall be adopted by the Board with the approval of the Supervisory Board.

Under decision dated 17 Septemembr 2007 within 5 years of registering of this amendment to the statutes in the commercial register under Art. 196, para. 1 of the Commercial Code, the Managing Board may decide to increase the share capital up to an aggregate nominal value of BGN 175 000 000 /one hundred seventy-five million/, by issuing new ordinary or preferred shares. Decisions under the preceding sentence are adopted by the managing Board with the approval of the Supervisory Board.

Major contracts of the Group of Chimimport

The Group has not entered into any agreements that might cause any activity, change or be terminated as a result of a change in the Group's control.

Agreements between the Group and its managing bodies

The Company has not entered into any agreements with its managerial bodies and employees, providing compensation in case of a dismissal or a lay off without legal basis or when the termination of the labor contract is relating to tender offerings.

Post-reporting date events

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



- On 3 January 2013 the Group acquired 22,635 shares of BGN 100 / one hundred / each share of the capital of T AB Real Estate EOOD through in-kind contribution;
- On 21 January 2013 the Group has made a sale of land in the Russia that is classified as held for sale as of the date of the consolidated financial statements;
- On 6 February 2013 a change in the legal form of a company Anitas 2003 EOOD, through which a single member limited liability company (EOOD) was transformed into a limited liability company (OOD);
- - On 4 February 2013 the Board of Directors of the Teksim Trading AD took a decisions to increase share capital from BGN 187 600 to BGN 794 280 through the issuance of 121,336 number of new registered, common stock, with a liquidation quota, with a nominal value of BGN 5 and issue price of BGN 5 each one. On 11 February 2013 the increase of share capital was registered in the Commercial Register at the Registry Agency;
- On 29 January 2013 the Group concluded a framework agreement for the issuance of bank guarantees totaling BGN 2 200 thousand for a term of five years and an option for automatic renewal for another five years. As collateral for a Framework Agreement for the issuance of a bank guarantee in the amount of BGN 2 200 thousand current assets are pledged to Port Lesport AD evaluated by licensed appraisers to BGN 4 160 thousand;

On 28 January 2013 a debt of the Group at the Ministry of Transport and Communications was paid, that is in conjunction with one of the concessions in which the Company is a concessionaire. The sum amounts to BGN 535 thousand and a variable part of the annual concession fee for 2012.

**INFORMATION REGARDING THE IMPLEMENTATION BY THE
CORPORATE MANAGEMENT OF CHIMIMPORT AD OF THE
RECOMMENDATIONS OF THE NATIONAL CODE OF CORPORATE
GOVERNANCE**

On 18 January 2008, **Chimimport AD** adopted the National Code of Corporate Governance. The corporate governance program of Chimimport AD is subject to the principal of “APPLICATION OR EXPLANATION”, according to which the corporate governance of the Company should present information about the degree to which the Company applies the behavior principals, founded in the Code and should present explanation of how the problematic situation would be resolved, when one or more principles are not applicable according to **Chimimport AD**.

As at the date of adopting the National Code, the Company operates in full accordance with its principles and regulations.

CORPORATE GOVERNANCE – MANAGING BOARD

Chimimport AD is a public company with tier system of governance.

All members of the Managing Board and the Supervisory Board fulfill the legal requirements for assuming the office. The functions and obligations of the corporate government, as well as their structure and competence are in compliance with the requirements of the Code.

- The Managing Board governs according to the established vision, goals and strategy of Chimimport AD
- The members of the Managing Board are guided in their actions by the accepted principles of integrity and managerial and professional competence.

In the annual management report are disclosed the remunerations for the members of the Managing Board in compliance with the legal and structural measures of the Company. The shareholders have easy access to the information regarding the remunerations.

The members of the Managing Board avoid and prevent actual and potential conflict of interest..

CORPORATE GOVERNANCE – SUPERVISORY BOARD

The Supervisory Board regulates the activities performed by the Managing Board regarding the managing of the Company, guaranteeing that the actions of the Managing Board increase the shareholders’ interest and assist in the application of the principles for the good corporate management of the Company. It takes part in all significant decision-making processes, regarding the Company’s operations.

Supervisory Board, if necessary, may take the necessary studies to support their duties by consultation with experts.

Supervisory Board appoints and dismisses members of the Board delimiting the powers delegated to them, the manner in which they apply their powers and the frequency with which they are accountable to the Supervisory Board.

The Supervisory Board adopts rules concerning the age limit for individuals elected to the Managing Board.

The Supervisory Board assesses the overall performance of the Company, paying particular

attention to the information received by the Managing Board and regularly compares the planned and achieved results, and analyses the reason for the differences.

The Supervisory Board monitors and controls the process of disclosure of information about the Company.

The Supervisory Board adopts guidelines regarding the maximum number of companies in which members of the Managing and Supervisory Board of Chimimport AD participate in as managing and supervisory bodies, the participation in which is considered acceptable regarding the requirements for effective implementation of the obligations they have as members of the Boards of the Company.

The Supervisory Board defines criteria that differentiate the participations in other companies, depending on the assumed position and the time that each of them requires.

Following the requirement of the Law on the Public Offering of Securities and the Satute of the Company, the Supervisory Board if necessary revises the structure of the Managing Board, the duties, powers and remunerations of each of the members of the Managing Board and if necessary takes measures to change them.

In carrying out their activities, the members of the Supervisory Board are obligated to perform their duties in a manner they consider to be in all shareholders' interests of the Company and use only information that is considered to be reliable and complete, and to be loyal to the Company under the requirements of the Law on Public Offering of Securities.

The Supervisory Board of the Company is supported by the Auditing Committee. On the General Meeting of the Shareholders conducted on 11.03.2009, acting on a proposal of the Supervisory Board, the shareholders of Chimimport AD elected the following individuals to the Auditing Committee. Dina Krusteva Paskova, 7906246297 - chairman, Mariana Zarkova Purvanova 5712316258 and Zortitsa Krasimirova Aleksova 7707306773 – members.

The structure and functions of the Committee are defined in the Corporate Management of Chimimport AD.

AUDIT AND INTERNAL CONTROL

Chimimport AD has a developed and functioning system for internal control, that guarantees the accurate identification of the risks, related to the Company's activity and promotes their effective management; secures the adequate functioning of the reporting systems and information disclosure.

Registered auditor, appointed by the General Meeting of the Shareholders of Chimimport AD for authorization of the annual financial report of the Company for 2012 is the specialized audit company "Grant Thornton" OOD, registered under No.32 in the special register of the IDES. In respect to ensuring the efficiency of the work of the external auditors of **Chimimport AD**, in 2012 the Managing Board developed and adopted measures for ensuring the effective fulfillment of the duties of the auditors of the Company, based on the requirements of the Law on the Independent Financial Audit.

In respect to the Law on Independent Financial Audit, the Managing Board of **Chimimport AD** recommended to the audit committee to comply with this principle regarding the newly offered auditors of the Company.



PROTECTING THE SHAREHOLDERS' INTERESTS

The corporate management of Chimimport AD guarantees equal treatment of all shareholders of the Company, including minority and foreign shareholders.

The Company ensures the protection of the rights of each shareholder by:

- Facilitating the effective participation of the shareholders in the work process of the General Meetings of the Shareholder by the timely announcement of the materials for OCA on the following websites: www.x3news.com, www.investor.bg, as well as on the Group's website www.chimimport.bg
- Conducting of clear procedures regarding the convening and conducting of the General Meetings of the Shareholders – regular and extraordinary meetings
- Developing rules for representation of a shareholder in the General Meeting, including submission of samples of proxies both in Bulgarian and English
- Possibility for participating in the distribution of the Company's profit, in case the General Meeting of the Shareholders accept the decision for dividend distribution
- Undertaking policy for facilitating the execution of the shareholders' rights.

DISCLOSURE OF INFORMATION

Regulations have been adopted regarding the internal information and the internal for the Company individuals that regulate the obligations, order and the responsibility for the public disclosure of internal information about Chimimport AD, ban of the trade with internal information and manipulation of the market for financial instruments.

The public information, related to the operations of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange – Sofia AD and the investing community. The information spreads to the public through the X3 NEWS - www.x3news.com.

Chimimport AD regularly renews its corporate web page www.chimimport.bg both in Bulgarian and English, in respect to the structure and volume of the presented information with the recommendations of the National Code and the approved good practices regarding the systems for disclose of information. On the web page general information could be found regarding the Company and the operation segments of all companies from the economic group, current data regarding the financial and economic condition of the Company, including the interim and annual financial reports of **Chimimport AD** both individual and consolidated, as well as information regarding the structure of the economic group, the corporate governance and management of the Company, corporate documents, constructed and approved by the Managing Board of the Company and the issued securities. All shareholders, investors and interested parties can receive information regarding the forthcoming and the already occurred significant corporate events, meetings of the General Meeting of the Shareholders and the planned investment policy of the Company.

INTERESTED PARTIES

Chimimport AD identifies as interested parties with a relation to its operations, all individuals, who are not shareholders and benefit from the economic prosperity of the Company

- stockholders, if such are issued,
- employees,
- customers,
- suppliers,
- creditor banks and
- the society as a whole.

the following group of individuals: customers, employees, creditors, suppliers and other contracting parties, related to the activity of the Company.

In its policy regarding the interested parties, the Company considers the legal requirements on the principles of transparency, accountability and business ethics. The interested parties are presented with the needed information regarding the activity of the Company, current data for the financial situation and everything that may assist them in their orientation and decision-making process.

The Managing Board encourages the cooperation between the Company and the interested parties for increasing the welfare of the parties and the ensuring of the steady development of the Company.

Authorization of the Annual Consolidated Activity Report

As at 31 December 2011, the Annual Activity Report of the Group of Chimimport (including comparatives) was approved by the Managing Board on 30 April 2013.

**MANAGING BOARD
OF CHIMIMPORT AD
SOFIA**