Grant Thornton

Annual Consolidated Activity Report
Annual Consolidated Report on Payments to Governments
Independent Auditor's Report
Consolidated Financial Statements

CHIMIMPORT AD

31 December 2016

CHIMIMPORT
PUBLIC HOLDING COMPANY

Contents

Consolidated statement of financial position as at 31 December

	Note	2016 BGN '000	2015 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	450 202	468 447
Investment property	10	337 574	302 421
Investments accounted for using the equity method	6	30 475	26 845
Goodwill	11	33 042	33 317
Other intangible assets	12	172 032	193 822
Long-term financial assets	13	2 452 621	2 592 660
Long-term related party receivables	46	8 747	11 774
Other long-term receivables		1 890	4 094
Deferred tax assets	14	5 009	5 892
Non-current assets		**3 491 592**	**3 639 272**
Current assets			
Inventories	15	47 434	51 184
Short-term financial assets	16	2 423 363	2 283 875
Related party receivables	46	65 143	214 749
Trade receivables	17	90 204	100 485
Tax receivables	18	1 380	3 197
Receivables from insurance and reinsurance contracts	19	47 373	64 118
Reinsurance assets	24.1	76 829	72 959
Other receivables	20	166 660	176 760
Cash and cash equivalents	21	1 767 126	1 229 113
Current assets		**4 685 512**	**4 196 440**
Non-current assets, classified as held for sale	22	7 384	3 594
Total assets		**8 184 488**	**7 839 306**

Prepared by: ____________________
/A. Kerezov/

Executive Director: ____________________
/I. Kamenov/

Date: 28 April 2017

Audited according to the auditor's report dated 02 May 2017

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit Firm

Zornitza Djambazka
Registered auditor, responsible for the audit

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

Equity, reserves and liabilities	Note	2016 BGN '000	2015 BGN '000
Equity			
Share capital	23.1	226 914	225 092
Share premium	23.2	246 838	218 469
Other reserves	23.3	85 174	71 581
Retained earnings		731 056	704 427
Profit for the year		52 008	58 483
Equity attributed to the shareholders of parent company		**1 341 990**	**1 278 052**
Non-controlling interests		261 170	239 083
Total equity		**1 603 160**	**1 517 135**
Specialized reserves	24	**276 016**	**294 405**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	25	1 124 021	1 121 684
Payables to insured individuals	0	1 057 762	940 121
Long-term trade payables	27	36 490	42 876
Long-term related party payables	46	4 493	3 607
Finance lease liabilities	9.1	3 582	4 910
Pension and other employee obligations	29.2	2 766	2 728
Other long-term liabilities	31.1	1 856	5 401
Other provisions		598	598
Deferred tax liabilities	14	30 626	27 864
Non-current liabilities		**2 262 194**	**2 149 789**
Current liabilities			
Short-term financial liabilities	25	3 785 564	3 608 402
Trade payables	27	115 966	137 813
Short-term related party payables	46	17 692	16 217
Finance lease liabilities	9.1	1 355	1 809
Liabilities to insurance and reinsurance contracts	28	25 719	37 383
Pension and other employee obligations	29.2	13 107	12 277
Tax liabilities	30	12 071	6 986
Other liabilities	31.2	71 644	57 090
Current liabilities		**4 043 118**	**3 877 977**
Total liabilities		**6 305 312**	**6 027 766**
Total equity, specialized reserves and liabilities		**8 184 488**	**7 839 306**

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ХИМИМПОРТ АД СОФИЯ

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТЪН ООД

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

	Note	2016 BGN '000	2015 BGN '000
Income from non-financial activities	32	475 813	528 686
Expenses for non-financial activities	33	(442 118)	(471 927)
Change in fair value of investment property	10	3 594	(1 211)
Gain on sale of non-current assets	34	7 067	19 279
Net result from non-financial activities		**44 356**	**74 827**
Insurance income	35	331 266	361 770
Insurance expense	36	(299 555)	(315 678)
Net insurance result		**31 711**	**46 092**
Interest income	37	208 843	215 333
Interest expense	38	(54 136)	(103 465)
Net interest income		**154 707**	**111 868**
Gains from transactions with financial instruments	39	507 608	504 318
Losses from transactions with financial instruments	40	(440 520)	(443 388)
Net result from transactions with financial instruments		**67 088**	**60 930**
Administrative expenses	41	(241 264)	(251 122)
Gains from investments under equity method	6	3 457	3 044
Other financial income	42	65 794	65 515
Allocation of income to secured persons		(51 047)	(41 957)
Profit before tax		**74 802**	**69 197**
Tax expense	43	(8 918)	(2 091)
Net profit for the period		**65 884**	**67 106**
Other comprehensive income:			
Components not reclassified in the profit or loss			
Remeasurements of defined benefit liability	29.2	(6)	(266)
Components reclassified in the profit or loss			
Revaluation of financial assets		12 093	9 997
Other comprehensive income		**12 087**	**9 731**
Total comprehensive income		**77 971**	**76 837**
Net profit for the year attributable to:			
the shareholders of Chimimport AD		52 008	58 483
non-controlling interests		13 876	8 623
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		62 000	65 144
non-controlling interests		15 971	11 693
Basic earnings per share in BGN	44	0.27	0.41
Diluted earnings per share in BGN	44	0.22	0.27

Prepared by: ______________________ /A. Kerezov/

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

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

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2016	**225 092**	**218 469**	**71 581**	**762 910**	**1 278 052**	**239 083**	**1 517 135**
Increase in share capital and reserves resulting from change in own shares held by subsidiaries	1 822	28 369	-	-	30 191	-	**30 191**
Business combinations	-	-	(1 936)	(19 059)	(20 995)	8 459	**(12 536)**
Dividends	-	-	-	(7 258)	(7 258)	(2 343)	**(9 601)**
Transactions with owners	**1 822**	**28 369**	**(1 936)**	**(26 317)**	**1 938**	**6 116**	**8 054**
Net profit for the year	-	-	-	52 008	52 008	13 876	**65 884**
Other comprehensive loss	-	-	9 992	-	9 992	2 095	**12 087**
Total comprehensive income for the year	-	-	9 992	52 008	62 000	15 971	**77 971**
Transfer of retained earnings to other reserves	-	-	5 537	(5 537)	-	-	**-**
Balance at 31 December 2016	**226 914**	**246 838**	**85 174**	**783 064**	**1 341 990**	**261 170**	**1 603 160**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

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

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

Prepared by: ____________________ **Executive Director:** ____________________

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Consolidated statement of cash flows for the year ended 31 December

	Note	2016	2015
Operating activities		**BGN'000**	**BGN'000**
Proceeds from short-term loans		96 266	119 119
Payments for short-term loans		(104 066)	(70 394)
Proceeds from sale of short-term financial assets		847 848	489 314
Purchase of short-term financial assets		(851 825)	(589 001)
Cash receipt from customers		485 020	508 402
Cash paid to suppliers		(419 013)	(433 240)
Proceeds from secured persons		127 795	128 982
Payments to secured persons		(45 909)	(23 108)
Payments to employees and social security institutions		(96 876)	(113 927)
Cash receipts from banking operations		40 863 859	42 528 120
Cash paid for banking operations		(40 485 492)	(42 341 482)
Cash receipts from insurance operations		290 240	256 686
Cash paid for insurance operations		(328 535)	(190 306)
Income taxes paid		(2 447)	(3 182)
Other cash outflows		(304)	(52 102)
Net cash flow from operating activities		**376 561**	**213 881**
Investing activities			
Sale of subsidiaries, net of cash		3 000	-
Dividends from financial assets received		2 375	4 909
Sale of property, plant and equipment		10 601	20 152
Purchase of property, plant and equipment		(27 798)	(52 757)
Sale of intangible assets		-	20
Purchase of intangible assets		(1 885)	(1 720)
Sale of investment property		10 054	19 286
Purchase of investment property		(38 221)	(8 617)
Sale of non-current financial assets		465 724	1 043 093
Purchase of non-current financial assets		(248 169)	(1 483 301)
Interest payments received		53 787	46 848
Proceeds from loans granted		38 044	45 413
Payments for loans granted		(81 468)	(29 446)
Other cash outflows		(38 947)	(31 754)
Net cash flow from investing activities		**147 097**	**(427 874)**
Financing activities			
Dividends paid		(5 380)	(1 825)
Purchase of treasury shares		2 861	(1 228)
Proceeds from loans received		89 899	32 127
Payments for loans received		(60 608)	(71 783)
Interest paid		(11 047)	(3 473)
Payments for finance leases		(1 786)	(4 009)
Other cash (outflows)/ inflows		(363)	8 892
Net cash flow from financing activities		**13 576**	**(41 299)**
Net change in cash and cash equivalents		**537 234**	**(255 292)**
Cash and cash equivalents, beginning of period		**1 229 113**	**1 480 670**
Exchange gains on cash and cash equivalents		**779**	**3 735**
Cash and cash equivalents, end of period	21	**1 767 126**	**1 229 113**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Notes to the consolidated financial statements

1. Nature of operations

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

The Group is engaged in the following business activities:

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

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

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

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

- Invest Capital AD
- CCB Group EAD
- Mariana Bazhdarova

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

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

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

As at 31 December 2016 the Group has a total of 6 789 employees (2015: 6 738 employees).

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

2. Basis for the preparation of the consolidated financial statements

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

The parent company Chimimport AD published separate financial statements on 31 March 2017.

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

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

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

At the date of preparation of these consolidated financial statements the management has assessed the ability of the Group to continue as a going concern on the basis of the available information for the foreseeable future. Following a review of the activities of the Group, the management anticipates that the Group has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern assumption in preparing the consolidated financial statements.

3. Changes in accounting policies

3.1. New and revised standards that are effective for annual periods beginning on or after 1 January 2016

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2016 and have no significant impact on the Group's results or financial position

- IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities" and IAS 28 "Investments in associates and joint ventures"- Investment Entities: Applying the Consolidation Exception (amended), effective from 1 January 2016, adopted by the EU
- IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, adopted by the EU
- IAS 1 "Presentation of financial statements" (amended) – Disclosure Initiative, effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (amended) - Bearer Plants, effective from 1 January 2016, adopted by the EU
- IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, adopted by the EU
- Annual Improvements to IFRSs 2012 - 2014 Cycle effective from 1 January 2016, adopted by the EU

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

The following new standards, amendments and interpretations to existing standards have been published but have not entered into force for the financial year beginning 1 January 2016 and have not been applied in advance by the Group

A list of the changes in the standards is provided below:

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 4 "Insurance contracts" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 9 "Financial Instruments" effective from 1 January 2018, adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, not yet adopted by the EU
- IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 12 "Income Taxes" (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle

4. Summary of accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Group has elected to present the consolidated statement of profit or loss and other comprehensive income as a single statement.

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

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

In 2016 one comparative period is presented, as no adjustments to the presentation of the elements of the consolidated financial statements and the corresponding reference data. In case there are adjustments to the classification of the elements of the consolidated financial statements, relevant comparative figures have also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The consolidated financial statements of the Group have consolidated the financial statements of the parent and subsidiary companies as of 31 December 2016. Subsidiaries are all entities that are under the control of the parent. There is control when a parent is exposed to, or has rights over, the variable return on its participation in the investee and has the potential to impact on that return by virtue of its powers over the investee. All subsidiaries have a reporting period ending on 31 December.

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

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

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

When the Group ceases the control of a subsidiary, any retained interest in the entity is measured to its fair value as at the date of loss of control, with the change in carrying amount recognized in profit or loss. The fair value of any retained interest in the former subsidiary at the date of loss of control is regarded as fair value of initial recognition of financial asset in accordance with IAS 39 “ Financial instruments: Recognitions and measurement”, or where appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs)

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

4.4. Business combinations

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

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

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

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

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

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

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

4.5. Transactions with non-controlling interests

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

4.6. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

4.7. Foreign currency transactions

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

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

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

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

4.8. Segment reporting

The Group operates in the following operating segments:

- production, trade and services;
- finance;
- transportation;
- real estate property;
- construction and engineering.

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

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

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

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

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

4.9. Revenue

Revenue comprises revenue from the sale of goods and the rendering of services from any of the business segments of the Group. Revenue from major products and services is shown in note 32 Income from non-financial activities, note 34 Profit from sale of non-current assets, note 35 Income from insurance, note 37 Interest income, note 39 Profit from operations with financial instruments.

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

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

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

4.9.1. Sale of goods

When selling goods revenue is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

4.9.2. Rendering of services

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

4.9.3. Bank activity

4.9.3.1. Interest revenue and expenses

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

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

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

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

4.9.3.2. Fees and commissions

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

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

4.9.4. Revenue from insurance activities

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

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

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

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

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

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

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

4.9.5. Revenue from aviation activity

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

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

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

4.9.6. Revenue from pension insurance activity

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

4.9.7. Revenue from government grants

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

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

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

4.9.8. Interest and dividend income

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

4.10. Operating expenses

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

4.11. Interest expenses and borrowing costs

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

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

4.12. Goodwill

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

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

4.13. Intangible assets

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

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

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

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

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

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

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

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

4.14. Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.15. Leases

Lessee

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

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

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

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

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

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

Lessor

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

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

4.16. Impairment testing of assets

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

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

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

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

4.17. Investment property

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

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

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

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

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

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

Rental income and operating expenses from investment property are reported within 'Income from non-financial activities' and 'Expenses for non-financial activities' respectively, and are recognized as described in note 4.9 and note 4.10.

4.18. Assets of exploration and evaluation of mineral resources

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

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

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

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

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

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

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

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

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

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

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

4.19. Financial instruments

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

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

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

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

All financial assets are recognized on their transaction date.

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

4.19.1. Financial assets

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Impairment for collectability regarding the banking activity of the Group.

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

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

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

value of the revaluation reserve. The remaining part of the impairment is reflected as current financial expense and reduction of the gross carrying amount of the assets;

- if revaluation reserve is formed as at the date of impairment, which has a negative value – the difference between the carrying amount and the expected recoverable value is reflected as current financial expense and the reduction of the value of the financial asset, and the negative value of the revaluation reserve is transferred, and is reflected on the current financial expenses;
- if revaluation reserve is formed as at the date of impairment, which has a positive value and is larger than the amount of the impairment – in this case the value of the investment is reduced by the value of the revaluation reserve and the part of the impairment.

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

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

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

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

4.19.2. Financial liabilities

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

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

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

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

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

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

4.20. Derivative financial instruments

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

4.21. Receivables and liabilities under repurchase agreements

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

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

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

4.22. Provisions for credit-related contingent liabilities

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

4.23. Inventory

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

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

The Group determines the cost of inventories by using the weighted average cost.

When inventory is sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.24. Income taxes

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

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

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

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

Deferred tax liabilities are always provided for in full.

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

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

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

4.25. Cash and cash equivalents

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

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

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

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

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

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

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as described in note 22.

4.27. Equity, reserves and dividend payments

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

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

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

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

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

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

4.28. Social security and pension contracts

The pension insurance company of the Group manages and represents three pension funds for supplementary pension insurance – Voluntary, Professional and Universal.

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

The pension plans offered are developed upon previously determined insurance instalments.

The voluntary insurance payments could be at the expense of the individual itself and/or employer and/or other insurer.

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

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

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

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

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

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

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

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

The insured persons of the fund have the right to:
- a periodic pension for early retirement when working under the conditions of I and II category labour, according to the labour category.
- Single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%.
- Single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the professional pension for early retirement is calculated based on:
- The accumulated funds in the individual batch;
- The period for the pension disbursement;
- The technical interest rate, approved by the deputy director of the Financial Supervisory Commission.

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

The insurance contract is terminated in the following cases:
- When the insured person deceases;
- When withdraw all accumulated amounts in the individual batch of the insured person after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code, if not become entitled to vocational pension under the terms of SSC;
- When the insured person enters an actual insurance contract with a professional pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

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

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

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

The insured persons of the fund have the right to:

- supplementary life pension for old age after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code.
- single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%.
- single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

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

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

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

The insurance contract is terminated in the following cases:

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

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

4.29. Specialized reserves for pension insurance activity

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

4.30. Health insurance reserves

The Group allocates health insurance reserves in accordance with the Health Insurance Act and the related sub-delegated legislation. The accumulated reserves are invested in accordance with the Health Insurance Act, by ensuring of security, profitability, and liquidity in compliance with the health insurance contracts.

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

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

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

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

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

Actuarial gains and losses are recognized in other comprehensive income. Interest expenses related to pension obligations are included in 'Interest expenses' in profit or loss. All other post-employment benefit expenses are included in 'Employee benefits expense'.

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

4.32. Insurance transactions

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

4.33. Insurance contracts

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

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

4.34. Reinsurance contracts

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

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

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

4.35. Insurance reserves

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

4.36. Adequacy test of insurance reserves

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

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

4.37. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4.38. Significant management judgment in applying accounting policies

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

4.38.1. Deferred tax assets

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

4.38.2. Lack of control of subsidiaries

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

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

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

The Group owns 96.34% of the capital of AO SC Armeec, Russia and Ethyl Med, Russia. In 2016 control over these companies was transferred and therefore the investments in them were reclassified to financial assets under IAS 39.

4.38.3. Revenue from sale of air tickets with expired validity

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

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

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

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

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

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

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

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

4.39. Estimation uncertainty

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

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

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

4.39.1. Impairment

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

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

The Group has incurred an impairment loss of BGN 275 thousand on goodwill in 2016 (2015: BGN 4 979 thousand) in order to reduce the carrying amount of goodwill to its recoverable amount (see note 11).

4.39.2. Fair value measurement

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 51).

4.39.3. Useful lives of depreciable assets

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

At 31 December 2016 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 8 and 12. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.39.4. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets BGN 47 434 thousand (2015: BGN 51 184) is affected by the future service providing and market realization of inventories, note 15.

4.39.5. Defined benefit liability

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

4.39.6. Provisions

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

4.39.7. Business combinations

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

5. Basis of consolidation

5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31-12-16	31-12-16	31-12-15	31-12-15
			Percentage of consolidation	Nominal percentage	Percentage of consolidation	Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	79.35%	79.36%	82.60%	82.61%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	72.88%	91.83%	76.63%	91.83%
ZAO Investment Corporate Bank	R. Tatarstan	Finance	68.46%	86.27%	71.26%	86.27%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	79.35%	100.00%	82.60%	100.00%
ZAD Armeec	Bulgaria	Finance	94.81%	94.81%	94.45%	94.45%
IC AO Armeec	Russia	Finance	-	-	96.34%	100.00%
OOO Itil Med	Russia	Finance	-	-	96.34%	100.00%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	51.26%	51.26%	51.26%	51.26%
DPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	51.26%	51.26%
UPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	51.26%	51.26%
PPF CCB Sila	Bulgaria	Finance	51.26%	51.26%	51.26%	51.26%
Globul Invest Holding B.V.	The Netherlands	Finance	-	-	100.00%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	68.94%	68.94%	68.94%	68.94%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	50.21%	66.18%	50.49%	66.38%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	50.21%	100.00%	50.49%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	68.94%	100.00%	68.94%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	48.76%	72.57%	52.84%	76.65%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	50.21%	100.00%	50.49%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	35.15%	70.00%	35.34%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	45.50%	66.00%	45.50%	66.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	30.13%	60.00%	41.36%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	41.36%	60.00%	41.36%	60.00%

Name of the subsidiary	Country of incorporation	Main activities	31-12-16	31-12-16	31-12-15	31-12-15
			Percentage of consolidation	Nominal percentage	Percentage of consolidation	Nominal percentage
Chimceltex OOD	Bulgaria	Production, Trade and Services	41.45%	60.13%	41.45%	60.13%
Texim Trading OOD	Bulgaria	Production, Trade and Services	35.16%	51.00%	35.16%	51.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	50.49%	100.00%	50.49%	100.00%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	68.94%	100.00%	68.94%	100.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	34.47%	50.00%	34.47%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	46.88%	68.00%	46.88%	68.00%
Plovdivska Stokova Borsa AD	Bulgaria	Production, Trade and Services	75.00%	75.00%	75.00%	75.00%
Asela AD	Bulgaria	Production, Trade and Services	27.16%	51.39%	27.16%	51.39%
AK Plastic OOD	Bulgaria	Production, Trade and Services	52.31%	99.00%	52.31%	99.00%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%	70.00%	70.00%
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	96.00%	96.00%	96.00%	96.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	68.94%	100.00%	68.94%	100.00%
Technocapital AD	Bulgaria	Production, Trade and Services	86.40%	90.00%	86.40%	90.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	81.91%	81.91%	80.71%	80.71%
Port Balchik AD	Bulgaria	Sea and River Transport	77.88%	100.00%	77.88%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	100.00%	99.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	76.07%	94.25%	76.07%	94.25%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	44.39%	55.00%	44.39%	55.00%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	80.71%	100.00%	80.71%	100.00%
Blue See horizion corp.	Seychelles	Sea and River Transport	80.71%	100.00%	80.71%	100.00%
Interlihter EOOD	Slovakia	Sea and River Transport	80.71%	100.00%	80.71%	100.00%
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Bulgaria Air Maintanance EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%

Name of the subsidiary	Country of incorporation	Main activities	31-12-16	31-12-16	31-12-15	31-12-15
			Percentage of consolidation	Nominal percentage	Percentage of consolidation	Nominal percentage
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%	99.99%	100.00%
Airport Consult EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Trans intercar EOOD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Energoproekt AD	Bulgaria	Construction and engineering	83.25%	83.25%	83.20%	83.20%
Energoproekt Utilities OOD	Bulgaria	Construction and engineering	42.46%	51.00%	42.43%	51.00%
Bulchimex GmBH	Germany	Real Estate	100.00%	100.00%	100.00%	100.00%
Golf Shabla AD	Bulgaria	Real Estate	32.64%	65.00%	32.82%	65.00%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%	65.00%	65.00%
Sporten management AD	Bulgaria	Real Estate	65.00%	100.00%	65.00%	100.00%
TI AD	Bulgaria	Real Estate	87.66%	87.66%	87.66%	87.66%
Sitniakovo Project Estate EOOD	Bulgaria	Real Estate	50.49%	100.00%	-	-

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

Name segment	Accumulated non-controlling interest	
	2016	2015
	BGN'000	BGN'000
Finance sector	69 925	69 759
Production, trade and services	139 757	126 945
Transport	21 819	15 764
Real Estate	28 244	25 588
Construction and engineering	1 425	1 027
	261 170	**239 083**

In 2016, dividends paid to non-controlling interest amount to BGN 2 343 thousand (2015: BGN 2 945 thousand).

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

5.2. Acquisition of Sitniakovo Project Estate EOOD

In 2016, the Group has set up a new subsidiary with a name Sitniakovo Project Estate EOOD. The capital of the newly created company amounts to BGN 6 515 thousand and is formed by an in-kind contribution of real estate.

5.3. Acquisition of non-controlling interest in Energoproekt AD

In 2016, the Group acquired additional equity in the amount 0.05% in its subsidiary Energoproekt AD for the amount of BGN 2 thousand, thereby increasing its controlling interest of 83.25% (consolidation).

5.4. Acquisition of non-controlling interest in Parahodstvo Bulgarsko Rechno Plavane AD

In 2016, the Group acquired additional equity in the amount 1.20% in its subsidiary Parahodstvo Bulgarsko Rechno Plavane AD amount of BGN 285 thousand, thus increasing its controlling interest to 81.91% (consolidation).

The carrying amount of the newly acquired net assets of the subsidiary Parahodstvo Bulgarsko Rechno Plavane AD was recognized at the date of acquisition in the consolidated financial statements amount to BGN 872 thousand. The Group recognized a reduction in non-controlling interest amounting to BGN 872 thousand and an increase of the retained earnings in the amount of BGN 872 thousand.

	BGN'000
Total transferred remuneration	(285)
Additional share acquired in the net assets of Parahodstvo Bulgarsko Rechno Plavane AD	872
Increase in retained earnings	**587**

5.5. Acquisition of non-controlling interest in ZAD Armeec

In 2016, the Group acquired additional equity in the amount 0.36% in its subsidiary ZAD Armeec amount of BGN 505 thousand, thus increasing its controlling interest to 94.81% (consolidation).

The carrying amount of the newly acquired net assets of the subsidiary ZAD Armeec recognized at the date of acquisition in the consolidated financial statements amounts to BGN 220 thousand. The Group has recognized a decrease in non-controlling interest of BGN 220 thousand and a decrease in retained earnings of BGN 285 thousand.

	BGN'000
Total transferred remuneration	(505)
Additional share acquired in the net assets of ZAD Armeec	220
Decrease in retained earnings	**(285)**

5.6. Sale of controlling interests in Asenova Krepost AD

In 2016, the Group sold equity in the amount of 4.08% in its subsidiary Asenova Krepost AD for a cash consideration of BGN 1 246 thousand, thus reducing its controlling interest to 48.76% (consolidation).

The carrying amount of the net assets of the subsidiary Asenova Krepost AD recognized at the date of sale in the consolidated financial statements as an increase in the non-controlling interest is BGN 980 thousand. The Group has recognized an increase of retained earnings of BGN 266 thousand.

	BGN'000
Total transferred remuneration	1 246
Sold share in the net assets of Asenova Krepost AD	(980)
Increase in retained earnings	**266**

5.7. Sale of controlling interests in Oil and Gas Exploration and Production AD

In 2016, the Group sold additional equity in the amount of 0.20% in its subsidiary Oil and Gas Exploration and Production AD for a cash amount of BGN 205 thousand, thus reducing its controlling interest to 50.29% (consolidation).

The carrying amount of the net assets of the subsidiary Oil and Gas Exploration and Production AD recognized at the date of sale in the consolidated financial statements as an increase in the non-controlling interest amounts to BGN 184 thousand. The Group has recognized an increase in retained earnings of BGN 21 thousand.

	BGN'000
Total transferred remuneration	205
Sold share in the net assets of Oil and Gas Exploration and Production AD	(184)
Increase in retained earnings	**21**

5.8. Sale of controlling interests in Central Cooperative Bank AD

In 2016, the Group sold additional equity in the amount of 3.35% in its subsidiary Central Cooperative Bank AD for a cash amount of BGN 5,701 thousand, thus reducing its controlling interest to 79.35% (consolidation).

The book value of the net assets of the subsidiary Central Cooperative Bank AD recognized at the date of sale in the consolidated financial statements in the increase of the non-controlling interest amounts to BGN 184 thousand. The Group has recognized an increase of the undistributed profit of BGN 21 thousand.

	BGN'000
Total transferred remuneration	5 701
Sold share in the net assets of Central Cooperative Bank AD	(13 131)
Decrease in retained earnings	**(7 430)**

5.9. Transfer of controlling interests IC OAO Itil Armeec and OOO Itil Med

In 2016, the Group transfer the control of IC OAO Itil Armeec and OOO Itil Med and reclassifies its investment, considering its future plans and contracts as financial asset.

The Group has recognized a decrease in retained earnings of BGN 3 175 thousand. And a reduction of the minority interest amounting to BGN 4 742 thousand.

	BGN'000
Sold share in net assets of IC OAO Itil Armeec and OOO Itil Med	(3 175)
Decrease in retained earnings	**(4 742)**

5.10. Sale of controlling interests in Globul Invest Holding B.V.

In 2016, the Group sold the whole interests in Globul Invest Holding B.V.

6. Investments accounted for using equity method

6.1. Investments in associates

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

	31.12.2016 BGN'000	**Share %**	**31.12.2015 BGN'000**	**Share %**
Lufthansa Technik Sofia OOD	6 777	24.90%	5 666	24.90%
Swissport Bulgaria AD	4 959	49.00%	4 253	49.00%
Silver Wings Bulgaria OOD	4 817	42.50%	3 967	42.50%
Amadeus Bulgaria OOD	3 182	45.00%	3 168	45.00%
VTC AD	3 214	41.00%	2 544	41.00%
Dobrich fair AD	745	39.98%	741	39.98%
Kavarna Gas OOD	464	35.00%	463	35.00%
	24 158		**20 802**	

Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December.

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

	2016 BGN'000	2015 BGN'000
Assets	102 985	100 825
Liabilities	(49 632)	(52 436)
Revenues	136 388	126 905
Profit for the period	9 179	8 677
Profit attributable to the Group	**3 183**	**3 044**

In 2016, the Group received dividends from its associate companies amounting to BGN 1 810 thousand (2015: BGN 1 597 thousand).

6.2. Investments in joint ventures

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

Name	**2016 BGN '000**	**Share %**	**2015 BGN '000**	**Share %**
Varna ferry OOD	5 007	50.00%	5 007	50.00%
Nuance BG AD	1 310	50.00%	1 036	50.00%
	6 317		**6 043**	

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:

	2016 BGN '000	2015 BGN '000
Assets	28 520	28 989
Liabilities	(24 690)	(26 577)
Revenues	50 072	43 850
Profit/(Loss) for the period	2 706	(5 026)
Profit/ (Loss) attributable to the Group	**1 353**	**(2 513)**
Recognized share of the profit	**274**	**-**

For the reporting period, the Group's share of the profits of joint ventures is recognized after deducting unrecognized losses from prior periods.

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

7. Segment reporting

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

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

According to IFRS 8 the profits reported by segments are based on the information used for the needs of the internal management reporting and is regularly reviewed from those responsible for the business decisions.

According to IFRS 8 the Group applies the same evaluation policy as in the last consolidated financial statements. All inter-segment transfers are priced and carried out at market price and condition basis.

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

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

Operating segments 31 December 2016	**Production, trade and services BGN '000**	**Financial sector BGN '000**	**Transport sector BGN '000**	**Real estate sector BGN '000**	**Construction and engineering sector BGN '000**	**Elimination BGN '000**	**Consolidated BGN '000**
Income from non-financial activities from external customers	126 528	18 979	315 486	697	14 543	(420)	475 813
Change in fair value of investment property	-	(82)	-	-	-	3 676	3 594
Gain from sale of non-current assets	(383)	2 544	62	164	6 470	(1 790)	7 067
Inter-segment income from non-financial activities	12 061	2 220	3 783	65	1 763	(19 892)	-
Total income from non-financial activities	**138 206**	**23 661**	**319 331**	**926**	**22 776**	**(18 426)**	**486 474**
Result from non-financial activities	**11 380**	**23 661**	**8 340**	**(922)**	**2 494**	**(597)**	**44 356**
Insurance income from external customers	-	331 266	-	-	-	-	331 266
Inter-segment insurance income	-	5 036	-	-	-	(5 036)	-
Total insurance income	**-**	**336 302**	**-**	**-**	**-**	**(5 036)**	**331 266**
Result from insurance	**-**	**36 371**	**-**	**-**	**-**	**(4 660)**	**31 711**
Interest income	6 422	217 100	2 076	460	150	(17 365)	208 843
Interest expenses	(8 201)	(55 233)	(7 370)	(79)	(618)	17 365	(54 136)
Result from interest	**(1 779)**	**161 867**	**(5 294)**	**381**	**(468)**	**-**	**154 707**
Gains from transactions with financial instruments from external customers	3 062	522 929	2 648	-	-	(21 031)	507 608
Total gains from transactions with financial instruments	**3 062**	**522 929**	**2 648**	**-**	**-**	**(21 031)**	**507 608**
Net result from transactions with financial instruments	**3 036**	**80 816**	**2 646**	**-**	**-**	**(19 410)**	**67 088**
Administrative expenses	**(6 371)**	**(232 340)**	**(9 131)**	**-**	**-**	**6 578**	**(241 264)**
Profit from equity accounted investments in associates	5	-	3 452	-	-	-	3 457
Other financial income/ (expenses)	(981)	66 329	759	2	(72)	(243)	65 794
Profit for allocating insurance batches	-	(51 047)	-	-	-	-	(51 047)
Profit for the period before tax	**5 290**	**85 657**	**772**	**(539)**	**1 954**	**(18 332)**	**74 802**
Tax expense	(938)	(7 288)	(519)	19	(192)	-	(8 918)
Net profit for the year	**4 352**	**78 369**	**253**	**(520)**	**1 762**	**(18 332)**	**65 884**

Operating segments 31 December 2016	**Production, trade and services BGN '000**	**Financial sector BGN '000**	**Transport sector BGN '000**	**Real estate sector BGN '000**	**Construction and engineering sector BGN '000**	**Elimination BGN '000**	**Consolidated BGN '000**
Assets of the segment	705 220	8 573 450	883 660	76 606	24 320	(2 109 243)	8 154 013
Equity accounted investments in associates	4 027	10	23 351	-	-	3 087	30 475
Total consolidated assets	**709 247**	**8 573 460**	**907 011**	**76 606**	**24 320**	**(2 106 156)**	**8 184 488**
Specialized reserves	**-**	**276 016**	**-**	**-**	**-**		**276 016**
Liabilities of the segment	244 985	6 262 283	371 992	6 426	18 042	(598 416)	6 305 312
Total consolidated liabilities	**244 985**	**6 262 283**	**371 992**	**6 426**	**18 042**	**(598 416)**	**6 305 312**

Operating segments 31 December 2015	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	138 920	22 290	343 537	337	21 981	1 621	528 686
Change in fair value of investment property	(4 203)	152	-	-	934	1 906	(1 211)
Gain from sale of non-current assets	2 595	46	398	17 283	-	(1 043)	19 279
Inter-segment income from non-financial activities	10 685	2 103	6 192	**-**	1 762	(20 742)	-
Total income from non-financial activities	**147 997**	**24 591**	**350 127**	**17 620**	**24 677**	**(18 258)**	**546 754**
Result from non-financial activities	**12 078**	**24 591**	**11 595**	**15 518**	**1 143**	**9 902**	**74 827**
Insurance income from external customers	-	361 770	-	-	-	-	361 770
Inter-segment insurance income	-	6 732	-	-	-	(6 732)	-
Total insurance income	**-**	**368 502**	-	**-**	**-**	**(6 732)**	**361 770**
Result from insurance	**-**	**51 861**	**-**	**-**	**-**	**(5 769)**	**46 092**
Interest income	5 977	241 256	4 199	471	141	(36 711)	215 333
Interest expenses	(10 141)	(118 226)	(11 151)	(71)	(587)	36 711	(103 465)
Result from interest	**(4 164)**	**123 030**	**(6 952)**	**400**	**(446)**	**-**	**111 868**
Gains from transactions with financial instruments from external customers	6 727	499 352	11 226	-	55	(13 042)	504 318
Total gains from transactions with financial instruments	**6 727**	**499 352**	**11 226**	**-**	**55**	**(13 042)**	**504 318**
Net result from transactions with financial instruments	**(1 542)**	**61 859**	**10 327**	**-**	**55**	**(9 769)**	**60 930**
Administrative expenses	**(8 958)**	**(240 944)**	**(9 440)**	**-**	**-**	**8 220**	**(251 122)**
Net result from equity accounted investments in associates	60	-	2 984	-	-	-	3 044
Other financial income/ (expenses)	(736)	80 930	165	(28)	(37)	(14 779)	65 515
Profit for allocating insurance batches	-	(41 957)	-	-	-	-	(41 957)
Profit for the period before tax	**(3 262)**	**59 370**	**8 679**	**15 890**	**715**	**(12 195)**	**69 197**
Tax expense	1 164	(2 179)	574	(1 586)	(73)	9	(2 091)
Net profit for the year	**(2 098)**	**57 191**	**9 253**	**14 304**	**642**	**(12 186)**	**67 106**

Operating segments 31 December 2015	Production, trade and services	Financial sector	Transport sector	Real estate sector	Construction and engineering sector	Elimination	Consolidated
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Assets of the segment	704 519	8 533 953	859 804	65 630	19 334	(2 370 779)	7 812 461
Equity accounted investments in associates	4 027	10	23 178	5	2	(377)	26 845
Total consolidated assets	**708 546**	**8 533 963**	**882 982**	**65 635**	**19 336**	**(2 371 156)**	**7 839 306**
Specialized reserves	**-**	**294 405**	**-**	**-**	**-**	**-**	**294 405**
Liabilities of the segment	239 761	6 210 999	343 379	3 724	14 790	(784 887)	6 027 766
Total consolidated liabilities	**239 761**	**6 210 999**	**343 379**	**3 724**	**14 790**	**(784 887)**	**6 027 766**

8. Property, plant and equipment

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

2016	Land	Building	Machines and equipment	Facilities	Vehicles	Repairs	Others	Assets in process of acquisition and advances	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2016	60 243	93 717	179 443	82 107	132 098	22 140	71 577	84 723	**726 048**
Additions:									
- separately acquired	3 114	38 295	1 802	3 086	5 200	1 035	52	22 697	**75 281**
- reclassification	-	-	200	-	1	390	2 508	-	**3 099**
Disposals									
- separately disposed	(10 701)	(6 409)	(5 279)	(204)	(8 947)	(78)	(336)	(39 795)	**(71 749)**
- business combinations	(5)	(834)	(100)	-	(193)	-	(339)	-	**(1 471)**
- reclassification – Investment properties and Intangible assets	-	-	-	-	-	-	-	(7 367)	**(7 367)**
Balance at 31 December 2016	52 651	124 769	176 066	84 989	128 159	23 487	73 462	60 258	**723 841**
Depreciation									
Balance at 1 January 2016	-	(19 068)	(104 706)	(29 338)	(50 426)	(20 848)	(33 215)	-	**(257 601)**
Disposal - business combinations	-	635	425	-	137	-	91	-	**1 288**
Disposal	-	269	3 072	13	4 214	78	337		**7 983**
Depreciation	-	(3 757)	(7 867)	(3 007)	(6 047)	(1 851)	(2 780)	-	**(25 309)**
Balance at 31 December 2016	-	(21 921)	(109 076)	(32 332)	(52 122)	(22 621)	(35 567)	-	**(273 639)**
Carrying amount at 31 December 2016	**52 651**	**102 848**	**66 990**	**52 657**	**76 037**	**866**	**37 895**	**60 258**	**450 202**

- for the period ending 31 December 2015

2015	Land	Building	Machines and equipment	Facilities	Vehicles	Repairs	Others	Assets in process of acquisition and advances	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2015	59 712	65 258	173 851	80 507	121 128	19 897	65 327	83 123	**668 803**
Additions:									
- business combinations	-	-	-	-	38 505	-	-	-	**38 505**
- separately acquired	3 599	30 394	13 755	2 004	8 748	2 243	6 250	60 937	**127 930**
- reclassification	(10)	(182)	-	-	-	-	-	-	**(192)**
Disposals									
- separately disposed	(3 058)	(1 753)	(8 163)	(404)	(36 283)	-	-	(59 337)	**(108 998)**
Balance at 31 December 2015	60 243	93 717	179 443	82 107	132 098	22 140	71 577	84 723	**726 048**
Depreciation									
Balance at 1 January 2015	-	(19 522)	(99 428)	(27 746)	(61 394)	(19 195)	(29 339)	-	**(256 624)**
Depreciation – business combinations	-	(8)	(1 017)	-	(220)	-	(97)	-	**(1 342)**
Disposal	-	557	4 106	138	18 111	-	475	-	**23 387**
Depreciation	-	(95)	(8 367)	(1 730)	(6 923)	(1 653)	(4 254)	-	**(23 022)**
Balance at 31 December 2015	-	(19 068)	(104 706)	(29 338)	(50 426)	(20 848)	(33 215)	-	**(257 601)**
Carrying amount at 31 December 2015	**60 243**	**74 649**	**74 737**	**52 769**	**81 672**	**1 292**	**38 362**	**84 723**	**468 447**

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

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

	Land BGN'000	Building BGN'000	Machines BGN'000	Vehicles BGN'000	Other BGN'000	Total BGN'000
Carrying amount as at 31 December 2016	728	10 018	59 244	1 430	3 329	74 769
Carrying amount as at 31 December 2015	1 450	12 612	36 860	871	21 988	73 781

9. Leases

9.1. Finance leases as lessee

The Group has entered into finance leases as a lessee to acquire machinery and equipment such as ships, cars, industrial machinery and computer equipment. Assets are included in the consolidated statement of financial position in "Property, Plant and Equipment" (see note 8). Net book value of assets acquired under finance leases amounted to BGN 19 387 thousand (2015: BGN 20 575 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 2016	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	1 506	3 846	5 352
Finance charges	(151)	(264)	(415)
Net present values	**1 355**	**3 582**	**4 937**

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

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

9.2. Operating leases as lessee

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

	Within 1 year BGN'000	**1 to 5 years BGN'000**	**After 5 Years BGN'000**	**Total BGN'000**
31 December 2016	49 175	122 729	27 761	**199 665**
31 December 2015	52 050	150 689	48 860	**251 599**

Lease payments recognized as an expense during the period amount to BGN 51 134 thousands (2015: BGN 64 443 thousand).

Significant for the Group acting operating leases are related to the leasing of planes and real estate.

As at the date of preparation of these financial statements, the Group is a lessee under operating leases of 5 aircraft type Airbus and 4 airplanes of the Embraer type. The Group's operating lease contracts do not contain conditional lease clauses. None of the operating lease contracts include a purchase option, increase clauses, or dividend restrictions, further lease or additional debt.

The Group is party to operating leases of a massive office building located in the centre of Sofia, which is 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 from up to 2020 to 2026.

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

9.3. Operating leases as lessor

In 2016 and 2015 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2016 amounted to BGN 9 286 thousand (2015: BGN 23 674 thousand).

In 2016 and 2015 the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Rental income for 2016 amounting to BGN 6 019 thousand (2015: BGN 2 903 thousand).

The operating expenses of the leased assets amounted to BGN 724 thousand and are included in the consolidated statement of profit or loss and other comprehensive income (2015: BGN 563 thousand).

Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
	BGN‘000	**BGN‘000**	**BGN‘000**	**BGN‘000**
31 December 2016	6 848	53 239	33 268	**93 355**
31 December 2015	9 317	45 140	40 853	**95 310**

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

10. Investment property

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

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

	Total BGN '000
Carrying amount at 1 January 2015	**310 684**
Additions	
- from business combinations	23 659
- improvement costs	19
- acquisition costs	6 659
- separately acquired	192
Gain from changes of the fair value of investment property	3 020
Loss from changes of fair value of investment property	(4 231)
Disposals	(37 581)
Carrying amount at 31 December 2015	**302 421**
Additions:	
- through acquisition costs	10 969
- separately acquired	29 810
- reclassifications	5 083
Gain from change of the fair value of investment property	6 256
Loss from change of fair value of investment property	(2 662)
Disposals	(14 303)
Carrying amount at 31 December 2016	**337 574**

The fair value of the investment property is determined by the Group in accordance with valuation reports from certified valuation specialists, internal group expert reports based on the current market prices.
Investment properties that are pledged as collateral are at the amount of BGN 30 357 thousand (2015: BGN 55 036 thousand).

Revenue from investment properties for the year 2016 amounted to BGN 6 787 thousand (2015: BGN 1 951 thousand) and are included in the consolidated statement of profit or loss and other comprehensive income within "Income from non financial activities". Contingent rents are not recognized. Direct operating expenses in the amount of BGN 190 thousand are recognized as "Expenses for non-financial activities" (2015: BGN 759 thousand).

11. Goodwill

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

	Goodwill BGN'000
2015	
Carrying amount at 1 January	38 296
Impairment loss recognized	(4 979)
Carrying amount at 31 December	**33 317**
2016	
Carrying amount at 1 January	33 317
Impairment loss recognized	(275)
Carrying amount at 31 December	**33 042**

For the purpose of annual impairment testing in 2016 the carrying amount of goodwill is allocated to the following cash-generating units:

	2016 BGN'000	2015 BGN'000
Zarneni Hrani Bulgaria AD	8 473	8 473
ZAD Armeec	8 541	8 541
Central Cooperative Bank AD – Skopje	3 058	3 058
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Asenova Krepost AD	628	628
TI AD	921	1 196
Natsionalna Stokova Borsa AD	655	655
Parahodstvo Balgarsko Rechno Plavane AD	580	580
Teksim Trading OOD	460	460
Oil and Gas Exploration and Production AD	358	358
Bulchimeks OOD	217	217
Port Lesport AD	164	164
Slanchevi Lachi Provadia EAD	76	76
Omega Finance OOD	47	47
POAD CCB Sila	46	46
	33 042	**33 317**

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

In 2016 in impairment of the goodwill associated with TI AD was performed amounting to a total of BGN 275 thousand (2015: BGN 4 979 thousand). The impairment of goodwill is included within "Expenses for non-financial activities" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

12. Other intangible assets

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

2016	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2016	44 888	8 774	9 448	12 239	1 145	17 911	26 915	127 774	249 094
Additions:									
- separately acquired	-	134	833	-	-	1 012	4 214	1 226	7 419
- reclassified assets	-	-	-	-	-	-	-	2 284	2 284
Disposals									
- reclassified assets	-	-	-	-	-	(2 505)	-	(594)	(3 099)
- through business combination	-	-	-	(6 181)	-	-	-	-	(6 181)
- separately disposed	-	(3)	(118)	-	-	(5 052)	(5 609)	(876)	(11 658)
Balance at 31 December 2016	44 888	8 905	10 163	6 058	1 145	11 366	25 520	129 814	237 859
Amortization and impairment									
Balance at 1 January 2016	(32 627)	(5 751)	(8 201)	(3 176)	(52)	-	-	(5 465)	(55 272)
Reclassified assets	-	-	(20)	(82)	-	-	-	-	(102)
Disposals	-	3	29	-	-	-	-	20	52
Amortization	(3 188)	(398)	(892)	(1 509)	-	-	-	(4 518)	(10 505)
Balance at 31 December 2016	(35 815)	(6 146)	(9 084)	(4 767)	(52)	-	-	(9 963)	(65 827)
Carrying amount at 31 December 2016	**9 073**	**2 759**	**1 079**	**1 291**	**1 093**	**11 366**	**25 520**	**119 851**	**172 032**

- For the period ended 31 December 2015

	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2015	44 885	8 939	7 790	12 239	1 145	13 307	41 604	1 098	131 007
Additions:									
- through business combination	-	-	(26)	-	-	-	-	-	(26)
- separately acquired	3	1 194	350	-	-	4 604	-	256 270	262 421
- reclassified assets	-	(1 359)	1 359	-	-	-	-	-	-
Disposals									
- separately disposed	-	-	(25)	-	-	-	(14 689)	(129 594)	(144 308)
Balance at 31 December 2015	44 888	8 774	9 448	12 239	1 145	17 911	26 915	127 774	249 094
Amortization and impairment									
Balance at 1 January 2015	(28 359)	(5 885)	(6 659)	(2 762)	(52)	-	-	(1 071)	(44 788)
Disposals	-	(145)	17	-	-	-	-	4	(124)
Reclassification	-	626	(620)	-	-	-	-	-	6
Amortization	(4 268)	(347)	(939)	(414)	-	-	-	(4 398)	(10 366)
Balance at 31 December 2015	(32 627)	(5 751)	(8 201)	(3 176)	(52)	-	-	(5 465)	(55 272)
Carrying amount at 31 December 2015	**12 261**	**3 023**	**1 247**	**9 063**	**1 093**	**17 911**	**26 915**	**122 309**	**193 822**

Established Property Right

Established property rights to the buildings relate to massive office buildings, located in several major cities in the country, which will be used for branches of CCB AD. Rights to use the buildings are set up in 2011 and 2012 and 2014 for the terms until 2016, 2020 and 2022 for a total amount of BGN 25 520 thousand (2015: BGN 26 915 thousand). Carrying amount of each entitlement is amortized in equal instalments for the period of use of buildings.

Trade marks

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

Exploration and evaluation expenditures

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

As at 31 December 2016 the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha, Block 1-4 Kavarna and Block 1-17 Ovcha mogila in the amount of BGN 11 366 thousand (2015: BGN 17 911 thousand).

	2016 BGN'000	2015 BGN'000
Block 1-12 Knezha	7 533	12 262
Block 1-17 Ovcha mogila	3 833	3 048
Block 1-4 Kavarna	-	2 601
	11 366	**17 911**

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

In 2016, indications for impairment of research and evaluation costs amounting to BGN 5 052 thousand were established: In Block 1-4 Kavarna BGN 2 601 thousand; in Blocks 1-12 Knezha - BGN 2 451 thousand, the same being presented within "Expenses for non-financial activities" in the consolidated statement of profit or loss and other comprehensive income. No indications of impairment were identified in 2015.

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

No intangible assets have been pledged as security for liabilities.

13. Long-term financial assets

The amounts, recognized in the consolidated statement of financial position, include the following categories of long-term financial assets:

	Note	2016 BGN '000	2015 BGN '000
Loans and receivables	13.1	1 914 270	1 762 033
Held-to-maturity financial assets	13.2	-	646 342
Financial assets at fair value through profit or loss	13.3	13 184	6 856
Available-for-sale financial assets	13.4	525 167	177 429
		2 452 621	**2 592 660**

13.1. Loans and receivables

Loans and receivables	Note	2016 BGN'000	2015 BGN'000
Long-term bank loans and client advance payments	13.1.1	1 820 930	1 675 356
Less impairment		(66 339)	(40 720)
		1 754 591	**1 634 636**
Other long-term loans	13.1.2	159 679	127 397
		1 914 270	**1 762 033**

As at 31 December 2016 the recognized impairment of the granted bank loans to clients is at the total of BGN 92 431 thousand, both for the current and non current loans.

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

	2016 BGN'000	2015 BGN'000
Analysis by type of the client:		
Natural persons		
-in BGN	343 308	263 660
-in foreign currency	74 649	79 236
Legal entities		
-in BGN	617 397	594 991
-in foreign currency	785 576	737 469
	1 820 930	1 675 356
Impairment for uncollectability	(66 339)	(40 720)
Total bank loans granted and client advance payments	**1 754 591**	**1 634 636**

	2016 BGN'000	2015 BGN'000
Analysis by economic sectors:		
Agriculture and forestry	894 278	848 753
Manufacturing	417 957	342 896
Construction	205 205	195 125
Trade and finance	126 656	120 434
Transport and communications	64 433	61 268
Natural persons	28 950	27 528
Others	83 451	79 352
	1 820 930	**1 675 356**
Impairment for uncollectability	(66 339)	(40 720)
Total bank loans granted and client advance payments	**1 754 591**	**1 634 636**

Interest rates

Loans granted in Bulgarian leva and foreign currency, are accumulated with variable interest rates. According to the terms of the contracts the interest rate is calculated by a base interest rate of the subsidiary banks plus a premium. The regular loan premium is between 2% and 7%, depending on the credit risk, related to the respective borrower. On overdue loans is accrued additional surplus above the contractual interest rate.

13.1.2. Other long-term loans

	2016 BGN'000	2015 BGN'000
Receivables on provided loans	159 679	127 397
	159 679	**127 397**

Long-term loans granted by the Group outside of banking, represent principal and accrued interest to them relating to loans to unrelated parties. Loans are granted at market interest rates. The maturity of loans is after 31 December 2017. The Loans are not secured.

13.2. Held-to-maturity financial assets

In 2016 the Group reclassifies financial assets held to maturity in available-for-sale financial assets. As a result of the reclassification, the difference between the carrying amount and the fair value of the reclassified financial assets is reflected as a positive revaluation reserve.

As at 31 December 2015 held-to-maturity financial assets consist of bonds issued by Bulgarian government, government bonds of EU countries and bonds of foreign trade company. The carrying amounts of these held-to-maturity financial assets, measured at amortized cost, including the amount of the accrued interests, based on their original maturity, as follows:

	2016 BGN '000	2015 BGN '000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	-	79 712
Long-term Bulgarian government bonds	-	318 207
Long-term government bonds – other countries	-	210 423
Corporate bonds	-	38 000
	-	**646 342**

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

13.3. Financial assets at fair value through profit or loss

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

	2016 BGN'000	2015 BGN'000
Bulgarian corporate stocks and shares	9 272	6 833
Foreign corporate stocks and shares	3 912	23
	13 184	**6 856**

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

13.4. Available-for-sale financial assets

	2016 BGN '000	2015. BGN '000
Bulgarian corporate bonds	24 168	42 153
Capital investments with market value	88 265	85 162
Capital investments in stocks and shares, unlisted on the public Stock Exchange	15 337	19 379
Long-term Bulgarian government bonds	284 930	5 031
Mid-term Bulgarian government bonds	74 961	13 910
Foreign corporate bonds	37 506	11 794
	525 167	**177 429**

Their fair value is determined on the basis of their quoted prices at the date of the consolidated financial statements, except for the capital investments in shares and units of companies that are not traded on a public stock exchange in Bulgaria and abroad. They are valued at cost, which at 31 December 2016 amounted to BGN 15 337 thousand (2015: BGN 19 379 thousand).

Bulgarian securities pledged as collateral
As at 31 December 2016 and 2015 no corporate bonds issued by Bulgarian government are pledged as securities under budget accounts.

14. Deferred tax assets and liabilities

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

Deferred tax liabilities/ (assets)	**1 January 2016 BGN'000**	**Recognized in equity BGN'000**	**Recognized in profit or loss BGN'000**	**31 December 2016 BGN'000**
Non-current assets				
Property, plant and equipment	9 401	-	35	9 436
Long - term financial assets	(502)	1 100	30	628
Investment property	3 753	5	79	3 837
Others	9 500	-	27	9 527
Current assets				
Trade and other receivables	(616)	-	3	(613)
Financial assets	4 958	-	2 008	6 966
Others	252	(1)	(47)	204
Non-current liabilities				
Pension and other employee obligations	(291)	(12)	(35)	(338)
Provisions and trade payables	(689)	55	333	(301)
Current liabilities				
Pension and other employee obligations	(413)	(3)	18	(398)
Others	(414)	(1)	443	28
Unused tax losses	(2 967)	(14)	(378)	(3 359)
	21 972	**1 129**	**2 516**	**25 617**
Recognized as:				
Deferred tax asset	**(5 892)**			**(5 009)**
Deferred tax liability	**27 864**			**30 626**

Deferred taxes for the comparative period 2015 can be summarized as follows:

Deferred tax liabilities/ (assets)	**1 January 2015 BGN'000**	**Recognized in equity BGN'000**	**Recognized in profit or loss BGN'000**	**31 December 2015 BGN'000**
Non-current assets				
Property, plant and equipment	13 441	-	(4 040)	9 401
Long - term financial assets	(495)	-	(7)	(502)
Investment property	3 737	-	16	3 753
Others	6 046	-	3 454	9 500
Current assets				
Trade and other receivables	(598)	-	(18)	(616)
Financial assets	9 904	(2 354)	(2 592)	4 958
Others	(341)	-	593	252
Non-current liabilities				
Pension and other employee obligations	(249)	(30)	(12)	(291)
Provisions and trade payables	(565)	-	(124)	(689)
Current liabilities				
Pension and other employee obligations	(376)	-	(37)	(413)
Others	(68)	-	(346)	(414)
Unused tax losses	(3 230)	-	263	(2 967)
	27 206	**(2 384)**	**(2 850)**	**21 972**
Recognized as:				
Deferred tax asset	**(5 922)**			**(5 892)**
Deferred tax liability	**33 128**			**27 864**

15. Inventories

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

	2016 BGN'000	**2015 BGN'000**
Raw materials	9 999	13 483
Production	1 878	1 575
Trading goods	16 215	29 005
Work in progress	1 377	1 204
Spare parts	6 100	5 911
Assets, acquired through collateral	11 440	-
Others	425	6
	47 434	**51 184**

As at 31 December 2016 inventories of the Group amounting to BGN 11 361 thousand (2015: BGN 22 474 thousand) are pledged as collateral benefitting banks.

Assets acquired through collateral amounting to BGN 11 440 thousand refer to assets acquired from the Group's banking activities that do not meet the criteria for classification as held for sale and are accounted for under the requirements of IAS 2 Inventories.

16. Short-term financial assets

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

	Note	2016 BGN '000	2015 BGN '000
Loans and receivables	16.1	911 698	840 322
Financial assets at fair value through profit or loss	16.2	1 332 561	1 235 281
Held-to-maturity financial assets	16.3	30 188	117 669
Held for sale financial assets	16.4	148 916	90 603
		2 423 363	**2 283 875**

16.1. Loans and receivables

	Note	2016 BGN '000	2015 BGN '000
Bank loans and client advance payments	16.1.1	521 479	591 541
Less impairment		(30 336)	(22 060)
		491 143	**569 481**
Other short-term loan contracts	16.1.2	181 544	139 199
Receivables on repo purchases	16.1.3	239 011	131 642
		911 698	**840 322**

16.1.1. Short-term bank loans and client advance payments

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

Analysis by type of the client:	2016 BGN '000	2015 BGN '000
Natural persons		
-in BGN	98 829	55 061
-in foreign currency	21 788	80 829
Legal entities		
-in BGN	175 727	194 671
-in foreign currency	225 135	260 980
	521 479	**591 541**
Impairment for uncollectability	(30 336)	(22 060)
Total bank loans and client advance payments	**491 143**	**569 481**

Analysis by economic sectors:	**2016 BGN '000**	**2015 BGN '000**
Agriculture and forestry	8 347	9 461
Manufacturing	18 518	20 988
Construction	58 927	66 789
Trade and finance	254 593	289 867
Transport and communications	36 398	41 254
Natural persons	120 617	135 890
Others	24 079	27 292
	521 479	**591 541**
Impairment for uncollectability	(30 336)	(22 060)
Total bank loans and client advance payments	**491 143**	**569 481**

16.1.2. Contracts for other short-term loans

	2016 BGN '000	**2015 BGN '000**
Short term loan receivables	116 602	107 917
Receivables on cessions	64 942	31 282
	181 544	**139 199**

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

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

16.1.3. Receivables under repo agreements

As of 31 December 2016, the Group has signed agreements with a repo clause amounting to BGN 239 011 thousand (2015: BGN 131 642 thousand), including interest receivables.

Some of them amounting to BGN 70 624 thousand are secured by a pledge of the Bulgarian government securities of the same value. The rest amounting to BGN 168 387 thousand are secured by a pledge of corporate securities of approximately the same value. The maturity of these agreements is between January and June 2017.

16.2. Financial assets at fair value through profit or loss

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

	2016 BGN '000	**2015 BGN '000**
Bulgarian corporate bonds and shares	542 198	608 086
Bulgarian corporate securities	97 775	-
Shares issued or guaranteed by other countries	471 195	315 612
Long-term Bulgarian government bonds	57 081	240 185
Mid-term Bulgarian government bonds	163 682	17 058
Short-term Bulgarian government bonds	63	53 291
Derivatives, held-for-trade	21	491
Bank deposits	546	558
	1 332 561	**1 235 281**

Bulgarian corporate bonds and shares
As at 31 December 2016 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 542 198 thousand (2015: BGN 608 086 thousand). These securities represent shares of public trade companies, listed on the Bulgarian Stock Exchange, which are stated at fair value, as they are liquid on the stock market as well as securities of companies that are not publicly traded on Bulgarian stock exchange and their fair value is evaluated by a licensed valuation specialist.

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

As at 31 December 2016 the Group holds Bulgarian government bonds at the amount of BGN 220 826 thousand (2015: BGN 310 534 thousand).

Derivatives, held-for-trade
As at 31 December 2016 derivatives held-for-trade amounting to BGN 21 thousand (2015: 491 thousand) are recognized at fair value and consist of contracts for trade of foreign exchange, securities, forward contracts and foreign exchange swaps traded on the open market

Bulgarian securities pledged as collateral
As of 31 December 2016 and 2015 there are no government bonds issued by the Bulgarian government, pledged as collateral for servicing budget accounts.

Securities issued or guaranteed by other countries

As at 31 December 2016 the Group holds debt securities issued or guaranteed by EU members and third countries at the amount of BGN 471 195 thousand (2015: BGN 315 612 thousand).

16.3. Financial assets held-to-maturity

	2016 BGN‘000	2015 BGN‘000
Short-term Macedonian government securities	15 635	47 475
Short-term bonds issued by the National Bank of the Republic of Macedonia	14 553	17 751
Others	-	52 623
	30 188	**117 669**

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

16.4. Financial assets available-for-sale

	2016 BGN‘000	2015 BGN‘000
Short-term Bulgarian government bonds	68 000	44 322
Capital investments, not tradable on the stock exchange	57 575	38 408
Long term Bulgarian government bonds	938	935
Foreign capital investments	3 776	6 543
Others	18 627	395
	148 916	**90 603**

17. Trade receivables

	2016 BGN'000	2015 BGN'000
Trade receivables, gross amount	94 965	106 656
Impairment	(4 761)	(6 171)
Trade receivables	**90 204**	**100 485**

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

All trade receivables of the Group have been reviewed for indications of impairment. Certain trade receivables were written off and the relevant impairment amounting to BGN 284 thousand (2015: BGN 186 thousand) has been recognized in the consolidated statement of profit or loss and other comprehensive income within "Expenses for non-financial activities". The written off trade receivables are mostly due from trade customers that are experiencing financial difficulties.

Change in the receivables impairment can be presented as follows:

	2016 BGN'000	2015 BGN'000
Balance as at 1 January	**6 171**	**6 231**
Written off amounts (uncollectable)	(1 694)	(245)
Impairment loss	284	186
Recovery of impairment loss	-	(1)
Balance as at 31 December	**4 761**	**6 171**

18. Tax receivables

	2016 BGN'000	2015 BGN'000
Corporate income tax receivables	326	390
VAT receivables	965	2 627
Excise receivables	3	3
Other	86	177
	1 380	**3 197**

19. Receivables under insurance and reinsurance contracts

	2016 BGN'000	2015 BGN'000
Receivables on accrued premiums on insurance contracts	37 019	57 909
Reinsurance contracts	6 277	194
Regression estimates	4 077	4 987
Estimates on co-insurance contracts	-	1 028
	47 373	**64 118**

20. Other receivables

	2016 BGN'000	2015 BGN'000
Court receivables	62 128	62 275
Short-term deposits and guarantees	24 821	4 898
Prepaid expenses	12 315	11 175
Advance payments	17 722	23 579
Others	49 674	74 833
	166 660	**176 760**

The major part of court receivables amounting to BGN 62 128 thousand (2015: BGN 62 275 thousand) relate to litigation of the Group against its receivable include accrued premiums on insurance contracts, and estimates from reinsurance and co-insurance contracts.

Significant part of short-term deposits and guarantees are cash guarantees at the total amount of BGN 24 821 thousand (2015: BGN 4 898 thousand) the paid amounts are under warranty contracts for leasing of airplanes receivables guarantees service airports, guarantees the rental of premises and other contracts and guarantee duty free - currency trading to Customs Sofia.

Significant portion of prepaid expenses totalling BGN 12 315 thousand (2015: BGN 11 175 thousand) represent prepaid advertising costs, rent, insurance, etc.

21. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016 BGN'000	2015 BGN'000
Cash at bank and in hand:		
- BGN	1 334 884	822 464
- EUR	140 405	162 773
- USD	178 900	137 402
- other currencies	112 937	106 474
	1 767 126	**1 229 113**

	2016 BGN'000	2015 BGN'000
Current accounts with the Central Bank	1 126 315	774 486
Short-term investments	300 258	238 875
Placements with, and advances to, banks	334 183	204 713
Blocked cash and cash equivalents	6 370	11 039
	1 767 126	**1 229 113**

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

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

	2016 BGN'000	2015 BGN'000
Property, plant and equipment	7 384	3 594
Non-current assets, classified as held-for-sale	**7 384**	**3 594**

Non-current assets classified as held for sale amount to BGN 7 384 thousand (2015: BGN 3 594 thousand) represent real estate acquired by the Group's Banks as lender of granted and non-performing loans. These assets will not be used in the activity of the Group and actions for their sale in 2017 are undergoing.

23. Equity

23.1. Share capital

The share capital of Chimimport AD as at 31 December 2016 consists of 239 646 267 (31.12.2015: 150 875 596) ordinary shares with a par value of BGN 1 per share and 0 (31.12.2015: 88 770 671) preferred shares with a par value of BGN 1, including 12 732 039 (31.12.2015: 6 636 181) ordinary shares and 0 (31.12.2015: 7 918 031) preferred shares, acquired by companies of Group of Chimimport AD. The ordinary shares of Chimimport AD are registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Group's estate.

	2016 Number of shares	2015 Number of shares
Shares issued and fully paid at 1 January:	225 092 055	227 384 284
Change in own shares /ordinary and preferred/, acquired by subsidiaries during the year	1 822 173	(2 292 229)
Shares issued and fully paid as at period end	**226 914 228**	**225 092 055**

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 occurred on 15 June 2016.

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

	2016 Number ordinary shares	**2016 %**	**2015 Number ordinary shares**	**2015 %**	**2015 Number preferred share**	**2015 %**
Invest Capital AD	175 002 247	73.03%	111 439 365	73.86%	65 391 482	73.66%
POAD CCB - Sila	7 464 307	3.11%	609 676	0.41%	4 851 031	5.46%
Armeec Insurance JSC	3 211 507	1.34%	745 400	0.49%	3 000 000	3.38%
PIC Syglasie	2 965 952	1.24%	1 021 836	0.68%	5 108 224	5.75%
The Bank of New York Mellon	2 642 238	1.10%	3 466 084	2.30%	-	-
DSK – Funds	2 284 238	0.95%	230 526	0.15%	2 191 373	2.47%
CCB Group EAD	1 863 605	0.78%	5 160 005	3.42%	-	-
Eaton Vance Emerging Markets	825 588	0.34%	1 651 176	1.09%	-	-
NN funds	670 287	0.28%	1 362 052	0.90%	965 933	1.09%
Piraeus Bank Bulgaria	645 391	0.27%	545 998	0.36%	323 803	0.36%
UniCredit Bank Austria	557 594	0.23%	3 133 880	2.08%	198 769	0.22%
Raiffeisen Bank International AG	34 225	0.01%	371 313	0.25%	-	-
Blackrock Frontier Markets Fund	32 308	0.01%	138 649	0.09%	-	-
EURIZON EASYFUND	-	-	202 437	0.13%	-	-
Euribank Ergasias Clients ACC	-	-	139 606	0.09%	-	-
Russell Institutional funds public limited	-	-	943 000	0.63%	-	-
Eaton Vance International (Ireland) FU	-	-	50 616	0.03%	-	-
Other legal entities	25 382 220	10.60%	7 807 722	5.18%	3 306 476	3.73%
Other individuals	16 064 560	6.71%	11 856 255	7.86%	3 433 580	3.88%
	239 646 267	**100.00%**	**150 875 596**	**100.00%**	**88 770 671**	**100.00%**
CCB Group AD	(1 863 605)	-0.78%	(5 160 005)	-3.42%	-	-
ZAD Armeec	(3 211 507)	-1.34%	(745 400)	-0.49%	(3 000 000)	-3.38%
POAD CCB - Sila	(7 464 307)	-3.11%	(609 676)	-0.41%	(4 851 031)	-5.46%
CCB AD	(192 620)	-0.08%	(121 100)	-0.08%	(67 000)	-0.08%
	(12 732 039)	-5.31%	(6 636 181)	-4.40%	(7 918 031)	-8.92%
Net number of shares	**226 914 228**		**144 239 415**		**80 852 640**	

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

23.2. Share premium

	2016 BGN'000	2015 BGN'000
Share premium from 2009, 2007 and 2006	257 674	257 674
Decrease of the reserve of treasury shares by acquired by subsidiaries for the period	(10 836)	(39 205)
	246 838	**218 469**

In 2016 the share premium changed by BGN 28 369 thousand as a result of acquisition of treasury shares of subsidiaries of the Group.

As at 31 December 2016 premium reserve amounts to BGN 246 838 thousand (2015: BGN 218 469 thousand). Premium reserve is formed by the issue of privilege shares from 2009 and two issues of ordinary shares from 2007 and 2006.

23.3. Other reserves

As at 31 December 2016 amount of other reserves equals to BGN 85 174 thousand (2015: BGN 71 581 thousand). Other reserves include the revaluation surplus in a defined benefit plan in the amount of BGN 85 thousand (2015: the amount of BGN 91 thousand).

24. Specialized reserves

	Note	2016 BGN'000	2015 BGN'000
Insurance technical reserves	24.1	262 966	283 045
Pension fund reserves	24.2	13 050	11 360
		276 016	**294 405**

24.1. Insurance technical reserves and reinsurance assets

Insurance technical reserves	Note	2016 BGN'000	2015 BGN'000
Premium reserve carried forward	24.1.1	69 299	98 734
Reserve for outstanding payments	24.1.2	176 884	152 696
Reserve for bonuses and discounts	24.1.3	2 219	2 359
Additional reserve for filed, but not paid claims	24.1.4	1 447	7 048
Additional reserve for Public liability insurance – motor vehicles	24.1.5	10 056	14 098
Contingency fund	24.1.6	865	821
Mathematical reserve	24.1.7	1 992	2 131
Unexpired risk reserve	24.1.8	204	5 158
		262 966	**283 045**

Reinsurance assets	**2016 BGN'000**	**2015 BGN'000**
Reinsurers' share in the premium reserve carried forward	14 635	16 221
Reinsurers' share in the reserve for outstanding payments	61 302	56 266
Reinsurers' share in the reserve for bonuses and discounts	579	429
Reinsurers' share in the shortage reserve according to art. 8a, Ordinance 27	313	43
	76 829	**72 959**

Insurance reserves for 31 December 2016 are set aside in the course of the Group's insurance activity, conducted by ZAD Armeec and CCB Life EAD.

Reserves adequacy

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

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

24.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2016 amounts to BGN 69 299 thousand (2015: BGN 98 734 thousand).

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

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

24.1.2. Reserve for outstanding payments

As of 31 December 2016 and 31 December 2015, the outstanding payments reserve amounted to BGN 176 884 thousand and BGN 152 696 thousand respectively.

24.1.2.1. Reserve for occurred and presented claims

The reserve for occurred and presented claims is calculated by applying the method claim by claim. For damages brought under court claims regarding "Casco insurance" and "Public liability insurance of drivers", "Fire and natural disasters" and "General civil liability", an adjustment coefficient is applied in accordance with art. 8, par. 5 of Regulation No 27 concerning the order and methodology for forming technical reserves of the insurers, reinsurers and health security insurance reserves. The coefficient values are 86% for Casco insurance, 48% for non-pecuniary damages and 78% for pecuniary damages on Public liability insurance of drivers, 57% "Fire and natural disasters" and 39% "General civil liability".

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

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

24.1.2.2. Reserve for occurred, but not presented claims

Applied method – Chain-ladder method:

The reserve for occurred, but not presented claims is calculated by applying the chain-ladder method with the accumulated amounts of each type of insurance offered by the Group. This method is applied for the period being 2006-2016. For data of shorter term the applied method is that of insurance namely "Casco aircraft - reinsurance", "Credits" and insurance "Other financial losses".

For insurance "civil liability" of motorists the reserve for incurred but not reported property damage has an approved chain-ladder method based on accumulated historical values of filed claims using weighted development coefficients obtained proprietary data on the company's market weighted by a factor of credibility. The reserve for incurred but not reported non-pecuniary damage has approved a combination of chain-ladder method based on accumulated historical values of filed claims using weighted development coefficients obtained by personal data of the company and the chain-ladder method based on accumulated paid claims, using weighted development coefficients obtained by private data of the company in a 50/50 relation. The period taken as the basis for calculating the reserve is eleven years - 2006 - 2016. In the application of the described above methods, a recalculated amount totalling less than the reserve for incurred but not reported losses, calculated on the basis of market share of the company, is achieved, therefore as at 31.12.2016 the reserve obtained on the basis of market share of the company is allocated. The reserve is a combined calculation for the compulsory insurance "civil liability" of motorists and the insurance "Border liability of motorist", and separately for the insurance "Green Card" In forming the reserve, the data submitted and paid damages to 2006 include the data under insurance "civil liability" of drivers and "Border GO" and details of insurance "Green Card".

The reserve for incurred, but not reported claims is calculated separately for insurance "Green Card" for the period 2007-2016, using the chain-ladder method based on accumulated historical values of filed claims using the weighted coefficients for development received in their own company data separately for material and moral damages. The data were for the period 2006-2016.

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

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

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

Basis of calculation - Statistics on brought up claims in the information system INSIS for the period 2006-2016.

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

For Insurance "Civil responsibility of motorists" where there is a signed contract and quota finite contract 50/50, the reinsurers' share is calculated by first estimated share-based excess loss coverage, then the remainder is supplied by 25% quota coverage for 2016 per occurrence and a 50 / 50 ratio for the entire portfolio according to the finite contract.

24.1.3. Reserve for bonuses and discounts

The reserve for bonuses and discounts at the amount of BGN 2 219 thousand (2015: BGN 2 359 thousand) is formed for all contracts, for which a premium return is provided - in the case of positive result after their final clearance or the premium on the basis of realized risks during the period of insurance (for instance planned and realized amount of flight hours in the case of aviation insurances).

The following method is applied:

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

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

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

24.1.4. Reserve for presented, but not paid claims

The additional reserve for presented, but not paid claims at 31 December are BGN 1 447 thousand (2015: BGN 7 048 thousand).

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

The method of the pending amount is applied to all claims, presented before the beginning of 2016 and pending at the end of 2016, and is multiplied by the sufficiency coefficient for the reserve for presented, unpaid claims, determined according to Annex No 5 of Regulation No 27, reduced by one. The sufficiency coefficient is calculated by type of insurance.

For the insurances with identified reserve insufficiency for presented, but unpaid claims – "Accident", "Casco of vessels", "Fire and natural disasters", "Damage to property", "General civil liability" and "Travel assistance" – the sufficiency coefficient is formed as an average amount of the coefficients for the past 3 years, because those insurances have a low amount of claims. When collecting the three-year data, the Accident Insurance coefficient is negative, so no additional reserve is set aside for the insurance.

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

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

24.1.5. Reserve for public liability insurance for drivers

The additional reserve on Public liability insurance of the drivers as at 31 December 2016 amounts to BGN 10 056 thousand (2015: BGN 14 098 thousand).

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

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

The calculated administrative expenses for one policy of Public liability insurance-drivers for a period of one year in 2016 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 10.99.

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

The part of the reinsurers in the additional reserve under Art. 11a of Ordinance No. 27 is calculated in proportion to the part of the reinsurer in the transfer-premium reserve, excluding the quota finite contract.

24.1.6. Contingency fund

A contingency fund is set aside solely for Credit insurance in accordance with Article 6 paragraph 6 of Regulation № 27 on the procedures and methods for the formation of technical reserves by insurers and health insurance reserves. Method N1 from Appendix N1 of the regulation is applied. The total amount of the contingency fund of the Group amounts to BGN 865 thousand (2015: BGN 821 thousand).

24.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2016 for individual actual savings policies is set aside by applying the prospective method in accordance with art. 13 of Regulation № 27. The Zillmer adjustment is applied, representing the present value of the unpaid acquisition costs (art. 13, par. 8 of regulation № 27), is enclosed. The mathematical reserve is at the amount of BGN 1 992 thousand (2015: BGN 2 131 thousand).

24.1.8. Unexpired risk reserve

According to Art. 12 paragraph 2 of Decree № 27 of the procedures and methods for the formation of technical reserves of insurers and reinsurers, and health insurance reserves, the Group sets aside additional reserves for unexpired risks for insurances that report a negative result for three consecutive years under Appendix № 3 of the same decree. As at 31 December 2016 insurances "Damage to property" and "Travel assistance" ended with a negative result under Appendix № 3 for more than 3 year. Therefore, a reserve for unexpired risks insurance was required to be set aside. Failure ratios are 8% for Property Damage Insurance and 54% for Travel assistance. For the Property Damage insurance there is a reserve for unexpired risks amounting to BGN 37 thousand and for the Travel Assistance insurance the reserve is in the amount of BGN 167 thousand.

24.2. Pension fund reserves

	2016 BGN'000	2015 BGN'000
Reserves for guaranteeing minimal yield on UPF	11 564	10 053
Reserves for guaranteeing minimal yield on PPF	1 384	1 250
Life pension reserve UPF	98	52
Life pension reserve DPF	4	5
	13 050	**11 360**

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

25. Financial liabilities

	Note	Current 2016 BGN'000	Current 2015 BGN'000	Non-current 2016 BGN'000	Non-current 2015 BGN'000
Financial liabilities measured at fair value					
Derivatives, held for sale	25.6	209	578	-	-
Financial liabilities measured at amortized cost:					
Liabilities to depositors	25.1	3 633 088	3 462 081	998 430	835 887
Dividend payables	25.2	6 506	14 257	-	6 912
Bonds and debenture loan	25.3	2 895	8 169	34 587	171 848
Bank loans	25.4	67 239	55 846	83 278	94 243
Other borrowings	25.5	31 268	40 629	3 520	4 382
Deposits from banks	25.7	8 359	6 433	-	-
Cession liabilities		18 591	11 395	4 206	8 412
Liabilities under repurchase agreements	25.8	17 409	9 014	-	-
Total carrying amount		**3 785 564**	**3 608 402**	**1 124 021**	**1 121 684**

25.1. Liabilities to depositors

Analysis by term and type of currency:	**2016 BGN'000**	**2015 BGN'000**
Demand deposits		
in BGN	859 988	785 829
in foreign currency	198 787	202 511
	1 058 775	988 340
Term deposits		
in BGN	1 200 103	1 095 773
In foreign currency	1 027 929	999 855
	2 228 032	2 095 628
Savings accounts		
in BGN	903 673	803 246
in foreign currency	431 666	398 914
	1 335 339	1 202 160
Other deposits		
in BGN	8 513	8 718
in foreign currency	859	3 122
	9 372	11 840
Total liabilities to depositors	**4 631 518**	**4 297 968**

	2016 BGN'000	2015 BGN'000
Individual deposits		
in BGN	2 125 862	1 938 074
in foreign currency	1 373 184	1 327 658
	3 499 046	3 265 732
Legal entities deposits		
in BGN	833 515	745 899
in foreign currency	282 685	273 208
	1 116 200	1 019 107
Deposits of other institutions		
in BGN	13 381	8 718
in foreign currency	2 891	4 411
	16 272	13 129
Total liabilities to other depositors	**4 631 518**	**4 297 968**

25.2. Dividend payables

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

	Current		Non-current	
	2016 BGN'000	2015 BGN'000	2016 BGN'000	2015 BGN'000
Dividend liabilities	6 506	14 257	-	6 912
	6 506	**14 257**	**-**	**6 912**

Dividends payables of the Group arose as a result of the issue of mandatory convertible preferred shares in 2009 with a guaranteed fixed annual dividend of 9%. On 15 June 2016, all preferred shares of the parent company at that date were mandatory converted into ordinary shares, under the terms of the prospectus for the issue. The current payables amounting to BGN 6 506 thousand represent the outstanding residual part of the guaranteed dividend for the period 1 January 2016 to 15 June 2016, which will be paid in 2017 after a vote by the General Meeting of shareholders of Chimimport AD.

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

In 2016 and 2015 Chimimport AD distributed to its shareholders, holders of preferred shares, guaranteed dividend in the amount of BGN 17 736 thousand (2015: BGN 17 693 thousand) or BGN 0.1998 per a privileged share.

25.3. Bonds and debenture loans

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

	Current		Non-current	
	2016 BGN'000	2015 BGN'000	2016 BGN'000	2015 BGN'000
Debenture loans	2 895	8 169	34 587	171 848
	2 895	**8 169**	**34 587**	**171 848**

The carrying amount of the Group's debts on the debenture loans as at 31 December 2016 amounts to BGN 37 482 thousand (2015: BGN 180 017 thousand), calculated using the effective interest rate method

25.4. Bank loans

The Bank loans of the Group comprise loans, granted by Bulgarian commercial banks, designated for financing investment projects of the Group, as well as, for refinancing the current operating activity of the Group. Bank loans are classified according to their contracted maturity date.

	Current		Non-current	
	2016	**2015**	**2016**	**2015**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Bank loans	67 239	55 846	83 278	94 243

25.4.1. Long-term bank loans

	2016	**2015**
	BGN'000	**BGN'000**
Revolving and investment bank credits	83 278	94 243
	83 278	**94 243**

Investment loans

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

- The Group is party to a contract for an investment bank loan signed on 23 December 2016 with repayment term on 31 December 2025 in accordance with the repayment schedule. The annual interest is formed by the sum of the monthly SOFIBOR and a margin of 3 %. The loan is secured by corporate guarantee issued by a foreign legal entity.
- Investment loan dated 30 January 2015 with repayment term until 30.04.2023 in accordance with a repayment schedule. The loan is secured by real estate. The annual interest rate is in the amount of base interest rate index, bonuses and allowances for regular debt (3M SOFIBOR) -+ 4.9%.
- The Group has received a loan from a commercial bank with repayment term until 21 December 2020 and interest rate 3-month SOFIBOR + 6%. As collateral the Group has provided Dumb dry cargo barge BRP 19003 (owned by the Group) and tangible fixed assets purchased with funds from the loan.
- The Group is party to a contract for an investment bank loan, signed on 21 June 2013, maturing on 22 May 2023. The interest on the loan is at the rate of 3-month SOFIBOR + 3%, but not less than 6.5%. The loan is secured by real estate mortgage, pledge of fixed assets by the Law on Pledges.
- The Group is party to a contract for an investment loan, signed on 4 December 2015 for the purchase of extrusion plant for production of film sleeve for small containers. The annual interest is formed by the sum of the monthly SOFIBOR and a margin of 4.8%, but not less than 5.5%. The deadline for the loan repayment is 01 May 2019. The loan is secured by pledged property, plant and equipment.

Revolving loans

The Group was granted bank loan for working capital with due date on 01 February 2021. The annual interest rate on the contract is 4.2 % on the used portion of the loan. The loan is secured by a contract for pledge of making third party lease of "Hangar with lightweight construction (HOK)" and connecting corridor, located in the town. Sofia Slatina, Sofia Airport.

25.4.2. Short-term bank loans

	2016 BGN'000	2015 BGN'000
Short-term portion of revolving and investment bank credits	67 239	55 846
	67 239	**55 846**

Investment Loans

Liabilities of the Group as at 31 December 2016 comprise the following loans bank investment loan

- The Group is party to a contract for an investment bank loan signed on 23 December 2015 with due date on 31 December 2025 in accordance with the repayment schedule. The annual interest is 1-month SOFIBOR + 3 %. The loan is secured by corporate guarantee issued by a foreign legal entity.

Revolving Credits

- The Group was granted a bank loan on 5 October with maturity date 29 September 2017. The loan is secured by real estate. The annual interest rate equals 8.5%, formed based on 1-month SOFIBOR + 4.00% such as between 8.50% and 10.00%.
- The Group was granted a bank loan to provide working capital with maturity date 31 August 2017. The interest rate is 4.20%. The loan is secured by pledged receivables on current accounts.
- The Group was granted a bank loan to provide working capital with maturity date 31 August 2017. The annual interest rate equals 4.20%. The loan is secured by pledged goods.
- The Group was granted a bank loan to provide working capital with maturity date 30 May 2017. The loan is secured by a pledge of public procurement contract receivables for the provision of air tickets.
- The Group received bank loan dated 16 March 2011, with maturity date on 31 December 2017. The annual interest amounts to 12-month EURIBOR + 6%. The Group has provided as collateral mortgage on real estate and pledge on non-current assets.
- The Group has received a loan from a commercial bank with repayment term until 21 December 2020 and interest rate 3-month SOFIBOR + 6% of margin. As a collateral the Group has provided Dumb dry cargo barge BRP 19003 (owned by the Group) and tangible fixed assets purchased with funds from the loan.
- The Group has entered into two revolving credit agreements with commercial bank on 16 November 2006 and 29 August 2008 with maturity date on 28 August 2017 for both contracts. The interest rate on the loans equals 1-month EURIBOR plus 0.875% premium.
- The Group has concluded a contract for a revolving credit with commercial bank on 28 January 2008 with maturity date on 25 September 2017. The interest rate is 1-month SOFIBOR plus 6% premium.

25.5. Other borrowings

		Current			Non-current	
		2016 BGN '000	2015 BGN '000		2016 BGN '000	2015 BGN '000
Other borrowings	25.5.2	31 268	40 629	25.5.1	3 520	4 382

25.5.1. Other non-current borrowings

	2016 BGN '000	2015 BGN '000
Long term borrowings	2 245	2 819
Financing from State Agricultural Fund	1 275	1 563
	3 520	**4 382**

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

On 05 June 2013, after the successful commissioning of the Station for Geophysical Studies in Oil and Gas Installations at the Montana Base, the Group completed the final stage of the project, financed by the OPC at the Ministry of Economy and Energy under Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013".

On 25 June 2014 the Group completed the implementation of the "Safe Labour" Project of the Operational Program "Human Resources Development". The project was implemented during the period: 25 June 2013 – 25 June 2014.

25.5.2. Other current borrowings

	2016 BGN'000	2015 BGN'000
Current borrowings	31 021	40 564
Operational program financing	247	65
	31 268	**40 629**

Other current borrowings are received under annual interest rates from 3% to 8% 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.

25.6. Derivatives, held-for-trading

As at 31 December 2016 derivatives, held-for-trading, amounting to BGN 209 thousand (2015: BGN 578 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

25.7. Deposits from Banks

	Current	
	2016 BGN '000	2015 BGN '000
Demand deposits – local banks		
-in Bulgarian leva	325	1 159
-in foreign currency	4 812	1 603
Demand deposits from foreign banks in foreign currency	1 224	1 637
Term deposits from Bulgarian banks in BGN	325	2 034
Term deposits from foreign banks in foreign currency	1 673	-
	8 359	**6 433**

25.8. Payables under repurchase agreements of securities

As at 31 December 2016, the Group has entered into agreements with a repurchase clause with Bulgarian companies totalling BGN 17 409 thousand (2015: BGN 9 014 thousand), including accrued liabilities under Interest on them. The Group secured this obligation by pledge of Bulgarian government securities with a nominal value of EUR 13 500 thousand. The maturity of these agreements is until the end of 2017.

26. Liabilities to insured individuals

	2016 BGN'000	2015 BGN'000
Attracted funds in a voluntary pension fund	104 922	69 560
Attracted funds in a professional pension fund	75 760	96 287
Attracted funds in a universal pension fund	877 080	774 274
	1 057 762	**940 121**

The net assets value of the funds, managed by the subsidiary POAD CCB - Sila AD as at 31 December 2016 amounts to BGN 1 057 762 thousand. The increase at the amount of BGN 117 641, compared to the liabilities as at 31 December 2015, is a result of proceeds from positive return on investment of the insured individuals, realized in 2016, 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:

	2016 BGN '000	2015 BGN '000
Beginning of the period	**940 121**	**812 260**
Received pension contributions	123 855	117 917
Amounts received from pension funds, managed by other Pension Insurance Companies	30 051	39 602
Funds of persons who have resumed their insurance in UPF under the procedure of Art. 124a of CSR	17	-
Recovered amounts from National Social Security Institute	17	23
Total increase of pension contributions	**153 940**	**157 542**
Positive/ (negative) income from investment of funds	51 047	41 957
Result from investment of funds	**51 047**	**41 957**
Paid off pensions	(128)	(113)
One-time paid pensions to insured individuals	(3 606)	(4 385)
Funds for disbursement of funds to heirs of insured individuals	(1 665)	(1 303)
Amounts paid to the National Revenue Agency	(2 453)	(2 922)
Amounts paid under social security contracts	**(7 852)**	**(8 723)**
Amounts, paid to insured individuals, transferred to other pension funds	(47 946)	(42 022)
Amounts, paid to individuals that have changed their insurance under Article 46 of the SIC	(17 360)	(6 580)
Transferred taxes	(101)	-
Amounts paid to state budget	(24)	(93)
Transferred amount to pension reserve	(45)	(6)
Entrance fee	(12)	(27)
Service fee	(181)	(173)
9% yield fee	(330)	(292)
Service fee (2016: 4.5%; 2015: 5%)	(5 263)	(5 580)
Investment fee (2016: 0.9%; 2015: 1%)	(8 221)	(8 132)
Withdrawal fee	(11)	(10)
End of the period	**1 057 762**	**940 121**

The net assets available for income are distributed as follows:

	2016 BGN '000	2015 BGN '000
Individual accounts	1 056 650	939 055
Reserve for minimal return	1 112	1 066
Net assets available for income	**1 057 762**	**940 121**

27. Trade payables

	Current		Non-current	
	2016 BGN'000	2015 BGN'000	2016 BGN'000	2015 BGN'000
Trade payables	115 966	137 813	36 490	42 876

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

28. Liabilities on insurance and reinsurance contracts

	2016 BGN'000	2015 BGN'000
Insurance payables	9 037	11 376
Reinsurance liabilities	16 654	25 276
Transactions with the Guarantee fund	28	731
	25 719	**37 383**

29. Employee remunerations

29.1. Employee benefits expense

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

	2016 BGN'000	2015 BGN'000
Wages expense	(94 265)	(100 066)
Social security costs	(16 191)	(17 084)
Employee benefits expense	**(110 456)**	**(117 150)**

29.2. Pension and other employee obligations

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

	2016 BGN'000	2015 BGN'000
Non-current:		
Pension provisions	2 766	2 728
Non-current pension and other employee obligations	**2 766**	**2 728**
Current:		
Employee benefits obligations	9 173	9 149
Payables to social security institutions	2 541	2 533
Pension provisions	1 393	595
Current pension and other employee obligations	**13 107**	**12 277**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2017.

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

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

	2016 BGN'000	2015 BGN'000
Pension provisions, beginning of period	3 323	3 030
Expenses for current service	1 255	411
Interest expenses	77	93
Adjustments - actuarial losses from changes in demographic assumptions and financial assumptions	7	296
Benefits paid	(503)	(507)
Pension provisions, end of period	**4 159**	**3 323**

30. Tax liabilities

Tax liabilities include:

	2016 BGN'000	2015 BGN'000
Corporate income tax	5 921	2 641
VAT payables	3 658	958
Excise duty on imports	278	218
Other tax liabilities	2 214	3 169
	12 071	**6 986**

31. Other liabilities

Other liabilities can be summarized as follows:

		Current			Non-current	
		2016 BGN '000	2015 BGN '000		2016 BGN '000	2015 BGN '000
Other borrowings	31.2	71 644	57 090	31.1	1 856	5 401

31.1. Other non-current liabilities

	2016 BGN'000	2015 BGN'000
Financing for purchase of intangible assets	1 817	2 094
Trans-European Transport Network financing	19	1 258
Other	20	2 049
	1 856	**5 401**

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

The program includes the purchase of:

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

As at 31 December 2016 the Group is a beneficiary under the Resolution for granting financial aid, dated 10 June 2009, by the Commission of the European Community for projects of common interest "Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria" 2008-BG-90300-S in the field of the trans-European transport networks (INEA).

31.2. Other current liabilities

	2016 BGN'000	2015 BGN'000
Airfare tickets sold	18 022	20 314
Advances from customers	9 417	11 707
Guarantees	2 060	6 682
Liabilities under concessionary remunerations	36	1 095
Penalties	1 284	1 097
Other	40 825	16 195
	71 644	**57 090**

Liabilities for airfare tickets sold amounting to BGN 18 022 thousand (2015: BGN 20 314 thousand) represent the tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

32. Income from non-financial activities

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

	2016 BGN'000	2015 BGN'000
Income from sale of plane tickets	245 910	252 279
Income from sale of finished goods	51 731	60 472
Income from services rendered	67 774	72 709
Income from sale of trading goods	65 025	86 196
Other	45 373	57 030
	475 813	**528 686**

33. Expenses for non-financial activities

	2016 BGN'000	2015 BGN'000
Hired service expense	(201 822)	(201 253)
Cost of materials	(95 578)	(111 807)
Cost of goods sold	(61 322)	(83 039)
Employee benefits expense	(36 034)	(37 081)
Depreciation, amortization and impairment of non-financial assets	(21 737)	(32 385)
Change in finished goods and work in progress	1 081	(342)
Other expenses	(26 706)	(6 020)
	(442 118)	**(471 927)**

34. Gain from sale of non-current assets

	2016 BGN'000	2015 BGN'000
Proceeds from sale of non-current assets	41 089	62 926
Carrying amount of non-current assets sold	(34 022)	(43 647)
	7 067	**19 279**

35. Insurance income

		2016 BGN'000	2015 BGN'000
Insurance premium income	35.1	181 024	236 102
Income from reinsurance operations		136 309	87 548
Regression income		9 937	13 252
Other insurance income		3 996	24 868
		331 266	**361 770**

35.1. Income from insurance premiums

	2016 BGN'000	2016 %	2015 BGN '000	2015 %
Casco	104 621	57.79%	115 606	48.96%
Motor public liability insurance	42 223	23.32%	81 113	34.36%
Fire and natural calamities	11 166	6.17%	11 855	5.02%
Travel Assistance	4 225	2.33%	4 489	1.90%
Accidents	3 701	2.04%	5 354	2.27%
Casco of aircrafts	2 822	1.56%	564	0.24%
General public liability insurance	2 615	1.44%	2 474	1.05%
Property damage	1 961	1.08%	3 355	1.42%
Life and annuity	1 724	0.95%	1 682	0.71%
Additional insurance	1 702	0.94%	1 138	0.48%
Casco of vessels	1 281	0.71%	1 236	0.52%
GL related to aircraft	995	0.55%	1 118	0.47%
Freight transport	804	0.44%	1 126	0.48%
Other financial losses	474	0.26%	3 476	1.47%
Loans and leases	368	0.21%	1 042	0.44%
Health services	266	0.16%	217	0.09%
GL related to vessels	57	0.04%	31	0.01%
Insurance guarantees	19	0.01%	226	0.11%
	181 024	**100.00%**	**236 102**	**100.00%**

36. Insurance expenses

		2016 BGN '000	2015 BGN '000
Net change in insurance reserves set aside		(1 354)	(29 086)
Reinsurance expenses		(131 939)	(61 212)
Indemnities paid off	36.1	(108 745)	(135 981)
Acquisition costs		(38 754)	(47 549)
Liquidation of damages expenses		(5 231)	(5 889)
Other insurance expenses		(13 532)	(35 961)
		(299 555)	**(315 678)**

36.1. Indemnities paid off

During 2016 and 2015 he following indemnities, classified by group of insurance, have been paid off:

	2016 Indemnities paid off BGN'000	2016 Share %	2015 Indemnities paid off BGN'000	2015 Share %
Casco	(69 500)	63.91%	(87 723)	64.51%
Motor public liability insurance	(30 118)	27.70%	(37 629)	27.67%
Fire and natural calamities	(2 900)	2.67%	(2 686)	1.98%
Life insurance	(1 579)	1.45%	(688)	0.51%
Travel assistance	(1 438)	1.32%	(2 052)	1.51%
Accident	(1 267)	1.17%	(1 607)	1.18%
Property damage	(1 016)	0.93%	(1 646)	1.21%
Additional insurance	(299)	0.27%	(110)	0.08%
Casco of vessels	(182)	0.17%	(398)	0.29%
Health services	(145)	0.13%	(129)	0.09%
Freight transport	(129)	0.12%	(265)	0.19%
General Third Party Liability	(77)	0.07%	(508)	0.38%
Casco of aircrafts	(76)	0.07%	(516)	0.39%
GL connected with craft	(15)	0.01%	(4)	-
Loans and leases	(4)	0.01%	(6)	-
Other financial losses	-	-	(11)	0.01%
GL connected with aircraft	-	-	(3)	-
	(108 745)	**100.00%**	**(135 981)**	**100.00%**

37. Interest income

	2016 BGN'000	2015 BGN'000
Interest income by types of sources:		
Legal entities	131 067	135 120
Government securities	39 545	39 919
Banks	3 952	2 117
Natural persons	32 725	36 331
Other	1 554	1 846
	208 843	**215 333**

38. Interest expense

	2016 BGN'000	2015 BGN'000
Interest expense by depositors:		
Legal entities	(15 525)	(33 033)
Natural persons	(29 891)	(65 546)
Banks	(7 148)	(3 130)
Other	(1 572)	(1 756)
	(54 136)	**(103 465)**

39. Gains from transactions with financial instruments

	2016 BGN‘000	2015 BGN‘000
Gains from transactions with securities and investments	504 696	490 434
Income from financial instruments dividends	2 912	13 853
Other	-	31
	507 608	**504 318**

40. Losses from transactions with financial instruments

	2016 BGN‘000	2015 BGN‘000
Losses from transactions with securities and investments	(440 520)	(442 336)
Other	-	(52)
	(440 520)	**(443 388)**

41. Administrative expense

	2016 BGN‘000	2015 BGN‘000
Employee benefits expense	(74 422)	(80 069)
Hired services expense	(67 240)	(62 589)
Depreciation and amortization	(14 077)	(57 375)
Cost of materials	(6 230)	(7 209)
Other	(79 295)	(43 880)
	(241 264)	**(251 122)**

42. Other financial income, net

		2016 BGN‘000	2015 BGN‘000
Revenue from fees and commissions, net	42.1, 42.2	58 827	41 368
Net result from foreign exchange differences		13 061	18 418
Other finance (cost)/ income		(6 094)	5 729
		65 794	**65 515**

42.1. Revenue from fees and commissions

	2016 BGN‘000	2015 BGN‘000
Bank transfers in Bulgaria and abroad	24 146	23 210
Servicing deposit accounts	14 879	10 427
Servicing loans	3 038	2 087
Servicing commitments and contingencies	1 548	1 811
Other fees and commissions income, different from banks	14 019	351
Other income	11 023	12 915
Total revenue from fees and commissions	**68 653**	**50 801**

42.2. Fees and commissions expense

	2016 BGN'000	2015 BGN'000
Bank transfers in Bulgaria and abroad	(7 739)	(7 057)
Servicing accounts	(404)	(446)
Release of precious parcels	(319)	(275)
Transactions with securities	(70)	(96)
Other fees and commissions expenses, different from banks	(180)	-
Other expenses	(1 114)	(1 559)
Total fees and commissions expenses	**(9 826)**	**(9 433)**

43. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2015: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2016 BGN'000	2015 BGN'000
Profit before tax	74 802	69 197
Tax rate	10%	10%
Expected tax expense	**(7 480)**	**(6 920)**
Net effect of the decrease of the financial result	1 078	1 979
Current tax expense	**(6 402)**	**(4 941)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	(2 516)	2 850
Tax expenses	**(8 918)**	**(2 091)**
Deferred tax income / Deferred tax expense recognized in other comprehensive income	(1 129)	2 384

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

44. Earnings per share
44.1. Earnings per share

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

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

	31 December 2016	31 December 2015
Profit attributable to the shareholders of the Group (BGN)	52 008 000	58 483 000
Weighted average number of outstanding shares	189 239 232	144 282 279
Basic earnings per share (BGN per share)	**0.27**	**0.41**

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

	31 December 2016	31 December 2015
Net profit, attributable to shareholders of the Group, adjusted with dividend expense (BGN)	53 933 269	61 724 800
Weighted average number of shares	226 010 630	225 636 294
Diluted earnings per share (BGN per share)	**0.22**	**0.27**

45. Related party transactions

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

45.1. Transactions with owners

Sale of goods and services, interest income and other income	**2016**	**2015**
	BGN'000	**BGN'000**
- interest income	2 296	5 763
Purchase of services, interest expense and other expenses		
- purchase of services	(300)	(100)
- interest expense	(1)	(10)

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

Sale of goods and services, interest income and other income	**2016**	**2015**
	BGN'000	**BGN'000**
- sale of work in progress		
- associated companies	571	859
- other related parties under common control	408	478
- sale of finished goods		
- associated companies	351	272
- other related parties under common control	1 483	1 550
- sale of services		
- associated companies	5 470	4 726
- other related parties under common control	2 140	2 176
- interest income		
- joint ventures	25	202
- associated companies	33	38
- other related parties under common control	2 478	2 332
- other income		
- associated companies	32	627
- other related parties under common control	19	25

	2016	**2015**
	BGN'000	**BGN'000**
Purchases of services and interest expense		
-purchases of services		
- associated companies	(15 633)	(16 961)
- other related parties under common control	(6 326)	(6 043)
-interest expense		
- associated companies	(10)	-
- other related parties under common control	(42)	(97)

45.3. Transactions with key management personnel

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

	2016 BGN'000	2015 BGN'000
Short-term employee benefits:		
Salaries, including bonuses	(956)	(1 544)
Social security costs	(19)	(19)
Group car allowance	-	(2)
Total short-term benefits	**(975)**	**(1 565)**

46. Related party balances at year-end

	2016 BGN'000	2015 BGN'000
Non-current		
Receivables from:		
- owners	3 056	4 207
- associates	2 317	1 096
- joint ventures	40	39
- other related parties under common control	3 334	6 432
Total non-current receivables from related parties	**8 747**	**11 774**

	2016 BGN'000	2015 BGN'000
Current		
Receivables from:		
- owners	37 827	182 897
- associates	834	3 271
- joint ventures	698	525
- other related parties under common control	25 784	28 056
Total current receivables from related parties	**65 143**	**214 749**

	2016 BGN'000	2015 BGN'000
Non-current		
Payables to:		
- owners	10	38
- associates	2 934	2 663
- joint ventures	130	145
- other related parties under common control	1 419	761
Total non-current payables to related parties	**4 493**	**3 607**

	2016 BGN'000	2015 BGN'000
Current		
Payables to:		
- owners	580	759
- associates	13 914	11 609
- joint ventures	3	-
- other related parties under common control	3 195	3 849
Total current payables to related parties	**17 692**	**16 217**

47. Contingent assets and liabilities and other commitments

As at 31 December 2016 and 2015 the Group has entered into granting bank loans to customers, which future utilization depends on whether the lessees fulfil 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:

	2016 BGN'000	2015 BGN'000
Bank guarantees in: BGN	41 058	51 176
Bank guarantees in: foreign currency	15 765	31 006
Irrevocable commitments	118 784	123 909
Other contingent liabilities	134	329
Total contingent liabilities	**175 741**	**206 420**

The Group is a party to legal disputes in connection with issued acts establishing a public state receivable for airport charges. The group appealed the acts issued.

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

- bank guarantee for good performance to guarantee the investment program in the amount of BGN 282 thousand issued by Eurobank Bulgaria AD with a validity date 31.10.2017;
- A bank guarantee: for good performance guarantee fulfilment of obligations under a contract in the amount of BGN 449 thousand, issued by DSK Bank EAD with a validity date 31.10.2017;
- A bank guarantee for customs purposes to cover the duties and other state receivables of goods stored in a customs warehouse at BGN 50 thousand issued by CCB AD.

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

The Group has a guarantee issued from "Eurobank EFG Bulgaria" AD amounting to BGN 2 600 thousand in favour of the Customs Agency valid until 5 April 2017.

48. Non cash transactions

During the presented reporting periods, the Group entered into the following non-cash transactions which are not reflected within the cash flows from financing activities in the statement of cash flows:

The Group has offset dividends payable on preferred shares against receivables from the shareholders at the amount of BGN 21 094 thousand in 2016 (2015: BGN 11 300 thousand).

The Group has deducted receivables and payables related to aircraft transactions through mutual estimates of BGN 23 000 thousand for receivables and BGN 4 335 thousand for liabilities in 2016.

49. Categories of financial assets and liabilities

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

Financial assets	**Note**	**2016 BGN'000**	**2015 BGN'000**
Financial assets held to maturity	16.3, 13.2		
- debentures		**30 188**	**764 011**
Financial assets available for sale:	16.4, 13.4		
- Securities and debentures		**674 083**	**268 032**
Financial assets held for trading (carried at fair value through profit or loss):	16.2, 13.3		
- Non-derivative financial assets securities and debentures		1 345 724	1 241 646
- Derivatives		21	491
		1 345 745	**1 242 137**
Loans and receivables			
- Trade and other receivables	17, 20	203 816	204 005
- Receivables on loans provided	16.1, 13.1	2 825 968	2 602 355
- Receivables from related parties	46	73 890	226 523
- Cash and cash equivalents	21	1 767 126	1 229 113
		4 870 800	**4 261 996**
		6 920 816	**6 536 176**

Financial liabilities	**Note**	**2016 BGN'000**	**2015 BGN'000**
Financial liabilities, measured at amortised cost:			
- liabilities to depositors	25.1	4 631 518	4 297 968
- borrowings	25.3, 25.4, 25.5	222 787	375 117
- dividend payables	25.2	6 506	21 169
- bank deposits	25.7	8 359	6 433
- cession payables		22 797	19 807
- obligations under repo agreements		17 409	9 014
- finance lease obligations	9.1	4 937	6 719
- trade and other payables	27, 31	167 993	216 295
- related parties payables	46	22 185	19 824
		5 104 491	**4 972 346**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	25.6	**209**	**578**
		5 104 700	**4 972 924**

See note 4.19 about information related to the accounting policy for each category financial instruments. Methods, used for assessment of fair value are presented in note 51. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 50.

50. 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 regarding the categories of financial assets and liabilities see note 49. The most significant financial risks to which the Group is exposed to are described below.

50.1. Insurance risk

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

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

The Group is exposed mainly to the following risks:

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

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

The main factors on which depends the Group's insurance business's positive financial performance is the loss rate, the cost quota and the investment income.

50.1.1. Reinsurance strategy

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

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

50.1.2. Damages settlement procedure

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

Types of insurances	**2016 Damages, quota, gross**	**2016 Damages, quota, net**	**2015 Damages, quota, gross**	**2015 Damages, quota, net**
Accident insurance	3%	4%	58%	55%
Including obligatory accident insurance of the passengers in the public transport	2%	2%	2%	3%
Casco	54%	57%	59%	60%
Casco of aircrafts	2%	-18%	-6%	-29%
Casco of vessels	20%	27%	29%	40%
Cargo insurance during transportation	45%	45%	47%	62%
Fire and natural calamities insurance	41%	20%	15%	21%
Property damage insurance	55%	60%	59%	50%
Insurance associated with the ownership and usage of motor vehicles, including:	118%	124%	94%	16%
Third-party vehicle insurance	120%	127%	96%	20%
"Green Card" insurance	95%	80%	31%	-194%
Third-party boarder insurance	111%	29%	-42%	-246%
Third-party carrier insurance	-8%	-8%	30%	30%
Third-party aviation insurance	2%	65%	0%	15%
Third party vessels insurance	277%	167%	-122%	-61%
General third-party insurance	-20%	-51%	-22%	-26%
Credit insurance	1%	1%	-6%	-6%
Insurance against financial losses	-2%	-2%	-18%	-18%
Travel assistance	51%	51%	48%	48%
Total:	**65%**	**60%**	**63%**	**45%**

Comparing annual net damages quota - for 2016 and 2015 it appears that there is a significant increase in damages mainly due to "Insurance of civil liability of owners of vehicles".

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

Type of insurance	**BGN**	**Number**	**Average indemnity 2016**	**Average indemnity 2015**	**Average indemnity 2014**	**Average indemnity 2013**
Accident insurance	1 266 506	2 046	619	813	516	461
Casco	69 875 648	88 937	786	890	958	749
Casco of aircrafts	76 134	4	19 033	26 013	184 805	85 859
Casco of vessels	128 402	13	9 877	10 367	6 173	8 289
Cargo insurance during transportation	181 836	58	3 135	7 332	2 602	2 601
Fire and Natural calamities insurance	2 900 475	1 855	1 564	1 362	1 509	2 668
Property damage insurance	1 016 434	70	14 520	20 745	18 840	8 040
Insurance associated with the ownership and usage of motor vehicles, including:	30 118 399	9 640	3 124	2 240	2 080	2 241
Third-party aviation insurance	14 735	2	7 368	787	977	2 051
Third party vessels insurance	324	1	324	2 175	-	-
General third-party insurance	76 894	39	1 972	11 223	41 920	12 783
Credit insurance	3 665	1	3 665	4 308	10 956	9 754
Insurance against financial losses	-	-	-	11 388	6 212	-
Travel assistance	1 438 352	2 358	610	722	725	727
Total:	**107 097 804**	**105 024**	**1 020**	**1 044**	**1 140**	**948**

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

	Year the insurance event occurred						
	2016 BGN'000	2015 BGN'000	2014 BGN'000	2013 BGN'000	2012 BGN'000	2011 BGN'000	Total
At the end of the period	54 258	55 656	76 769	47 874	52 711	42 654	329 923
1 year later	-	31 777	49 366	20 408	25 093	17 472	144 117
2 years later	-	-	10 976	5 779	5 528	4 142	26 425
3 years later	-	-	-	4 503	1 626	3 034	9 162
4 years later	-	-	-	-	1 783	2 157	3 939
5 years later	-	-	-	-	-	2 340	2 340
Cumulative payments, current	54 258	87 434	137 111	78 563	86 741	71 799	515 907
General assessment of the indemnities	98 494	104 227	151 407	83 311	89 663	71 799	598 900
As at 31 December							
Payments:							
Assessment:	44 235	16 793	14 296	4 748	2 922	-	82 993
Actual	90 003	32 788	20 682	9 652	8 598	4 120	165 843

50.2. Foreign currency risk

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

Group's policy regarding other than banking activities

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

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

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

Group's policies regarding the banking activities

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

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

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2016 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	17 013	33 896	151 320	54 127	256 356
Receivables under repurchase agreements	149 637	49 621	-	-	199 258
Financial asset held-for-trading	100 352	15 164	43	14	115 573
Loans and advances to customers, net	1 244 255	899 103	12 451	177 160	2 332 969
Available-for-sale financial assets	150 855	506 401	6 933	762	664 951
Held-to-maturity financial assets	-	-	-	30 188	30 188
TOTAL ASSETS	1 662 112	1 504 185	170 747	262 251	3 599 295
FINANCIAL LIABILITIES					
Deposits from banks	485	2 607	4 371	912	8 375
Bank loans	-	-	-	246	246
Obligations under repo agreements	3 014 378	1 221 840	229 334	224 235	4 689 787
Liabilities to other depositors	39	-	-	778	817
Other attracted funds	-	70 126	-	-	70 126
Subordinated liabilities	2	831	180	192	1 205
TOTAL LIABILITIES	3 014 904	1 295 404	233 884	226 363	4 770 556
NET POSITION	(1 352 792)	208 781	(63 137)	35 888	(1 171 260)

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

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

50.3. Interest rate sensitivity

Group's policy regarding other than banking activities

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2016, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates.

The following table illustrates the sensitivity of the annual net financial result after tax and equity to a reasonably possible change in interest rates on loans with a floating rate based on: 1-week SOFIBOR, amounting to +/- 2.81%, 1-month SOFIBOR, amounting to +/- 3.82% (2015: 1.23%), 3-month SOFIBOR, amounting to +/- 4.24% (2015: 4.91%) and a floating rate based on 1-month EURIBOR, amounting to +/- 4.95% (2015: 5.33%), 12-month EURIBOR, amounting to +/- 3.34% (2015: 6.34%). These changes are considered to be reasonably possible based on observation of current market conditions. Calculations are based on the change in the average market interest rate and the financial instruments held by the Group at the end of the reporting period that are sensitive to interest rate changes. All other parameters are taken to be constant

31 December 2016	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1W SOFIBOR	(4)	4	(4)	4
1M SOFIBOR	(5)	5	(5)	5
3M SOFIBOR	(32)	32	(32)	32
1M EURIBOR	(1)	1	(1)	1
12M EURIBOR	(1)	1	(1)	1

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

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 2016 is negative, amounting to BGN 1 353 477 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 37.42%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	256 356	-	-	-	-	256 356
Receivables under repurchase agreements	73 275	41 626	84 357	-	-	199 258
Financial assets held-for-trade	1 719	-	1 954	12 266	-	15 939
Loans and advances to customers, net	111 294	132 755	313 798	1 124 173	650 949	2 332 969
Financial assets held-for-trade	762	5 815	84 381	76 399	413 806	581 163
Financial assets held-to-maturity	14 553	5 699	9 936	-	-	30 188
INTEREST-BEARING ASSETS	457 960	185 895	494 426	1 212 838	1 064 755	3 415 874
INTEREST-BEARING LIABILITIES						
Deposits from banks	8 375	-	-	-	-	8 375
Bank loans	8	-	20	218	-	246
Liabilities to other depositors	2 054 276	410 658	1 147 977	1 075 417	1 459	4 689 787
Other attracted funds	4	21	14	778	-	817
Shares Issues	-	-	-	-	70 126	70 126
INTEREST–BEARING LIABILITIES	2 062 663	410 679	1 148 011	1 076 413	71 585	4 769 351
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(1 604 703)	(224 784)	(653 585)	136 425	993 170	(1 353 477)

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 2016, over the net interest income, assuming an increase of 2% of the interest rates for one year is a reduction of the net interest income amounting to BGN 2 099 thousand (2015: BGN 1 966 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2015 is negative, amounting to BGN 900 854 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 20.52%.

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

50.4. Credit risk sensitivity

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:

	2016 BGN'000	2015 BGN'000
Financial assets – carrying amounts:		
Non-current financial assets	2 452 621	2 592 660
Related parties receivables – non current	8 747	11 774
Current financial assets	2 423 363	2 347 993
Related parties receivables - current	65 143	214 749
Cash and cash equivalents	1 767 126	1 229 113
Trade and other receivables	203 816	139 887
Carrying amount	**6 920 816**	**6 536 176**

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

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

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

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

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

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

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

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

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

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

The cash and bank accounts in the Central bank, amounting to BGN 1 355 760 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 260 590 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 2016 the lump sum of this risk amounts to BGN 51 894 thousand. As at 31 December 2016 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 4 234 thousand.

The receivables under repurchase agreements, amounting to BGN 199 258 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 70 624 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 128 634 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 115 573 thousand carry mainly market risk to the Group, which is analysed in the notes, related to the market risk.

The equity instruments held-for-sale, amounting to BGN 84 551 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%. As at 31 December 2016 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 1 thousand.

The debentures held-for-sale and issued by the Republic of Bulgaria in the amount of BGN 427 890 thousand do not bear credit risk for the Group due to their guarantee by the Republic of Bulgaria. The debentures held-for-sale and issued by other European countries in the amount of BGN 109 922 thousand expose the Group to credit risk to the issuer.

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 42 589 thousand, bear credit risk, whose maximum exposure is 100% or BGN 42 589 thousand.

The debentures held to maturity and issued by the National Bank of the Republic of Macedonia in the amount of BGN 14 553 thousand and by the Republic of Macedonia in the amount of BGN 15 635 thousand expose the Group to credit risk to the issuer.

Loans and advances to customers with carrying value amounting to BGN 2 425 400 thousand bear credit risk for the Group. For determining the amount of exposure of the Group to this risk, an analysis of individual risk for the Group is performed, resulting from any particular exposure, the Group applies the criteria for evaluation and classification of risk exposures compliance with the banking legislation of the Republic of Bulgaria, Macedonia, the Russian Federation and IFRS. According to these criteria, and the analysis performed the maximum exposure of the Group to credit risk amounts to BGN 1 881 690 thousand. In order to minimize the credit risk detailed lending process procedures on the analysis of the economic viability of each project, the types of collateral acceptable to the Group controls on the use of funds allocated and administration associated with that activity are applied.

The Group maintains relation to total capital adequacy above the regulatory requirements, mainly as a measure against the risk of concentrations. Adoption and control limits for credit risk limit concentrations of risk exposures by geographic areas, industries, business segments and groups of loans, presenting joint risk.

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

As of 31 December 2016 the amount of the Group's formed provisions to cover impairment losses on loans and advances amounts to BGN 92 431 thousand.

Quality of the credit portfolio

Classes of financial assets as at 31 December 2016:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Amount BGN '000**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Serviced	2 202 896	90.83%	13 849	97 289	64 773	99.91%	47
Not serviced	222 504	9.17%	78 582	403	61	0.09%	-
Total	2 425 400	100%	92 431	97 692	64 834	100	47

Classes of financial assets as at 31 December 2015:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Amount BGN '000**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Serviced	2 031 091	88.59	7 456	89 760	85 443	99.93	31
Not serviced	261 448	11.41	51 259	11 646	61	0.07	-
Total	2 292 539	100	58 715	101 406	85 504	100	31

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

Name of the group	31 December 2016			31 December 2015		
	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	1 942 272	80.08	199 258	943 937	41.17	152 448
Outstanding but not impaired	133 981	5.52	-	987 073	43.06	-
Impaired on individual base	349 147	14.40	-	361 529	15.77	-
Total	2 425 400		199 258	2 292 539		152 448
Set-aside provisions	(92 431)		-	(58 715)		-
Net loans	2 332 969		199 258	2 233 824		152 448

As at 31 December 2016 and 2015 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

	2016 BGN '000	2015 BGN'000
Credit cards and overdrafts	19 959	21 311
Consumer loans	272 720	190 106
Mortgage loans	146 402	82 952
Corporate clients	1 503 192	649 568
Total	**1 942 273**	**943 937**

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.

	2016 BGN '000	2015 BGN'000
Credit cards and overdrafts	11 839	12 042
Consumer loans	31 583	32 810
Mortgage loans	15 143	18 976
Corporate clients	75 416	923 245
Total	**133 981**	**987 073**

The gross carrying amount of loans for which provision is made on an individual basis as at 31 December 2016 and 2015 is BGN 349 147 thousand and BGN 361 529 thousand. These amounts do not include the cash flow from the collateral utilization of these loans.

31 December 2016	Book value before impairment BGN '000	Impairment BGN '000	Book value after impairment BGN '000
Consumer loans	43 286	10 109	33 177
Mortgage loans	39 379	105	39 274
Corporate clients	266 482	58 859	135 094
Total	349 147	69 073	207 545

31 December 2015	Book value before impairment BGN '000	Impairment BGN '000	Book value after impairment BGN '000
Consumer loans	41 395	5 570	35 825
Mortgage loans	30 756	76	30 680
Corporate clients	289 378	33 799	199 407
Total	361 529	39 445	265 912

The amount of net exposure for 2016 and 2015 for the five largest loans and advances to clients is BGN 318 549 thousand and BGN 339 487 thousand respectively, which represents 13.65% and 15.20% of the credits and advances to clients of the Group.

Business segment, classification group and delays of payments as at 31 December 2016:

Segment	Group	Amount		Delay of payment				
		Number of transactions	Debt	Principal	Interest	Court receivables	Provisions	Unutilized engagement
Trade	Serviced	97 321	594 977	1 064	321	-	2 428	50 946
	Not serviced	5 408	41 493	2 761	2 089	16 124	17 661	296
Total		99 729	636 470	3 825	2 410	16 124	20 089	51 242
Corporate	Serviced	1 387	1 594 993	6 044	3 044	-	11 421	45 764
	Not serviced	227	181 011	44 068	10 405	55 782	60 921	107
Total		1 614	1 776 004	50 112	13 449	55 782	72 342	45 871
Budget	Serviced	7	12 926	-	-	-	-	557
	Not serviced	-	-	-	-	-	-	-
Total		7	12 926	-	-	-	-	557
	Total portfolio	101 350	2 425 400	53 937	15 859	71 906	92 431	97 670

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

Segment	Group	Amount: Number of transactions	Amount: Debt	Delay of payment: Principal	Delay of payment: Interest	Court receivables	Provisions	Unutilized engagement
Trade	Serviced	87 999	436 966	841	361	-	2 771	46 586
	Not serviced	6 153	41 749	2 786	1 716	15 851	14 569	277
Total		94 152	478 715	3 627	2 076	15 851	17 340	46 863
Corporate	Serviced	1 214	1 579 868	41 462	14 804	-	4 685	43 077
	Not serviced	232	219 699	27 502	6 220	41 501	36 690	11 369
Total		1 446	1 799 567	68 964	21 024	41 501	41 375	54 446
Budget	Serviced	9	14 257	-	-	-	-	78
	Not serviced	-	-	-	-	-	-	-
Total		9	14 257	-	-	-	-	78
	Total portfolio	95 607	2 292 539	72 591	23 100	57 352	58 715	101 387

Credit exposures with restraining measures

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

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

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

Information on exposures with restraint measures is as follows:

2016	**Corporate clients BGN '000**	**Individuals BGN '000**
Book value before impairment	150 991	1 423
Impairment	(26 353)	(659)
Net value	**124 638**	**764**

2015	**Corporate clients BGN '000**	**Individuals BGN '000**
Book value before impairment	121 365	1 952
Impairment	(17 974)	(816)
Net value	**103 391**	**1 136**

Collateral on loans granted

Mortgage loans to natural persons
The table below presents the book value of mortgage loans granted to natural persons as per the coefficient of security (loan-to-value ratio). The ratio is calculated as the ratio of the gross value of the credit exposure to the value of the collateral. The value of the collateral on mortgage loans is determined when the loan is granted and is updated upon significant changes in the prices of the housing market.

Coefficient of security (loan-to-value)	2016 BGN '000	2015 BGN '000
Less than 50%	49 867	38 586
50% to 75%	84 918	56 195
75% to 90%	52 471	27 125
90% to 100%	7 102	4 677
Over 100%	2 284	3 040
Total	**196 642**	**129 623**

Loans granted to legal entities
With regard to loans to legal entities, the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. Therefore, the Group has adopted an approach for individual credit assessment and impairment testing of corporate loans. To ensure additional security, in addition to the regular monitoring of the financial position of the legal entities - borrowers, the Group requires collaterals on the credit exposures to be provided. The Group accepts collateral for loans to legal persons in the form of mortgages on real estate, pledge of a commercial enterprise, a special pledge of tangible assets, and other guarantees and rights of ownership.

The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment, the regulatory framework or other circumstances. In the event that there is a decrease in the value of the collateral, the Group may consider that it is not sufficient, and may require additional collateral by setting a certain period within which the addition will be provided.

50.5. Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period.

The Group 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 2016 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Dividend payables	6 506	-	-
Bank and other loans	101 402	121 385	-
Related parties payables	17 692	4 493	-
Financial lease payables	1 506	3 846	-
Liabilities to other depositors	3 633 088	991 752	6 678
Deposits from banks	8 359	-	-
Obligations under repo agreements	17 409	-	-
Liabilities under cession agreements	18 591	4 206	-
Trade and other payables	166 137	1 856	-
Derivatives	209	-	-
Total	**3 970 899**	**1 127 538**	**6 678**

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

	Current	Non-current	
	Within 12 months	**From 2 to 5 years**	**Over 5 years**
	BGN'000	**BGN'000**	**BGN'000**
Dividend payables	14 257	6 912	-
Bank and other loans	104 644	121 385	149 088
Related parties payables	16 217	3 607	-
Financial lease payables	2 015	5 354	-
Liabilities to other depositors	3 462 081	834 797	1 090
Deposits from banks	6 433	-	-
Obligations under repo agreements	9 014	-	-
Liabilities under cession agreements	11 395	8 412	-
Trade and other payables	168 018	48 277	-
Derivatives	578	-	-
Total	**3 794 652**	**1 028 744**	**150 178**

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 11 047 thousand (2015: BGN 3 473 thousand).

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

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 2016 they cover about 26% of the total assets of the Group. 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 up to 7 days. As of 31 December 2016 they cover approximately 5% of the total assets. Bonds issued by the Republic of Bulgaria, the Russian Soviet Federative Socialist Republic and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about 8% of the Group's assets. Maintaining approximately 40% 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 2016, 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	8 375	-	-	-	-	8 375
Credits from banks	8	-	20	218	-	246
Liabilities to other depositors	2 054 276	410 658	1 147 977	1 075 417	1 459	4 689 787
Other borrowed funds	4	21	14	778	-	817
Issued bonds	-	-	-	-	70 126	70 126
Provisions for liabilities	-	-	1 205	-	-	1 205
Other liabilities	12 375	-	-	-	-	12 375
TOTAL FINANCIAL LIABILITIES	2 075 038	410 679	1 149 216	1 076 413	71 585	4 782 931

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

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

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL LIABILITIES						
Deposits from banks	5 502	268	-	-	-	5 770
Credits from banks	10	2	20	244	-	276
Obligations under repo agreements	9 000	-	-	-	-	9 000
Liabilities to other depositors	2 040 915	389 670	1 109 744	832 470	10 110	4 382 909
Other borrowed funds	4	8	53	816	-	881
Issued bonds	-	-	-	70 055	-	70 055
Other liabilities	9 964	-	-	-	-	9 964
TOTAL FINANCIAL LIABILITIES	2 065 395	389 948	1 109 817	903 585	10 110	4 478 855

In the tables above, part of the attract funding on current accounts with no residual maturity amounting to BGN 1 029 962 thousand as of 31 December 2016 and BGN 805 399 thousand as at 31 December 2015 is presented in the range of 1 year to 5 years, as the Group considers this reserve to be a reliable long-term resource based on the average daily balance on those accounts for 2016 and 2015.

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.

51. Fair value measurement

51.1. Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups is based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data.

A financial asset is classified at the lowest level of significant inputs used in measuring fair value.

31 December 2016	**Note**	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Assets					
Financial assets held for trading	a)	1 135 835	206 180	3 730	1 345 745
Financial assets available for sale	b)	601 171	-	72 912	674 083
Total assets		**1 737 006**	**206 180**	**76 642**	**2 019 828**
Liabilities					
Derivatives	c)	-	209	-	209
Total liabilities		**-**	**209**	**-**	**209**

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement of fair value

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

a) Listed equity instruments

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

b) Non-listed equity instruments

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

c) Derivatives

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

d) Loans in BGN

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

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

51.2. Fair value measurement of nonfinancial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2016:

31 December 2016	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
Land, building, machines and equipment	-	-	337 574	337 574

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

Land, buildings, machines and equipment (Level 3)

The land, buildings, machines and equipment are revaluated on 31 December 2016.

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

	Investment properties Land, buildings, machines and equipment BGN '000
Balance at 1 January 2016	302 421
Gains or losses recognised in profit or loss	
- change in fair value of investment property	3 594
Acquisitions and reclassifications	45 862
Disposals and reclassifications	(14 303)
Balance at 31 December 2016	**337 574**
Total amount included within Revenue from operating activity as a result of unrealized gains or losses from assets held at the end of the reporting period	3 594

52. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between capital to net debt.

The Group determines the capital based on the carrying amount of the equity presented in the statement of financial position.

Net debt is calculated as total liabilities less the carrying amount of the cash and cash equivalents.

Group's goal is to maintain a capital-to-net-debt ratio in a reasonable range, which would ensure relevant and conservative ratio of financing.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital for the presented reporting periods is summarized as follows:

	2016 BGN '000	2015 BGN '000
Shareholders' equity	1 603 160	1 517 135
Equity	**1 603 160**	**1 517 135**
Debt	6 305 312	6 027 766
- Cash and cash equivalents	(1 767 126)	(1 229 113)
Net debt	**4 538 186**	**4 798 653**
Capital to net debt	**1:2.83**	**1:3.16**

The change in ratio during 2016 is primarily a result of the decrease in the Group's net debt due to its bank and other activities. The Group has honoured its covenant obligations, including maintaining capital ratios.

53. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date of the consolidated financial statements and the date of approval for publication.

54. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2016 (including comparatives) were approved by the Managing board on 28 April 2017.