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

CHIMIMPORT AD

31 December 2014

Contents

Consolidated statement of financial position as at 31 December

	Note	2014 BGN '000	2013 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	412 179	430 341
Investment property	10	310 684	229 768
Investments accounted for using the equity method	6	139 526	131 321
Goodwill	11	38 296	37 766
Other intangible assets	12	77 139	64 681
Long-term financial assets	13	1 848 462	1 676 397
Long-term related party receivables	45	22 141	8 815
Deferred tax assets	14	5 922	5 583
Non-current assets		**2 854 349**	**2 584 672**
Current assets			
Inventories	15	40 820	37 155
Short-term financial assets	16	2 373 586	2 000 287
Related party receivables	45	272 572	277 805
Trade receivables	17	106 424	181 048
Tax receivables	18	1 878	4 346
Other receivables	19	118 493	112 111
Reinsurance assets	23.1	15 974	20 330
Cash and cash equivalents	20	1 480 670	1 317 412
Current assets		**4 410 417**	**3 950 494**
Non-current assets, classified as held for sale	21	4 518	45 184
Total assets		**7 269 284**	**6 580 350**

Prepared by: ______________________
/A. Kerezov/

Executive Director: ______________________
/I. Kamenov/

Date: 29 April 2015
Audited according to the auditor's report dated 30 April 2015

Mariy Apostolov
Registered auditor, responsible for the audit, managing partner

Grant Thornton Ltd.
Auditing Company

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

The accompanying notes on pages 7 to 125 form an integral part of the financial statements.

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

Equity, reserves and liabilities	Note	2014 BGN '000	2013 BGN '000
Equity			
Share capital	22.1	227 384	228 183
Share premium	22.2	219 182	219 929
Other reserves	22.3	88 512	91 001
Retained earnings		724 312	672 779
Profit for the year		64 476	73 392
Equity attributed to the shareholders of parent company		1 323 866	1 285 284
Non-controlling interests		237 216	235 990
Total equity		**1 561 082**	**1 521 274**
Specialized reserves	23	**265 565**	**208 829**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	24	1 050 524	1 018 502
Payables to insured individuals	25	812 260	659 806
Long-term trade payables	26.1	2 236	16 043
Long-term related party payables	45	2 650	4 123
Finance lease liabilities	9.1	6 138	10 394
Pension and other employee obligations	27.2	2 480	2 254
Other long-term liabilities	29	4 027	1 288
Other provisions		546	466
Deferred tax liabilities	14	33 128	30 047
Non-current liabilities		**1 913 989**	**1 742 923**
Current liabilities			
Short-term financial liabilities	24	3 255 294	2 836 163
Trade payables	26.2	142 222	119 612
Short-term related party payables	45	14 914	33 634
Finance lease liabilities	9.1	4 638	5 068
Pension and other employee obligations	27.2	11 782	12 828
Tax liabilities	28	8 915	9 518
Other liabilities	29	90 883	90 501
Current liabilities		**3 528 648**	**3 107 324**
Total liabilities		**5 442 637**	**4 850 247**
Total equity, reserves and liabilities		**7 269 284**	**6 580 350**

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The accompanying notes on pages 7 to 125 form an integral part of the financial statements.

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

	Note	2014 BGN '000	2013 BGN '000
Income from non-financial activities	30	504 665	519 811
Expenses for non-financial activities	31	(473 862)	(455 498)
Change in fair value of investment property	10	17 362	259
Gain on sale of non-current assets	32	17 975	7 155
Net result from non-financial activities		**66 140**	**71 727**
Insurance income	33	498 725	387 451
Insurance expense	34	(486 033)	(365 980)
Net insurance result		**12 692**	**21 471**
Interest income	35	229 093	235 102
Interest expense	36	(133 090)	(142 115)
Net interest income		**96 003**	**92 987**
Gains from transactions with financial instruments	37	493 543	419 342
Losses from transactions with financial instruments	38	(420 181)	(346 739)
Net result from transactions with financial instruments		**73 362**	**72 603**
Administrative expenses	39	(205 626)	(212 367)
Gains from acquisitions	40	-	724
Gains from investments under equity method	6	15 416	13 845
Other financial income	41	82 250	65 674
Allocation of income to secured persons		(55 151)	(32 530)
Profit before tax		**85 086**	**94 134**
Tax expense	42	(6 605)	(7 777)
Net profit for the period		**78 481**	**86 357**
Other comprehensive income			
Components not reclassified in the profit or loss			
Remeasurements of defined benefit liability	27.2	(281)	(24)
Income tax relating to those components	14	27	3
Components reclassified in the profit or loss			
Revaluation of financial assets		(4 783)	414
Income tax, regarding those components	14	343	(41)
Total comprehensive income		**73 787**	**86 709**
Profit for the year attributable to:			
the shareholders of Chimimport AD		64 476	73 392
non-controlling interests		14 005	12 965
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		59 982	73 806
non-controlling interests		13 805	12 903
Basic earnings per share in BGN	43	**0.45**	**0.51**
Diluted earnings per share in BGN	43	**0.30**	**0.35**

Prepared by: ______________________
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Auditing Company

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

The accompanying notes on pages 7 to 125 form an integral part of the financial statements.

CHIMIMPORT PUBLIC HOLDING COMPANY

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

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2014	**228 183**	**219 929**	**91 001**	**746 171**	**1 285 284**	**235 990**	**1 521 274**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(799)	(747)	-	-	(1 546)	-	**(1 546)**
Business combinations	-	-	(10 899)	(8 955)	(19 854)	(7 857)	**(27 711)**
Dividends	-	-	-	-	-	(4 722)	**(4 722)**
Transactions with owners	**(799)**	**(747)**	**(10 899)**	**(8 955)**	**(21 400)**	**(12 579)**	**(33 979)**
Profit for the year	-	-	-	64 387	64 387	14 005	**78 392**
Other comprehensive loss	-	-	(4 494)	-	(4 494)	(200)	**(4 694)**
Total comprehensive income for the year	**-**	**-**	**(4 494)**	**64 387**	**59 982**	**13 805**	**73 787**
Transfer of retained earnings to other reserves	-	-	12 904	(12 904)	-	-	-
Other changes							
Balance at 31 December 2014	**227 384**	**219 182**	**88 512**	**788 788**	**1 323 866**	**237 216**	**1 561 082**

Prepared by: ______________
/A. Kerezov/

Executive Director: ______________
/I. Kamenov/

Date: 29 April 2015
Audited according to the auditor's report dated 30 April 2015
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Registered auditor, responsible for the audit, managing partner

Grant Thornton Ltd.
Auditing Company

The accompanying notes on pages 7 to 125 form an integral part of the financial statements.

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						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total Equity
Balance at 1 January 2013	**229 388**	**220 012**	**79 543**	**704 168**	**1 233 743**	**224 012**	**1 457 755**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(1 205)	(83)	-	-	(1 288)	-	**(1 288)**
Business combinations	-	-	(8 539)	(10 979)	(19 518)	(987)	**(20 505)**
Transactions with owners	**(1 205)**	**(83)**	**(8 539)**	**(10 979)**	**(20 806)**	**(987)**	**(21 793)**
Profit for the year	-	-	-	73 392	**73 392**	12 965	**86 357**
Other comprehensive income	-	-	352	-	352	-	**352**
Total comprehensive income for the year	**-**	**-**	**352**	**73 392**	**73 744**	**12 965**	**86 709**
Transfer of retained earnings to other reserves	-	-	19 013	(19 013)	-	-	-
Share on changes in the investments accounted on the equity method	-	-	-	(1 389)	(1 389)	-	**(1 389)**
Other changes				(8)	(8)	-	**(8)**
Balance at 31 December 2013	**228 183**	**219 929**	**91 001**	**746 171**	**1 285 284**	**235 990**	**1 521 274**

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Auditing Company

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of cash flows for the year ended 31 December

	Note	2014 BGN'000	2013 BGN'000
Proceeds from short-term loans		91 214	243 888
Payments for short-term loans		(119 790)	(218 844)
Proceeds from sale of short-term financial assets		372 790	328 237
Purchase of short-term financial assets		(514 090)	(329 360)
Cash receipt from customers		532 341	533 872
Cash paid to suppliers		(455 044)	(488 224)
Proceeds from secured persons		128 685	117 640
Payments to secured persons		(19 144)	(20 162)
Payments to employees and social security institutions		(112 553)	(102 924)
Cash receipts from banking operations		48 339 435	50 156 916
Cash paid for banking operations		(48 175 678)	(50 031 803)
Cash receipts from insurance operations		253 028	168 461
Cash paid for insurance operations		(152 588)	(122 210)
Income taxes paid		(6 321)	(7 848)
Other cash outflows		(54 063)	(32 328)
Net cash flow from operating activities		**108 222**	**195 311**
Investing activities			
Acquisition of subsidiaries, net of cash		10 257	1 881
Dividends from financial assets received		4 125	4 163
Sale of property, plant and equipment		319	33 372
Purchase of property, plant and equipment		(19 717)	(51 514)
Sale of intangible assets		1 117	-
Purchase of intangible assets		(1 056)	(2 247)
Sale of investment property		2 156	131
Purchase of investment property		(18 437)	(1 395)
Sale of non-current financial assets		253 144	479 610
Purchase of non-current financial assets		(293 673)	(601 496)
Interest payments received		65 025	54 130
Proceeds from loans granted		25 797	33 986
Payments for loans granted		(25 335)	(76 203)
Other cash (outflows) / receipts		(11 431)	8 212
Net cash flow from investing activities		**(7 709)**	**(117 370)**
Financing activities			
Dividends paid on preference shares		(5 096)	(4 122)
Purchase of treasury shares		(1 358)	(1 213)
Proceeds from loans received		135 947	192 465
Payments for loans received		(51 534)	(116 651)
Interest paid		(21 695)	(15 560)
Payments for finance leases		(4 970)	(5 420)
Other cash outflows		8 053	(14 785)
Net cash flow from financing activities		**59 347**	**34 714**
Net change in cash and cash equivalents		**159 860**	**112 655**
Cash and cash equivalents, beginning of period		**1 317 412**	**1 212 020**
Exchange gains / (losses) on cash and cash equivalents		**3 398**	**(7 263)**
Cash and cash equivalents, end of period	20	**1 480 670**	**1 317 412**

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

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

Date: 29 April 2015

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Mariy Apostolov **Grant Thornton Ltd.**

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

The accompanying notes on pages 7 to 125 form an integral part of the financial statements.

Notes to the consolidated financial statements

1. Nature of operations

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

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

The Group is engaged in the following business activities:

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

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

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

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

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

As at 31 December 2014 the Group has 6 288 employees (2013: 6 432 employees).

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

2. Basis for the preparation of the consolidated financial statements

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

The financial statements are the consolidated statements of the Company. The parent company has released its separate financial statements on 31 March 2015

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

All amounts are presented in thousand Bulgarian leva (BGN'000) (including the comparative information for 2013) unless otherwise stated.

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

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

3. Changes in accounting policies

3.1. Overall considerations and new standards, revisions and amendments that are effective for the year beginning 1 January 2014

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 2014:

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

IFRS 10 "Consolidated Financial Statements" introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. IFRS 10 did not change the classification of any of the existing investees at 31 December 2014 or previous periods.

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

IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures". It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for joint ventures that was previously included in IAS 31 has been eliminated. There was no material impact on the Group's net assets or profits in the consolidated financial statements.

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

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

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

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

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

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

IFRS 10, IFRS 12, IAS 27 (amendments) – Investment Entities, effective from 1 January 2014, adopted by the EU in November 2013

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

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

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

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

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

IAS 36 "Impairment of assets" (amended) effective from 1 January 2014, adopted by the EU in December 2013

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

IAS 39 "Financial Instruments: Recognition and Measurement" (amended) effective from 1 January 2014, adopted by the EU in December 2013

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

IFRIC 21 "Levies" effective from 1 January 2014, adopted by the EU in June 2014

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

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

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

IFRS 9 "Financial Instruments" effective from 1 January 2018, not yet adopted by the EU
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements.

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

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

IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, not yet adopted by the EU
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2017, not yet adopted by the EU
IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations and establishes a new control-based revenue recognition model. It changes the basis for deciding whether revenue is recognised at a point in time or over time and expands and improves disclosures about revenue. IFRS 15 is based on a core principle that requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers and at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Early adoption is permitted. Entities are required to apply the new revenue Standard either retrospectively to each prior period presented, subject to some practical expedients or retrospectively, with the cumulative effect of initial application recognized in the current period.

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

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

IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (amended) - Bearer Plants, effective from 1 January 2016, not yet adopted by the EU
These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IAS 19 "Employee Benefits" (amended) – Employee Contributions, effective from 1 July 2014, not yet adopted by the EU
The amendments to IAS 19 clarify the requirements of IAS 19 relating to contributions from employees or third parties and introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction in the service cost in the period in which the related service is rendered.

IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, not yet adopted by the EU
These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements to IFRSs 2012 effective from 1 July 2014, not yet adopted by the EU
These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:
• IFRS 2, 'Share-based payment'
• IFRS 3, 'Business Combinations'
• IFRS 8, 'Operating segments'
• IFRS 13, 'Fair value measurement'
• IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
• Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
• IAS 39, Financial instruments – Recognition and measurement'.

Annual Improvements to IFRSs 2013 effective from 1 July 2014, not yet adopted by the EU
The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
• IFRS 1, 'First time adoption'
• IFRS 3, 'Business combinations'
• IFRS 13, 'Fair value measurement' and
• IAS 40, 'Investment property'.

Annual Improvements to IFRSs 2014 effective from 1 January 2016, not yet adopted by the EU
These set of amendments impacts 4 standards:
• IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
• IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
• IAS 19, 'Employee benefits' regarding discount rates.
• IAS 34, 'Interim financial reporting' regarding disclosure of information.

4. Summary of accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of consolidated financial statements

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

In 2014 one comparative period is presented, as no adjustments to the presentation of the elements of the consolidated financial statements and the corresponding reference data. In case there are adjustments to the classification of the elements of the consolidated financial statements, relevant comparative figures have also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The parent company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

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

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

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

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

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

4.4. Business combinations

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

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

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

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

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

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

4.5. Transactions with non-controlling interests

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

4.6. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

4.7. Foreign currency transactions

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

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

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

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

4.8. Segment reporting

The Group operates in the following operating segments:

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

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

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

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

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

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

4.9. Revenue

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

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

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

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

4.9.1. Sale of goods

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

4.9.2. Rendering of services

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

4.9.3. Bank activity

4.9.3.1. Interest revenue and expenses

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

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

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

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

4.9.3.2. Fees and commissions

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

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

4.9.4. Revenue from insurance activities

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

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

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

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

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

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

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

4.9.5. Revenue from aviation activity

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

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

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

4.9.6. Revenue from pension insurance activity

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

4.9.7. Revenue from government grants

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

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

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

4.9.8. Interest and dividend income

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

4.10. Operating expenses

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

4.11. Interest expenses and borrowing costs

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

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

4.12. Goodwill

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

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

4.13. Intangible assets

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

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

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

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

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

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

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

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

4.14. Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.15. Leases

Lessee

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

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

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

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

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

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

Lessor

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

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

4.16. Impairment testing of assets

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

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

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

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

4.17. Investment property

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

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

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

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

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

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

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

4.18. Assets of exploration and evaluation of mineral resources

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

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

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

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

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

- Permission for search and exploration, issued by MEW and MEE, in compliance with the Mineral Resources Act and the related taxes;

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

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

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

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

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

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

4.19. Financial instruments

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

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

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

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

All financial assets are recognized on their transaction date.

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

4.19.1. Financial assets

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

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

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Impairment for uncollectibility regarding the banking activity of the Group.

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

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

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

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

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

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

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

4.19.2. Financial liabilities

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

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

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

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

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

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

4.20. Derivative financial instruments

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

4.21. Receivables and liabilities under repurchase agreements

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

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

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

4.22. Provisions for credit-related contingent liabilities

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

4.23. Inventories

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

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

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

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

4.24. Income taxes

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

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

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

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

Deferred tax liabilities are always provided for in full.

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

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

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

4.25. Cash and cash equivalents

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

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

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

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

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

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

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

4.27. Equity, reserves and dividend payments

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

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

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

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

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

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

4.28. Social security and pension contracts

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

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

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

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

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

- Collective pension plan – on the basis of single or periodical installments at the expense of an employer or other insurer;

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

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

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

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

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

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

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

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

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

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

The insurance contract is terminated in the following cases:
- When the insured person deceases;

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

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

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

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

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

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

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

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

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

4.29. Specialized reserves for pension insurance activity

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

4.30. Health insurance reserves

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

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

4.31. Post employment benefits and short-term employee benefits

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

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

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

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

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

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

4.32. Insurance transactions

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

4.33. Insurance contracts

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

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

4.34. Reinsurance contracts

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

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

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

4.35. Insurance reserves

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

4.36. Adequacy test of insurance reserves

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

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

4.37. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

4.38. Significant management judgment in applying accounting policies

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

4.38.1. Leases

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

4.38.2. Deferred tax assets

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

4.38.3. Held-to-maturity investments

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

4.38.4. Lack of control of subsidiaries

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

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

The parent company owns 90% of the equity in the subsidiary Niko Komers OOD indirectly through subsidiaries. Equity participation does not lead to the acquisition of control according to management contracts for transfer of voting rights from 2010. Therefore, the investment in Niko Komers OOD is reclassified as financial asset according to IAS 39.

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

4.38.5. Revenue from sale of air tickets with expired validity

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

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

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

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

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

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

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

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

4.39. Estimation uncertainty

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

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

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

4.39.1. Impairment

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

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

The Group has incurred an impairment loss of BGN 942 thousand on goodwill in 2014 (2013: BGN 1 123 thousand) in order to reduce the carrying amount of goodwill to its recoverable amount (see note 11).

4.39.2. Useful lives of depreciable assets

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

At 31 December 2014 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 8 and 12. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.39.3. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets BGN 40 820 thousand (2013: BGN 37 155) is affected by the future service providing and market realization of inventories.

4.39.4. Defined benefit liability

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

4.39.5. Provisions

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

4.39.6. Business combinations

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

5. Basis of consolidation

5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2014	31.12.2014	31.12.2013	31.12.2013
			Percentage of consolidation	Nominal percentage	Percentage of consolidation	Nominal percentage
Central Cooperative Bank AD	Bulgaria	Finance	82.42%	82.43%	82.31%	82.32%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	71.99%	87.35%	71.90%	87.35%
ZAO Investment Corporate Bank	Russia	Finance	71.10%	86.27%	49.38%	59.75%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	82.42%	100.00%	82.31%	100.00%
ZAD Armeec	Bulgaria	Finance	96.34%	96.34%	96.34%	96.34%
IC OAO Itil 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%
Chimimport Holland B.V.	Netherlands	Finance	100.00%	100.00%	100.00%	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	69.79%	69.79%	69.27%	69.27%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	50.87%	66.36%	42.98%	55.64%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	50.87%	100.00%	42.98%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	69.79%	100.00%	69.27%	100.00%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	53.49%	76.65%	69.20%	77.20%
PDNG Service EOOD	Bulgaria	Production, Trade and Services	50.87%	100.00%	42.98%	100.00%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	35.61%	70.00%	30.09%	70.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	46.06%	66.00%	45.72%	66.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	41.87%	60.00%	41.56%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	41.87%	60.00%	41.56%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	41.96%	60.13%	41.65%	60.13%
Texim Trading OOD	Bulgaria	Production, Trade and Services	35.59%	51.00%	35.33%	51.00%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	50.87%	100.00%	50.87%	100.00%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	69.79%	100.00%	69.27%	100.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	34.89%	50.00%	34.64%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	47.46%	68.00%	47.10%	68.00%
Natsionalna Stokova Borsa	Bulgaria	Production, Trade and Services	75.00%	75.00%	75.00%	75.00%

Name of the subsidiary	Country of incorporation	Main activities	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Asela AD	Bulgaria	Production, Trade and Services	35.56%	51.39%	35.56%	51.39%
AK Plastic OOD	Bulgaria	Production, Trade and Services	68.51%	99.00%	68.51%	99.00%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%	70.00%	70.00%
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	67.00%	96.00%	61.80%	96.00%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	-	-	90.00%	90.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	69.79%	100.00%	66.74%	100.00%
Bulchimex GmbH	Germany	Real estate	100.00%	100.00%	100.00%	100.00%
Techno Capital AD	Bulgaria	Production, Trade and Services	55.83%	90.00%	-	-
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	79.54%	81.05%	82.21%	83.72%
Port Balchik AD	Bulgaria	Sea and River Transport	77.90%	100.00%	74.27%	100.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	100.00%	99.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	77.49%	94.25%	77.49%	94.25%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	43.75%	55.00%	45.22%	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	79.54%	100.00%	82.21%	100.00%
Blue See Horizion corp.	Seychelles	Sea and River Transport	79.54%	100.00%	82.21%	100.00%
Interlihter EOOD	Slovakia	Sea and River Transport	79.54%	100.00%	82.21%	100.00%
Bulgarian Airways Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%	99.99%
Airport Services Bulgaria EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%	99.99%	100.00%
Airport Consult EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%	100.00%
Trans intercar EOOD	Bulgaria	Vehicle Transport	100.00%	100.00%	100.00%	100.00%
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	-	-	83.20%	100.00%
Energoproekt Utilities OOD	Bulgaria	Construction and engineering	42.43%	51.00%	42.43%	51.00%
Golf Shabla AD	Bulgaria	Real Estate	33.06%	65.00%	27.94%	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%
Technoimpex AD	Bulgaria	Real Estate	88.90%	88.90%	-	-

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

Name segment	**Accumulated non-controlling interest**	
	2014	**2013**
	BGN'000	**BGN'000**
Finance sector	67 635	69 324
Production, trade and services	131 161	130 781
Transport	17 247	14 713
Real Estate	20 407	20 561
Construction and engineering	766	611
	237 216	**235 990**

In 2014, dividends paid to non-controlling interest amount to BGN 4 722 thousand.

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

5.2. Acquisition of OAO SK Itil Armeec

On 31.03.2014, the Group gained control over the company OAO SK Itil Armeec based in the town. of Kazan, Russian Federation through the purchase of 100% (restated 96.34%) of its equity and rights aloud in the company.

The total acquisition price amounted to BGN 12 126 thousand and includes the following components:

	BGN'000
Purchase price paid by offsetting a cession agreement	12 126
Total remuneration	**12 126**

The allocation of purchase price to the acquired assets and liabilities of the company OAO SK Itil Armeec was committed in 2014. The value of each group of assets acquired and liabilities recognized at the acquisition date is presented as follows:

	Acquired amount as at the date of acquisition
	BGN'000
Property, Plant and Equipment	1 879
Intangible Assets	6 181
Financial assets held for trading	12 729
Inventories	429
Financial assets and other receivables	5 731
Cash and cash equivalents	10 151
Insurance reserves	**(19 669)**
Obligations under insurance and reinsurance contracts and other obligations	(4 844)
Net identifiable assets and liabilities	**12 587**
Non controlling interest	**(461)**
Fair value of identifiable net assets acquired by the Group	**12 126**

As a result of the business combination there is no termination or modification of the company.

	BGN'000
Total remuneration	12 126
Fair value of identifiable net assets acquired by the Group	(12 126)
Net cash inflow from aqcuisition	**-**

	BGN'000
Transferred remuneration paid in cash	-
Amount of acquired cash and cash equivalents	10 151
Net cash inflow from acquisition	**10 151**

5.3. Acquisition of controlling interest in Technoimpeks AD

In 2014, the Group acquired control over the company Technoimpex 98 AD, infused in its subsidiary Technoimpex AD in 2014 with headquarters in the city of Sofia through the purchase of shares by the majority owner, with the result that the Group now owns 88.90% of its equity and rights aloud in company.

The total cost for the Group amounted to BGN 480 thousand, whose allocation to the acquired assets and liabilities of the companies Technoimpex AD committed in 2014. The value of each group of assets acquired and liabilities recognized at the acquisition date is presented as follows:

	Acquired amount as at the date of the acquisition
	BGN'000
Goodwill	1 472
Investment property	174
Other Assets	32
Liabilities	(1 138)
Net amount of the assets	**540**
Non controlling interest	(60)
Fair value of identifiable net assets acquired by the Group	**480**

	BGN'000
Total remuneration	480
Fair value of identifiable net assets acquired by the Group	(480)
Result from acquisition	**-**

5.4. Acquisition of controlling interest in Techno Capital AD

In 2014, the Group acquired control over the company Techno Capital AD seated in the city of. Sofia through the purchase of shares by the majority owner, with the result that the Group now owns 88.90% of its equity and rights aloud in company.

The total cost for the Group amounts to BGN 140 thousand. The value of each group of assets acquired and liabilities recognized at the acquisition date is presented as follows:

	Acquired amount as at the date of the acquisition
	BGN'000
Property, Plant and Equipment	1
Other Assets	618
Cash	22
Liabilities	(391)
Net amount of the assets	250
Non controlling interest	(110)
Fair value of identifiable net assets acquired by the Group	**140**

	BGN'000
Total remuneration	140
Fair value of identifiable net assets acquired by the Group	(140)
Result from acquisition	**-**

	BGN'000
Transferred remuneration paid in cash	(140)
Amount of the acquired cash and cash equivalents	22
Net cash outflow from acquisition	**(118)**

5.5. Acquisition of non controlling interest in ZAO Corporate Invest Bank

In 2014, the Group acquired additional equity in the amount 26.52% in its subsidiary ZAO Corporate Investment Bank for the amount of BGN 1 126 thousand, thus increasing its controlling interest of 71.10% (consolidation).
The carrying value of the net assets of the newly acquired subsidiary ZAO Investment Corporate Bank recognized at the date of acquisition in the consolidated financial statements amounts to

BGN 5 356 thousand. The Group recognized a reduction in non-controlling interest amounting to BGN 5 356 thousand and an increase in retained earnings amounting to BGN 4 230 thousand.

	BGN'000
Total consideration transferred	(1 126)
Additional share acquired in the net assets of ZAO Corporate Invest Bank	5 356
Increase in retained earnings	**4 230**

5.6. Acquisition of non controlling interest in Exploration and production of Oil and Gas AD

In 2014, the Group acquired additional equity in the amount 10.72% in its subsidiary Exploration and Production of Oil and Gas AD for the amount of BGN 13 492 thousand, thus increasing its controlling interest of 50.87% (consolidation).

The carrying value of the net assets of the newly acquired subsidiary Exploration and Production of Oil and Gas AD recognized at the date of acquisition in the consolidated financial statements amounts to BGN 9 627 thousand. The Group recognized a reduction in non-controlling interest amounting to BGN 9 627 thousand and a reduction of retained earnings amounting to BGN 3 865 thousand.

	BGN'000
Total consideration transferred	(13 492)
Additional share acquired in the net assets of Exploration and Production of Oil and Gas AD	9 627
Decrease in retained earnings	**(3 865)**

5.7. Acquisition of non controlling interest in Central Cooperative Bank AD

In 2014, the Group acquired additional equity in the amount 0.11% in its subsidiary Central Cooperative Bank for the amount of BGN 161 thousand thus increasing its controlling interest to 82.42% (consolidation).

The carrying value of the net assets of the newly acquired assets of the subsidiary Central Cooperative Bank AD, recognized at the acquisition date of the financial statement, amounts to BGN 388 thousand. The Group recognizes a reduction in non-controlling interests amounting to BGN 388 thousand and an increase in retained earnings with BGN 227 thousand.

	BGN'000
Total consideration transferred	(161)
Additional share acquired in the net assets of Central Cooperative Bank AD	388
Increase in retained earnings	**227**

5.8. Acquisition of non controlling interest in Zurneni Hrani Bulgaria AD

In 2014, the Group acquired additional equity in the amount 0.52% in its subsidiary Zurneni Hrani Bulgaria AD for the amount of BGN 649 thousand, thus increasing its controlling interest to 69.79% (consolidation).

The carrying value of the net assets of the newly acquired subsidiary Zarneni Hrani Bulgaria AD recognized at the acquisition date of the financial statements, amounts to BGN 1 202 thousand. The Group recognizes a reduction in non-controlling interest amounting to BGN 1 202 thousand and an increase in retained earnings amounting to BGN 553 thousand.

	BGN'000
Total consideration transferred	(649)
Additional share acquired in the net assets of Zurneni Hrani Bulgaria AD	1 202
Increase in retained earnings	**553**

5.9. Sale of part of non controlling interest in Parahodstvo bulgarsko rechno plavane AD

In 2014, the Group sold equity amounting to 2.67% in its subsidiary Parahodstvo bulgarsko rechno plavane AD for the amount of BGN 1 565 thousand. Thereby reducing its controlling interest to 79.54%.

The carrying value of the net assets of the subsidiary Parahodstvo bulgarsko rechno plavane AD recognized at the date of sale in the consolidated financial statements as an increase in non-controlling interest amounts to BGN 1 834 thousand. The Group recognizes a reduction of retained earnings amounting to BGN 269 thousand.

	BGN'000
Total consideration transferred	1 565
Additional share acquired in the net assets of Parahodstvo bulgarsko rechno plavane AD	(1 834)
Decrease in retained earnings	**(269)**

5.10. Sale of parts of controlling interest in Asenova Krepost AD

In 2014, the Group sold equity amounting to 0.55% in its subsidiary Asenova Krepost AD for the amount of BGN 176 thousand. Thereby reducing its controlling interest to 53.49%.

The carrying value 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 non-controlling interests amounts to BGN 130 thousand. The Group recognized an increase in retained earnings in the amount of BGN 46 thousand

	BGN'000
Total consideration transferred	176
Additional share sold in the net assets of Asenova Krepost AD	(130)
Increase in retained earnings	**46**

6. Investments accounted for using equity method

6.1. Investments in associates

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

Name	31.12.2014 BGN'000	Share %	31.12.2013 BGN'000	Share %

Fraport TSAM AD	117 021	40.00%	107 726	40.00%
Lufthansa Technik Sofia OOD	6 038	24.90%	7 971	24.90%
VTC AD	2 541	41.00%	3 886	41.00%
Amadeus Bulgaria OOD	3 140	45.00%	3 762	45.00%
Silver Wings Bulgaria OOD	5 656	42.50%	3 468	42.50%
Swissport Bulgaria AD	2 933	49.00%	1 565	49.00%
Dobrich fair AD	695	39.98%	1 320	37.92%
Kavarna Gas OOD	466	35.00%	583	35.00%
	138 490		**130 281**	

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:

	2014 BGN'000	2013 BGN'000
Assets	550 692	548 948
Liabilities	(350 542)	(368 870)
Revenues	246 082	307 237
Profit for the period	40 398	37 009
Profit attributable to the Group	**15 416**	**13 778**

As at 31 December 2014 the Group holds 39.98% (2013: 37.92%) of the rights aloud and equity of the company Dobrich Fair AD.
On 18 June 2014 the Group acquired 40 shares, representing 2.06% of the capital of Dobrich Fair AD for the sum of BGN 60 thousand.
In 2014 by the General Meeting of Shareholders of Dobrich Fair reduced the share capital by reduction of the nominal value of the issued 1 946 shares with voting aloud, respectively from BGN 1 000 nominal value of each share to BGN 100 nominal value of each share.
In 2014 the Group received dividends from its associated enterprises amounting to BGN 6 393 thousand.

6.2. Investments in joint ventures

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

Name	31.12.2014 BGN '000	Share %	31.12.2013 BGN '000	Share %
Nuance BG AD	1 036	50.00%	727	50.00%
Varna ferry OOD	-	50.00%	313	50.00%
	1 036		**1 040**	

Investment in Varna Ferry OOD is completely impaired during the period.

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

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

	2014 BGN '000	2013 BGN '000
Assets	40 302	32 269
Liabilities	(47 526)	(30 726)

Revenues	41 193	6 265
Profit/(Loss) for the period	(8 767)	134
Profit/ (Loss) attributable to the Group not recognized in result for the current reporting period	**(4 384)**	**67**

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

7. Segment reporting

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

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

According to IFRS 8 the profits reported by segments are based on the information used for the needs of the internal management reporting and is regularly reviewed from those responsible for the business decisions. All inter-segment transfers are priced and carried out at market price and condition basis.

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

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

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

Operating segments 31 December 2014	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Assets of the segment	767 884	7 763 852	818 539	49 069	16 864	(2 286 450)	7 129 758
Equity accounted investments in associates	4 027	-	20 287	-	4	115 208	139 526
Total consolidated assets	**771 911**	**7 763 852**	**838 826**	**49 069**	**16 868**	**(2 171 242)**	**7 269 284**
Specialized reserves	**-**	**265 565**	**-**	**-**	**-**		**265 565**
Liabilities of the segment	319 790	5 578 378	385 588	1 462	12 856	(855 437)	5 442 637
Total consolidated liabilities	**319 790**	**5 578 378**	**385 588**	**1 462**	**12 856**	**(855 437)**	**5 442 637**

Operating segments 31 December 2013	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	126 324	15 558	373 555	212	3 192	970	519 811
Change in fair value of investment property	-	259	-	-	-	-	259
Gain from sale of non-current assets	1 220	4 943	1 143	-	-	(151)	7 155
Inter-segment income from non-financial activities	45 287	4 936	2 328	-	1 636	(54 187)	-
Total income from non-financial activities	**172 831**	**25 696**	**377 026**	**212**	**4 828**	**(53 368)**	**527 225**
Result from non-financial activities	**27 075**	**25 696**	**15 560**	**(33)**	**687**	**2 742**	**71 727**
Insurance income from external customers	-	387 451	-	-	-	-	387 451
Inter-segment insurance income	-	5 036	-	-	-	(5 036)	-
Total insurance income	**-**	**392 487**	**-**	**-**	**-**	**(5 036)**	**387 451**
Result from insurance	**-**	**25 858**	**-**	**-**	**-**	**(4 387)**	**21 471**
Interest income	9 682	254 961	12 960	506	230	(43 237)	235 102
Interest expenses	(14 573)	(153 355)	(16 233)	-	(718)	42 764	(142 115)
Result from interest	**(4 891)**	**101 606**	**(3 273)**	**506**	**(488)**	**(473)**	**92 987**
Gains from transactions with financial instruments from external customers	11 263	414 093	2 025	-	-	(8 039)	419 342
Result from transactions with financial instruments	**11 235**	**66 929**	**2 022**	**-**	**-**	**(7 583)**	**72 603**
Administrative expenses	**(12 980)**	**(192 238)**	**(11 744)**	**(204)**	**-**	**4 799**	**(212 367)**
Gain from purchases	**-**	**-**	**-**	**-**	**-**	**724**	**724**
Net result from equity accounted investments in associates	108	-	13 737	-	-	-	13 845
Other financial income/ (expenses)	(1 367)	68 309	(2 412)	-	(102)	1 246	65 674
Profit for allocating insurance batches	-	(32 530)	-	-	-	-	(32 530)
Profit for the period before tax	**19 180**	**63 630**	**13 890**	**269**	**97**	**(2 932)**	**94 134**
Tax expense	(2 347)	(5 639)	14	(41)	(25)	261	(7 777)
Net profit for the year	**16 833**	**57 991**	**13 904**	**228**	**72**	**(2 671)**	**86 357**

Operating segments 31 December 2013	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN ’000	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**	**BGN ’000**
Assets of the segment	832 173	7 130 404	808 453	46 561	17 747	(2 364 452)	6 470 886
Equity accounted investments in associates	4 667	-	16 346	-	22	110 286	131 321
Total consolidated assets	**836 840**	**7 130 404**	**824 799**	**46 561**	**17 769**	**(2 254 166)**	**6 602 207**
Specialized reserves	**-**	**208 829**	**-**	**-**	**-**	**-**	**208 829**
Liabilities of the segment	394 721	5 020 915	373 321	235	14 222	(948 067)	4 855 347
Total consolidated liabilities	**394 721**	**5 020 915**	**373 321**	**235**	**14 222**	**(948 067)**	**4 855 347**

8. Property, plant and equipment

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

2014	**Land**	**Building**	**Machines**	**Equipment**	**Vehicles**	**Repairs**	**Others**	**Assets in process of acquisition**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Balance at 1 January 2014	62 561	92 347	107 546	144 270	125 231	27 940	56 538	72 659	**689 092**
Additions:									
- business combinations	30	1 403		-	85	-	136	95	**1 749**
- separately acquired	75	988	13 142	3 269	2 799	1 703	10 314	50 031	**82 321**
Disposals								822	**822**
- separately disposed	(2 954)	(29 481)	(12 343)	(659)	(4 968)	(11 703)	(175)	(40 797)	**(103 080)**
- through business combination	-	-	(382)	-	-	-130	-	-92	**(604)**
- assets held for sale (or in disposal group)	-	-	(104)	-	-	-	-	-	**(104)**
Balance at 31 December 2014	59 712	65 257	107 859	146 880	123 147	17 810	66 813	82 718	**670 196**
Depreciation									
Balance at 1 January 2014	-	(22 544)	(84 945)	(36 900)	(58 715)	(26 551)	(29 096)	-	**(258 751)**
Disposal	-	5 005	6 834	549	(477)	11 703	55	-	**23 669**
Depreciation	-	(2 560)	(8 104)	(4 300)	(3 914)	(2 568)	(1 489)	-	**(22 935)**
Balance at 31 December 2014	-	(20 099)	(86 215)	(40 651)	(63 106)	(17 416)	(30 530)	-	**(258 017)**
Carrying amount at 31 December 2013	**59 712**	**45 158**	**21 644**	**106 229**	**60 041**	**394**	**36 283**	**82 718**	**412 179**

- for the period ending 31 December 2013

2013	Land	Building	Machines	Equipment	Vehicles	Repairs	Others	Assets in process of acquisition	Total
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Balance at 1 January 2013	85 245	96 540	96 083	162 936	125 952	27 099	55 226	81 057	**730 138**
Additions:									
- separately acquired	8 521	36 444	17 926	1 818	2 805	991	1 470	77 990	**147 965**
Disposals									
- separately acquired	(436)	(13 324)	(2 784)	(743)	(3 369)	(150)	(150)	(76 532)	**(97 488)**
- reclassified to investment property	(30 763)	(27 147)	(3 640)	(19 665)	-	-		(9 856)	**(91 071)**
- through business combination	(6)	(504)	(39)	(76)	(157)	-	(8)	-	**(790)**
- assets held for sale (or in disposal group)	-	338	-	-	-	-	-	-	**338**
Balance at 31 December 2013	**62 561**	**92 347**	**107 546**	**144 270**	**125 231**	**27 940**	**56 538**	**72 659**	**689 092**
Depreciation									
Balance at 1 January 2013	-	(28 084)	(78 991)	(35 039)	(55 526)	(24 189)	(27 851)	-	**(249 680)**
Disposals assets held for sale	-	69	-	-	-	-	-	-	**69**
Disposal reclassified to investment property	-	2 760	1 630	1 994	-	-	-		**6 384**
Disposal	-	4 110	1 116	482	3 108	150	73	-	**9 039**
Depreciation	-	(1 399)	(8 700)	(4 337)	(6 297)	(2 512)	(1 318)	-	**(24 563)**
Balance at 31 December 2013	**-**	**(22 544)**	**(84 945)**	**(36 900)**	**(58 715)**	**(26 551)**	**(29 096)**	**-**	**(258 751)**
Carrying amount at 31 December 2013	**62 561**	**69 803**	**22 601**	**107 370**	**66 516**	**1 389**	**27 442**	**72 659**	**430 341**

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

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

	Land BGN'000	Building BGN'000	Machines BGN'000	Vehicles BGN'000	Other BGN'000	Total BGN'000
Carrying amount as at 31 December 2014	1 454	14 509	45 454	14 226	1 322	76 965
Carrying amount as at 31 December 2013	2 114	13 546	51 657	25 111	1 620	94 048

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 34 766 thousand (2013: BGN 35 668 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 2014	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	4 836	6 275	11 111
Finance charges	(198)	(137)	(335)
Net present values	**4 638**	**6 138**	**10 776**

31 December 2013	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**Total BGN'000**
Lease payments	5 460	10 748	16 208
Finance charges	(392)	(354)	(746)
Net present values	**5 068**	**10 394**	**15 462**

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 2014	56 797	129 354	12 233	**198 384**
31 December 2013	53 477	131 239	28 597	**213 313**

Lease payments recognized as an expense during the period amount to BGN 57 446 thousands (2013: BGN 58 319 thousand).

Significant to the Group operating leases are related to hiring airplanes and real estate. At the date of preparation of this consolidated financial statements, the Group is a lessee under operating leases on 18 aircraft (Boeing, Airbus type, type BAE type Embraer).

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

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

9.3. Operating leases as lessor

In 2014 and 2013 the Group allows for the lease of airplanes to other companies under operating leases. Revenues from leasing of airplanes rent in 2014 amounted to BGN 13 788 thousand (2013: BGN 17 663 thousand).

In 2014 and 2013 the Group leases real estate of property, plant and equipment, and investment properties under operating leases.

Rental income for 2014 amounting to BGN 6 728 thousand (2013: BGN 6 909 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 2014	1 889	747	1 123	**3 759**
31 December 2013	7 250	13,002	15,024	**35 276**

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

10. Investment property

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

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

	Land	Buildings	Machines and equipment	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Carrying amount at 1 January 2013	**46 529**	**99 540**	**-**	**146 069**
Additions:				
- through acquisition expenses	903	329	-	1 232
- separately acquired	-	66	-	66
Reclassification to investment property from Property, plant and equipment (note 8)	30 763	24 387	29 537	84 687
Gain from changes of the fair value of investment property	32	231	-	263
Loss from changes of fair value of investment property	-	(4)	-	(4)
Disposals	(619)	(1 318)	-	(1 937)
Reclassified to Noncurrent assets classified as held for sale, Note 21	-	(608)	-	(608)
Carrying amount at 31 December 2013	**77 608**	**122 623**	**29 537**	**229 768**
Additions:				
-from business combinations	-	15 105	-	15 105
-separately acquired	58	15 367	235	15 660
-from reclassification of Property Plant and Equipment (note 8)	17 133	13 176	4 707	35 016
Gain from change of the fair value of investment property	1 150	17 422	-	18 557
Loss from change of fair value of investment property	(45)	(56)	(1 109)	(1 195)
Disposals	(417)	(1 761)	(49)	(2 227)
Carrying amount at 31 December 2014	**95 487**	**181 876**	**33 321**	**310 684**

The fair value of the investment property is determined by the Group in accordance with valuation reports from certified valuation specialists, internal group expert reports based on the current market prices.

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

In 2013 according to a decision of management of the Group assets from property, plant and equipment have been reclassified as investment property in connection with the transfer of the main volume of trade in cereals to other companies. Machinery and equipment, generating rental income are reclassified under "Investment Property" Investment properties that are pledged as collateral are at the amount of BGN 27 934 thousand (2013: BGN 78 414 thousand).

Revenue from investment properties for the year 2014 amounted to BGN 5 735 thousand (2013: BGN 5 825 thousand) and are included in the consolidated statement of profit or loss and other comprehensive income within "Income from operations". Contingent rents are not recognized. Direct operating expenses in the amount of BGN 875 thousand are recognized as "non-financial activities" (2013: BGN 409 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
2013	
Carrying amount at 1 January	39 416
Derecognized on disposal of a subsidiary	(527)
Impairment loss recognized	(1 123)
Carrying amount at 31 December	**37 766**
2014	
Carrying amount at 1 January	37 766
Derecognized on disposal of a subsidiary	1 472
Impairment loss recognized	(942)
Carrying amount at 31 December	**38 296**

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

	2014 BGN'000	2013 BGN'000
Zarneni Hrani Bulgaria AD	11 109	11 232
ZAD Armeec	8 541	8 541
Central Cooperative Bank AD – Skopje	3 125	3 937
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Asenova Krepost AD	2 628	2 628
Tehnoimpex AD	1 472	-
Natsionalna Stokova Borsa AD	655	655
Parahodstvo Balgarsko Rechno Plavane AD	580	580
Teksim Trading OOD	460	460
Osil and Gas Exploration and Production AD	358	358
Bulchimeks OOD	217	217
Port Lesport AD	164	164
Slanchevi Lachi Provadia EAD	76	83
Omega Finance OOD	47	47
POAD CCB Sila	46	46
	38 296	**37 766**

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 2014 an impairment of goodwill was performed and are related to Zarneni Hrani Bulgaria AD Central Cooperative Bank AD - Skopje totalling BGN 942 thousand. Impairment of goodwill is included within "Expenses of non-financial activities" in the consolidated statement of profit or loss and other comprehensive income.

12. Other intangible assets

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

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

- For the period ended 31 December 2013

	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Other	Total
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Gross carrying amount									
Balance at 1 January 2013	44 885	8 396	5 517	6 742	1 145	6 031	43 631	906	117 253
Additions:									-
- separately acquired	-	458	1 899			11 048	-	939	14 344
Disposals									
- through business combination		(40)	(113)	(342)			(6 541)		(7 036)
- separately acquired	-	(8)	(31)	-	-	(9 754)	-	(70)	(9 863)
Balance at 31 December 2013	44 885	8 806	7 272	6 400	1 145	7 325	37 090	1 775	115 381
Amortization and impairment									
Balance at 1 January 2013	(20 874)	(4 585)	(5 491)	(1 936)	(52)	-	(12 894)	(695)	(46 527)
Disposals	-	36	77	-	-	-	2 459	19	2 591
Amortization and impairment	(4 299)	(683)	(494)	(413)			(1)	(191)	(6 081)
Balance at 31 December 2013	(25 173)	(5 232)	(5 908)	(2 349)	(52)	-	(10 436)	(867)	(50 017)
Carrying amount at 31 December 2013	**19 712**	**3 574**	**1 364**	**4 051**	**1 093**	**7 325**	**26 654**	**908**	**64 681**

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 41 604 thousand (2013 BGN 37 090 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 2014the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha, Block 1-4 Kavarna, Block Shabla and Block 1-17 Ovcha mogila in the amount of BGN 13 307 thousand (2013 BGN 7 325 thousand).

	2014 BGN‘000	2013 BGN‘000
Block 1-12 Knezha	11 862	7 232
Block 1-4 Kavarna	1 329	-
Block 1-17 Ovcha mogila	116	93
	13 307	**7 325**

As at the end of the reporting period management has made a technical and financial review of the assets for exploration and evaluation for the purpose of confirmation of the intention to continue exploration activities. For some of the exploration plots impairment indications were identified. As a result, Exploration and evaluation at the amount of BGN 1 167 thousand were impaired (2013 BGN 971thousand). These expenses are presented in the consolidated statement of profit or loss and other comprehensive income within “Other expenses”.

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

No intangible assets have been pledged as security for liabilities.

13. Long-term financial assets

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

	Note	2014 BGN ‘000	2013 BGN ‘000
Loans and receivables	13.1	1 378 290	1 244 326
Held-to-maturity financial assets	13.2	189 051	146 777
Financial assets at fair value through profit or loss	13.3	17 082	4 427
Available-for-sale financial assets	13.4	264 039	280 867
		1 848 462	**1 676 397**

13.1. Loans and receivables

Loans and receivables	Note	2014 BGN'000	2013 BGN'000
Long-term bank loans and client advance payments	13.1.1	1 241 843	1 082 265
Less impairment		(13 215)	(17 116)
		1 228 628	**1 065 149**
Other long-term loans	13.1.2	149 662	179 177
		1 378 290	**1 244 326**

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

	2014 BGN'000	2013 BGN'000
Analysis by type of the client:		
Natural persons		
-in BGN	191 284	109 742
-in foreign currency	99 844	68 110
Legal entities		
-in BGN	497 762	423 047
-in foreign currency	452 953	481 366
	1 241 843	1 082 265
Impairment for uncollectibility	(13 215)	(17 116)
Total bank loans granted and client advance payments	**1 228 628**	**1 065 149**

	2014 BGN'000	2013 BGN'000
Analysis by economic sectors:		
Agriculture and forestry	48 264	44 178
Manufacturing	27 552	51 248
Construction	109 549	59 239
Trade and finance	639 277	600 018
Transport and communications	92 705	95 760
Natural persons	247 962	177 852
Others	76 533	53 970
	1 241 843	**1 082 265**
Impairment for uncollectibility	(13 215)	(17 116)
Total bank loans granted and client advance payments	**1 228 628**	**1 065 149**

Interest rates

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

13.1.2. Other long-term loans

	2014 BGN'000	2013 BGN'000
Receivables on provided loans	84 918	125 783
Receivables on cession agreements	64 744	53 394
	149 662	**179 177**

Long-term loans granted by the Group outside of banking, represent principal and accrued interest to them relating to loans to unrelated parties. Loans are granted at interest rates in the 8% - 14% annual interest. The maturity of loans is after 31 December 2014. The Loans are not secured.

13.2. Held-to-maturity financial assets

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

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

	2014 BGN '000	2013 BGN '000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	92 654	65 417
Long-term Bulgarian government bonds	70 003	34 500
Mid-term Macedonian government bonds	26 394	26 394
Corporate bonds	-	20 466
	189 051	**146 777**

Bulgarian securities pledged as collateral
As at 31 December 2014 government bonds, issued by the Bulgarian government at the amount of BGN 84 623 thousand (2013 BGN 87 886 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.

	2014 BGN'000	2013 BGN'000
Capital investments with market value	10 288	4 175
Other	6 794	252
	17 082	**4 427**

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

13.4. Available-for-sale financial assets

	2014 BGN '000	2013. BGN '000
Bulgarian corporate bonds	88 191	98 567
Capital investments with market value	45 016	56 053
Long-term Bulgarian government bonds	42 624	46 356
Investments in shares for not listed companies	6 831	14 172
Mid-term Bulgarian government bonds	55 987	27 854
Foreign corporate bonds	25 390	37 865
	264 039	**280 867**

Available-for-sale financial assets are nominated in Bulgarian leva. Their fair value is determined based on their quoted prices at the reporting date of the consolidated financial statements, excluding investments in shares of unlisted companies, which are measured at cost amounting to BGN 42 624 thousand (2013 BGN 46 356 thousand).

Bulgarian securities pledged as collateral
As at 31 December 2014government bonds, issued by the Bulgarian government at the amount of BGN 7 056 thousand (2013 BGN 42 476thousand), are pledged as collateral for servicing budget accounts.

14. Deferred tax assets and liabilities

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

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

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

Deferred tax liabilities/ (assets)	1 January 2013 BGN'000	Recognized in equity BGN'000	Recognized in business combination BGN'000	Recognized in profit or loss BGN'000	31 December 2013 BGN'000
Non-current assets					
Property, plant and equipment	14 478	-	(198)	(369)	13 911
Long - term financial assets	(671)	41	-	356	(274)
Investment property	3 379	-	-	28	3 407
Others	6 344	-	(6)	(234)	6 104
Current assets					
Trade and other receivables	(1 183)	-	-	424	(759)
Financial assets	4 363	-	-	2 262	6 625
Others	(23)	-	-	5	(18)
Non-current liabilities					
Pension and other employee obligations	(202)	(3)	-	(20)	(225)
Provisions and trade payables	(526)	-	-	(38)	(564)
Current liabilities					
Pension and other employee obligations	(403)	-	1	(49)	(451)
Others	(147)	-	-	(8)	(155)
Unused tax losses	(2 234)	-	-	(903)	(3 137)
	23 175	**38**	**(203)**	**1 454**	**24 464**
Recognized as:					
Deferred tax asset	**(5 389)**				**(5 583)**
Deferred tax liability	**28 564**				**30 047**

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

15. Inventories

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

	2014 BGN'000	2013 BGN'000
Raw materials	12 860	13 218
Production	2 046	2 666
Trading goods	19 949	15 280
Work in progress	1 161	992
Spare Parts	4 826	4 968
Others	433	31
	40 820	**37 155**

In 2014inventories of the Group amounting to BGN 13 324 thousand (2013 BGN 6 766 thousand) are pledged as collateral benefitting banks.

16. Short-term financial assets

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

	Note	2014 BGN '000	2013 BGN '000
Loans and receivables	16.1	940 131	899 267
Financial assets at fair value through profit or loss	16.2	1 169 619	860 544
Held-to-maturity financial assets	16.3	109 287	156 458
Held for sale financial assets	16.4	92 157	27 033
Receivables on insurance and reinsurance contracts	16.5	62 392	56 985
		2 373 586	**2 000 287**

16.1. Loans and receivables

	Note	2014 BGN '000	2013 BGN '000
Bank loan and client advance payments	16.1.1	515 148	564 494
Less impairment		(22 672)	(16 577)
		492 476	**547 917**
Other short-term loans contracts	16.1.2	328 669	307 991
Receivables on repo purchases	16.1.3	118 986	43 359
		940 131	**899 267**

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:	2014 BGN '000	2013 BGN '000
Natural persons		
-in BGN	46 353	57 416
-in foreign currency	24 195	35 635
Legal entities		
-in BGN	133 540	221 337
-in foreign currency	311 060	250 106
	515 148	**564 494**
Impairment for uncollectibility	(22 672)	(16 577)
Total bank loans and client advance payments	**492 476**	**547 917**

Analysis by economic sectors:	**2014 BGN '000**	**2013 BGN '000**
Agriculture and forestry	22 134	23 114
Manufacturing	9 226	26 813
Construction	50 238	30 994
Trade and finance	281 243	312 184
Transport and communications	3 496	50 101
Natural persons	113 713	93 051
Others	35 098	28 237
	515 148	**564 494**
Impairment for uncollectibility	(22 672)	(16 577)
Total bank loans and client advance payments	**492 476**	**547 917**

16.1.2. Contracts for other short-term loans

	2014 BGN '000	**2013 BGN '000**
Short term loan receivables	263 031	239 173
Receivable on cession agreements	65 638	68 818
	328 669	**307 991**

The short-term loans are granted at annual interest levels between 7% - 14% depending on the credit terms.

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

16.1.3. Receivables under repo agreements

As of 31 December 2014 the Group has signed agreements with a repo clause amounting to BGN 118 986 thousand (2013 BGN 43 359 thousand)., including interest receivables. Some of them amounting to BGN 70 899 thousand are secured by a pledge of the Bulgarian government securities of the same value. The rest amounting to BGN 50 645 thousands is secured by a pledge of corporate securities of approximately the same value. The maturity of these agreements is between January and June 2015.

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.

	2014 BGN '000	**2013 BGN '000**
Bulgarian corporate securities	602 349	511 652
Shares from EU countries	266 249	192 072
Long-term Bulgarian government bonds	168 714	37 976
Mid-term Bulgarian government bonds	13 357	13 795
Short-term Bulgarian government bonds	107 593	30 499
Derivatives, held-for-trade	6 068	13 097
Bank deposits	5 289	41 662
Others	-	19 791
	1 169 619	**860 544**

Bulgarian corporate securities
As at 31 December 2014the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 602 349 thousand (2013 BGN 511 652 thousand). These securities represent shares of public trade companies, listed on the Bulgarian Stock Exchange and foreign stock exchanges, which are stated at fair value, as they are liquid on the stock market as well as securities of companies that are not publicly traded on Bulgarian stock exchange and their fair value is evaluated by a licensed valuation specialist.

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

As at 31 December 2014 the Group holds Bulgarian government bonds at the amount of BGN 289 664 thousand (2013 BGN 82 270 thousand).

Derivatives, held-for-trade
As at 31 December 2014derivatives held-for-trade amounting to BGN 6 068 thousand (2013: 13 097 thousand) are recognized at fair value and consist of contracts for trade of foreign exchange, securities, forward contracts and foreign exchange swaps traded on the open market

Bulgarian securities pledged as collateral
As at 31 December 2014bonds issued by the Bulgarian government in the amount of BGN 57 070 thousand (2013 BGN 35 068 thousand) are pledged as collateral for servicing budget accounts.

16.3. Financial assets held-to-maturity

	2014 BGN'000	2013 BGN'000
Short-term Macedonian government securities	49 299	89 954
Short-term Bulgarian government bonds	-	39 869
Short-term bonds issued by the National Bank of the Republic of Macedonia	19 380	2 572
Others	40 608	24 063
	109 287	**156 458**

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

Short-term Bulgarian government bonds
As at 31 December 2014 the short-term Bulgarian government bonds, for 2013 BGN 39 869 thousand are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

16.4. Financial assets available-for-sale

	2014 BGN'000	2013 BGN'000
Short-term Bulgarian government bonds	5 131	6 056
Foreign capital investments	2 648	5 391
Others	84 378	15 586
	92 157	**27 033**

16.5. Receivables on insurance and reinsurance contracts

	2014 BGN'000	2013 BGN'000
Accrued premiums on insurance contracts	53 383	55 478
Transactions under reinsurance contracts	8 957	1 378
Transactions for co-insurance contracts	52	129
	62 392	**56 985**

17. Trade receivables

	2014 BGN'000	2013 BGN'000
Trade receivables, gross	112 655	186 834
Impairment	(6 231)	(5 786)
Trade receivables	**106 424**	**181 048**

The trade receivables as at 31 December 2014are as follows:

	2014 BGN'000	2013 BGN'000
Advances for acquisition of investments	33 198	92 056
Receivables from sale of plastic and other packaging products	8 233	8 526
Receivables from sale of petroleum products	20 357	3 609
Receivables from sale of airline tickets and other aviation services	12 433	51 210
Receivables from sale of cereals	427	1 043
Insurance customers	7 036	8 311
Receivables from sale of pharmaceuticals	5 876	6 710
Banking customers	4 122	4 743
Other	14 742	4 840
	106 424	**181 048**

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 18 317 thousand (2013 BGN 1 608 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:

	2014 BGN'000	2013 BGN'000
Balance as at 1 January	5 786	9 417
Written off amounts (uncollectable)	(16 828)	(5 156)
Impairment loss	18 317	1 608
Recovery of impairment loss	(202)	(83)
Balance as at 31 December	**6 231**	**5 786**

18. Tax receivables

	2014 BGN'000	2013 BGN'000
Corporate income tax receivables	799	800
VAT receivables	951	3 252
Excise receivables	3	91
Other	125	203
	1 878	**4 346**

19. Other receivables

	2014 BGN'000	2013 BGN'000
Court receivables	62 195	62 779
Short-term deposits and guarantees	5 179	10 824
Prepaid expenses	11 005	10 486
Foreign activity	5 337	9 521
Advance payments	8 780	18 378
Others	25 997	123
	118 439	**112 111**

The major part of court receivables amounting to BGN 52 965 thousand (2013 BGN 60 326 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 1 371 thousand (2013: BGN 8 738 thousand) the paid amounts are under warranty contracts for leasing of airplanes receivables guarantees service airports, guarantees the rental of premises and other contracts and guarantee duty free - currency trading to Customs Sofia.

Significant portion of prepaid expenses totalling BGN 11 005 thousand (2013 BGN 10 486 thousand) represent prepaid advertising costs, rent, insurance, etc.

The balances in foreign operations amounting to BGN 5 337 thousand (2013 BGN 9 521 thousand) are internal receivables from Geokom - service Libya arising from the payment of PDNG AD Sofia liabilities of that company to staff.

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2014 BGN'000	2013 BGN'000
Cash at bank and in hand:		
- BGN	1 073 125	766 896
- EUR	242 163	318 250
- USD	85 645	137 954
- other currencies	79 737	94 312
	1 480 670	**1 317 412**

	2014 BGN'000	2013 BGN'000
Current accounts with the Central Bank	1 032 364	846 391
Short-term investments	245 534	370 752
Placements with, and advances to, banks	153 788	62 329
Deposits in conformity with the Insurance Code	41 863	33 726
Blocked cash and cash equivalents	7 121	4 214
	1 480 670	**1 317 412**

Restricted cash related to activity other than banking as at 31 December 2014 amounts to BGN 2 691 thousand (2013: BGN 334 thousand).

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

	2014 BGN'000	2013 BGN'000
Cash in hand:	207 225	136 321
Term deposits with local banks		
- in BGN	16 594	57 585
- in foreign currency	17 142	69 765
Term deposits with foreign banks in foreign currency	97 660	106 458
Restricted accounts with local banks in BGN	2 846	4 071
Nostro accounts with local banks		
- in BGN	4	33
- in foreign currency	29 593	30 630
Nostro accounts with foreign banks in foreign currency	35 379	32 432
Total placements with, and advances to, banks	**406 443**	**437 295**

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

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

	2014 BGN'000	2013 BGN'000
Non-current assets		
Property, plant and equipment	4 518	44 576
Investment property	-	608
Assets, classified as held-for-sale	**4 518**	**45 184**

As at 31 December 2014 the Group has reclassified assets and groups of disposals, classified as held-for-sale, represented granaries (buildings, machines and others) with total carrying amount of BGN 35 016 thousand in Investment properties and the group sold separate granaries with total carrying amount of BGN 698 thousand. The remainder is a granary "Nova Zagora" in the amount of BGN 1 901 thousand.

The Group has signed a preliminary agreement for the sale of this granary on 02 December 2014. The parties of this agreement have commitment to sign the final agreement no later than 60 days from the signing of the preliminary agreement.

Non-current assets, classified as held-for-sale, at the amount of BGN 2 617 thousand (2013 BGN 6 610 thousand) are real estate properties, acquired by the banks in the Group in their capacity of mortgage creditors of granted and not serviced debt. Those assets will not be used by the Bank in its business activities, as a result of which the Group takes action on their sale.

On 28.02.2014 the Group has finalized a deal to sell real estate, representing building "Health Service" and investment property, including a building constituting a restaurant and a restaurant and a dining room in non-current assets, classified as held-for-sale, with a carrying value of BGN 959 thousand. The Group realized income from this transaction in the amount of BGN 1099 thousand, reflecting in the line the Gain on sale of non-current assets in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December.
The total carrying amount of the Group's Non-current assets, classified as held-for-sale pledged as security as at 31 December is amounted of BGN 1 901 thousand.

22. Equity

22.1. Share capital

The share capital of Chimimport AD as at 31 December 2014consists of 150 875 596 (2013: 150 875 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2013: 88 770 671) preferred shares with a par value of BGN 1, including 6 574 081 (2013: 6 197 175) ordinary shares 5 680 402 (2012: 5 265 899) 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.

	2014 Number of shares	2013 Number of shares
Shares issued and fully paid at 1 January:	228 183 193	229 388 143
treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(798 909)	(1 204 950)
Shares issued and fully paid as at period end	**227 384 284**	**228 183 193**

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

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

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

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

- BGN 28 271 thousand – share premium

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

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

	2014 Number of ordinary and preferred shares	**2014 %**	**2013 Number of ordinary and preferred shares**	**2013 %**
Invest Capital AD	111 539 365	73.93%	111 539 365	73.93%
CCB Group EAD	5 160 005	3.42%	5 160 005	3.42%
The Bank of New York Mellon	4 075 203	2.70%	1 796 988	1.19%
Unicredit Bank Austria	3 661 080	2.43%	3 786 253	2.51%
ING Pension Funds	1 362 052	0.90%	151 458	0.10%
Russell Institutional funds public limited	943 000	0.63%	532 000	0.35%
PIC Saglasie Co.Ltd.	938 042	0.62%	788 972	0.52%
Eaton Vance Tax-Managed Emerging Markets	825 588	0.55%	825 588	0.55%
ZAD Armeec	745 400	0.49%	463 100	0.31%
POAD CCB Sila	553 676	0.37%	483 070	0.32%
Raiffeisen Bank International AG	538 259	0.36%	180 692	0.12%
Pireos Bank Bulgaria	409 655	0.27%	687 795	0.46%
Blackrock Frontier Markets Fund	407 660	0.27%	399 270	0.26%
Eaton Vance Structured Emerging Markets	329 922	0.22%	329 922	0.22%
The Royal bank of Scotland	317 807	0.21%	391 424	0.26%
EURIZON EASYFUND	235 682	0.16%	217 567	0.14%
DSK – Funds	230 526	0.15%	230 526	0.15%
Danske Invest Trans-Balkan Fund	188 232	0.12%	292 639	0.19%
Eurobank clients ACC	180 482	0.12%	203 412	0.13%
Eaton Vance International (Ireland) FU	93 190	0.06%	93 190	0.06%
EFG EUROBANK ERGASIAS	-	0.00%	2 878 750	1.91%
Palmer capital emerging Europe Equity	-	0.00%	504 088	0.33%
Other legal entities	7 183 412	4.76%	8 412 587	5.58%
Other natural persons	10 957 358	7.26%	10 526 935	6.99%
	150 875 596	**100.00%**	**150 875 596**	**100.00%**
Shares of the Group, acquired by subsidiaries				
CCB Group AD	(5 160 005)	3.42%	(5 160 005)	3.42%
ZAD Armeec	(745 400)	0.49%	(463 100)	0.31%
POAD CCB Sila	(553 676)	0.37%	(483 070)	0.32%
CCB AD	(120 000)	0.08%	(91 000)	0.06%
	(6 579 081)	**4.36%**	**(6 197 175)**	**4.11%**
Net number of shares	**144 296 515**		**144 678 421**	

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

	2014 Number of ordinary	2014 %	2013 Number of ordinary	2013 %
Invest Capital AD	182 140 887	76.00%	182 480 887	76.15%
CCB Group EAD	5 160 005	2.15%	5 160 005	2.15%
The Bank Of New York Mellon	4 075 203	1.70%	1 796 988	0.75%
UniCredit Bank Austria	3 859 849	1.61%	4 227 404	1.76%
ZAD Armeec	3 745 400	1.56%	3 463 100	1.45%
POAD CCB Sila	3 211 078	1.34%	2 719 969	1.13%
ING Pension Funds	2 327 985	0.97%	678 239	0.28%
DSK – Funds	2 305 370	0.96%	2 305 370	0.96%
PIC Saglasie Co.Ltd.	1 841 841	0.77%	943 171	0.39%
Russell Institutional funds public limited	943 000	0.39%	532 000	0.22%
Eaton Vance Tax-Managed Emerging	825 588	0.34%	825 588	0.34%
Pireos Bank Bulgaria	669 016	0.28%	909 135	0.38%
Raiffeisen Bank International AG	538 259	0.22%	180 692	0.08%
Blackrock Frontier Markets Fund	407 660	0.17%	399 270	0.17%
Eaton Vance Structured Emerging	329 922	0.14%	329 922	0.14%
The Royal bank of Scotland	317 807	0.13%	391 424	0.16%
EURIZON EASYFUND	235 682	0.10%	217 567	0.09%
Danske invest trans-Balkan fund	188 232	0.08%	292 639	0.12%
Eurobank clients ACC	180 482	0.08%	203 412	0.08%
Eaton Vance International (Ireland) FU	93 190	0.04%	93 190	0.04%
EFG EUROBANK ERGASIAS	-	0.00%	2 878 750	1.20%
Palmer capital Emerging Europe Equity	-	0.00%	574 088	0.24%
Other legal entities	11 929 074	4.98%	14 145 906	5.91%
Other individuals	14 320 737	5.99%	13 897 551	5.81%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**
Shares of the Group, acquired by subsidiaries				
CCB Group AD	(5 160 005)	2.15%	(5 160 005)	2.15%
ZAD Armeec	(3 745 400)	1.56%	(3 463 100)	1.45%
POAD CCB Sila	(3 211 078)	1.34%	(2 719 969)	1.13%
CCB AD	(145 500)	0.06%	(120 000)	0.05%
	(12 261 983)	**5.11%**	**(11 463 074)**	**4.78%**
Net number of shares	**227 384 284**		**228 183 193**	

Withholding tax for dividends due from individuals and foreign legal entities, registered in countries that are not members of EU for 2013 and 2014 amounts to 5% and the tax is deducted from the gross amount of dividends

22.2. Share premium

	2014 BGN'000	2013 BGN'000
Share premium from 2009, 2007 and 2006	257 674	257 674
Change in the begging of the period	(37 745)	(37 662)
Decrease of the reserve of treasury shares by acquired by subsidiaries for the period	(747)	(83)
	219 182	**219 929**

In 2014the share premium changed by BGN 747 thousand (2013 BGN 83 thousand) as a result of acquisition of treasury shares of subsidiaries of the Group.

- As at 31 December 2014 premium reserve amounts to BGN 219 182 thousand (2013 BGN 219 929 thousand). Premium reserve is formed by the issue of privilege shares from 2009 and two issues of ordinary shares from 2007 and 2006.

22.3. Other reserves

As at 31 December 2014amount of other reserves equals to BGN 88 512 thousand (2013 BGN 91 001 thousand). Other reserves include the revaluation surplus in a defined benefit plan in the amount of BGN 357 thousand to 31.12.2014 (2013: the amount of BGN 611 thousand).

23. Specialized reserves

	Note	2014 BGN'000	2013 BGN'000
Insurance reserves	23.1	256 580	202 819
Pension fund reserves	23.2	8 980	6 010
		265 560	**208 829**

23.1. Insurance reserves and reinsurance assets

Insurance reserves	**Note**	**2014 BGN'000**	**2013 BGN'000**
Premium reserve carried forward	23.1.1	94 779	79 428
Reserve for outstanding payments	23.1.2	131 915	98 388
Reserve for bonuses and discounts	23.1.3	808	963
Additional reserve for filed, but not paid claims	23.1.4	4 613	3 107
Additional reserve for Public liability insurance – motor vehicles	23.1.5	15 612	12 990
Contingency fund	23.1.6	1 290	589
Mathematical reserve	23.1.7	1 403	1 082
Unexpired risk reserve		6 160	6 272
		256 580	**202 819**

Reinsurance assets	**2014 BGN'000**	**2013 BGN'000**
Reinsurers' share in the premium reserve carried forward	4 275	4 546
Reinsurers' share in the reserve for outstanding payments	11 010	13 903
Reinsurers' share in the reserve for bonuses and discounts	287	273
Reinsurers' share in the shortage reserve according to art. 8a	402	1 608
	15 974	**20 330**

Insurance reserves for 31 December 2014 are set aside in the course of the Group's insurance activity, conducted by ZAD Armeec, CCB Life EAD and OAO ZK Itil Armeec.

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

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

23.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2014amounts to BGN 94 779 thousand (2013 BGN 79 428 thousand).

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

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

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

23.1.2. Reserve for outstanding payments

23.1.2.1. Reserve for occurred and presented claims

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

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

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

As at 31 December 2014 and 31 December 2013 the reserve for outstanding payments amounts respectively to BGN 131 915 thousand and BGN 98 388 thousand.

23.1.2.2. Reserve for occurred, but not presented claims

The reserve for occurred, but not presented claims is calculated by applying the chain-ladder method with the accumulated amounts of each type of insurance offered by the Group. This method is applied for the period being 2004-2014. The only exception of the method used is the public liability insurance for motorists.

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

The period, used as a basis for calculating the reserve is eleven years – 2004-2014. The above mentioned method is in accordance with Ordinance 27, approved by decision N -209/24.02.2014 of FSC. The reserve is calculated both for compulsory public liability insurance for the possession and use of motor vehicle and the frontier liability insurance, and for the Green card insurance.

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

The reserve for occurred but not presented claims is calculated separately for the Green card insurance for the period 2007-2014, using the chain-ladder method based on accumulated amounts of the presented claims, using the weighted average development coefficients, for material and non-material damages, solely using private data of the Group. Data refers to the period from 2004 to 2014.

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

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

Basis for the calculation of the reserve is the statistic of the claims included in the information system INSIS for the period 2004-2014.

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

23.1.3. Reserve for bonuses and discounts

The reserve for bonuses and discounts at the amount of BGN 808 thousand (2013 BGN 963 thousand) is formed for all contracts, for which a premium return is provided - in the case of positive result after their final clearance or the premium on the basis of realized risks during the period of insurance (for instance planned and realized amount of flight hours in the case of aviation insurances).

The following method is applied:

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

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

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

23.1.4. Reserve for presented, but not paid claims

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

The method of the pending amount is applied to all claims, presented before the beginning of 2013 and pending at the end of 2013, and is multiplied by the sufficiency coefficient for the reserve for presented, unpaid claims, determined according to Annex No 5 of Regulation No 27, reduced by one. The sufficiency coefficient is calculated by type of insurance.

For the “Casco” and “Fire and natural disasters”, insurances the sufficiency coefficients for the reserve are formed, based on the data for 2014 because there is a large amount of claims on those types of insurance and it can be assumed that the coefficient is authentic. For the rest of the insurances with identified reserve insufficiency for presented, but unpaid claims – “Accident”, “Aviation Casco”, “Casco of vessels”, “Vessel public liability”, “Credits” and “Travel assistance” – the sufficiency coefficient is formed as an average amount of the coefficients for the past 3 years, because those insurances have a low amount of claims.

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

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

The additional reserve for presented but not paid claims as at 31.12.2014 amounts to BGN 4 613 thousand (2013: BGN 3 107 thousand).

23.1.5. Reserve for public liability insurance for drivers

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

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

The calculated administrative expenses for one policy of Public liability insurance-drivers for a period of one year in 2013 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 15.91.

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

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

The additional reserve on Public liability insurance of the drivers as at 31.12.2014 amounts to BGN 15 612 thousand (2013: BGN 12 990 thousand).

23.1.6. Contingency fund

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

The total amount of the contingency fund of the Group amounts to BGN 1 290 thousand (2013 BGN 589 thousand).

23.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2014 for individual savings policies is 73 policies (2013 73 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 1 403 thousand (2013 BGN 1 082 thousand).

23.1.8. Unexpired risk reserve

According to Art. 12 paragraph 2 of Decree № 27 of the procedures and methods for the formation of technical reserves of insurers and reinsurers, and health insurance reserves, the Group sets aside additional reserves for unexpired risks for insurances that report a negative result for three consecutive years under Appendix № 3 of the same decree. As at 31.12.2014 insurances "General civil liability" and "Travel assistance" ended with a negative result under Appendix № 3 for third consecutive year. Therefore, a reserve for unexpired risks insurance was required to be set aside. Coefficients of failure, calculated in accordance with Regulation № 27 are respectively 13.4% for "Casco" insurance and 38.1% for insurance "Travel assistance". For the former insurance a reserve for unexpired risks amounting to BGN 5 999 thousand has been set aside, a second reserve amounting to BGN 161 thousand has been set aside.

23.2. Pension fund reserves

	2014 BGN'000	2013 BGN'000
Reserves for guaranteeing minimal yield on UPF	7 914	5 239
Reserves for guaranteeing minimal yield on PPF	1 041	751
Life pension reserve UPF	25	14
Life pension reserve DPF	5	6
	8 985	**6 010**

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

24. Financial liabilities

	Note	Current 2014 BGN'000	Current 2013 BGN'000	Non-current 2014 BGN'000	Non-current 2013 BGN'000
Financial liabilities measured at amortized cost:					
Liabilities to depositors	24.1	3 092 272	2 633 684	755 990	712 690
Liabilities for dividends	24.2	14 127	15 544	20 545	32 303
Bonds and debenture loan	24.3	3 980	4 625	174 571	169 789
Bank loans	24.4	39 060	59 344	44 300	95 287
Other borrowings	24.5	31 798	57 636	5 188	7 813
Insurance contract liabilities	24.6	15 946	15 639	-	-
Derivatives, held-for-trading	24.7	2 633	10 860	-	-
Deposits from banks	24.8	17 875	22 722	620	620
Cession liabilities		36 195	16 109	49 310	-
Liabilities under repurchase agreements		1 408	-	-	-
Total carrying amount		**3 255 294**	**2 836 163**	**1 050 524**	**1 018 502**

24.1. Liabilities to depositors

Analysis by term and type of currency:	2014 BGN'000	2013 BGN'000
Demand deposits		
in BGN	669 282	552 574
in foreign currency	166 728	182 833
	836 010	735 407
Term deposits		
in BGN	1 003 280	1 042 318
In foreign currency	973 455	1 048 102
	1 976 735	2 090 420
Savings accounts		
in BGN	685 529	339 603
in foreign currency	329 423	152 564
	1 014 952	492 167
Other deposits		
in BGN	13 217	20 115
in foreign currency	7 348	8 265
	20 565	28 380
Total liabilities to depositors	**3 848 262**	**3 346 374**

	2014 BGN'000	2013 BGN'000
Individual deposits		
in BGN	1 702 868	1 271 031
in foreign currency	1 205 867	982 655
	2 908 735	2 253 686
Legal entities deposits		
in BGN	646 751	611 320
in foreign currency	270 198	450 595
	916 946	1 061 915
Deposits of other institutions		
in BGN	13 464	20 983
in foreign currency	9 114	9 790
	22 578	30 773
Total liabilities to other depositors	**3 848 262**	**3 346 374**

24.2. Dividend liabilities

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

	Current			Non-current	
	2014 BGN'000	2013 BGN'000	2	2014 BGN'000	2013 BGN'000
Dividend liabilities	14 127	15 544		20 545	32 303
	14 127	**15 544**		**20 545**	**32 303**

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

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

In 2014 and 2013 Chimimport AD distributed to its shareholders, holders of preferred shares, guaranteed dividend in the amount of BGN 16 606 thousand (2013: BGN 16 684 thousand) or BGN 0.1998 per a privileged share.

24.3.Bonds and debenture loans

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

	Current		Non-current	
	2014 BGN'000	2013 BGN'000	2014 BGN'000	2013 BGN'000
Chimimport Holland B.V.	3 442	3 442	147 302	142 156
CCB AD	-	-	15 534	15 898
Asenova Krepost AD	538	1 183	11 735	11 735
	3 980	**4 625**	**174 571**	**169 789**

<u>Chimimport Holland B.V. – bonds</u>

On 22 August 2008 the Group by its subsidiary Chimimport Holland B.V. has issued *a debenture loan, amounting to EUR 65 million with a 7-year maturity. The loan is with attached coupons bearing a fixed annual interest rate amounting to 7%, as the coupon payments are carried out twice a year, respectively on 22 February and on 22 August. According to the call option in the contract, agreed upon with Invest Capital AD, the bonds can be exchanged with ordinary shares of Chimimport AD with par value of BGN 1.00. The redemption of the bonds will be carried out on 22 August 2016 and the price of the redemption will be 118.9% of the total amount of the debenture loan.

According to Condition 8 (c) from the Terms and Conditions of the issued by Chimimport Holland B.V. bonds as at 31 December 2011 and 31 December 2009, each debenture holder has the right to claim the repurchase right for all or a portion of the bonds. The repurchase right could have been exercised on 22 August 2012. On 22 August 2012, none of the repurchase rights were exercised. The next date for exercising the right is 22 August 2016.

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

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

As at 31 December 2014 the Group's liability to bondholders amounts to BGN 150 774 (2013 BGN 145 598 thousand).

Asenova Krepost AD – debenture loan

On 2 February 2009, the Company has announced a release for bond issue at the amount of BGN 11 735 thousand (EUR 6 million) for 6 000 bonds with nominal value amounting to EUR 1 thousand each. The debenture loan is maturing on 30 January 2015. The interest expense on the debenture loan for the reporting period amounts to BGN 1 291 thousand.

On 28 January 2015, during a meeting of the bond holders of issue ISIN BG2100002091, issued by Asenova krepost AD, the conditions of the debenture loan were reviewed as follows:

- Maturity date was extended by 5 years, starting 30 January 2015
- Principal amortization – BGN 1 200 000 a year for the 5-year period, starting 31 January 2016.
- Reducing the interest rate from 11% to 7.20%.

Other related expenses, amounting to BGN 50 thousand are included in the consolidated statement of profit or loss and other comprehensive income within 'Interest expense'.

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

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

The carrying amount of the bond issue at 31 December 2014 is BGN 12 273 thousand (2013 BGN 12 918 thousand) calculated using the effective interest

24.4. Bank loans

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

	Current		Non-current	
	2014	**2013**	**2014**	**2013**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Bank loans	39 060	59 344	44 300	95 287

24.4.1. Long-term bank loans

	2014	2013
	BGN'000	**BGN'000**
Revolving and investment bank credits	44 300	88 215
Program for special purpose refinancing of commercial banks	-	7 072
	44 300	**95 287**

Investment loans

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

- - The Group has received a loan from a commercial bank under the loan agreement 114 concluded on 06 June 2006 maturity: April 25, 2016 interest at the rate of three-month EURIBOR plus 4.50%. Collateral for the loan real estate property worth BGN 6 293 thousand. Payments are made in EURO. According to the repayment schedule the loan is repaid by monthly installments in the amount of BGN 189 thousand (EUR 97 thousand). The remainder of the loan as at 31 December 2014 amounts to BGN 3 206 thousand(EUR 1 639 thousand), of which long-term portion - BGN 941 thousand and short-term portion - BGN 2 265 thousand
- The Group is party to a contract for an investment bank loan from Bulgarian Development Bank AD, signed on 21 June 2013, maturing on 22 May 2023. Payments are made in BGN and the interest on the loan is at the rate of three month SOFIBOR plus 3 bonus points, but not less than 6.5%. The loan is secured by real estate mortgage, pledge of fixed assets by the Law on Pledges. The carrying amount of the loan as at 31 December 2014 is BGN 14 974 thousand (2013: BGN 9 439).
- In 2014, the Group is party to a contract for an investment credit with "Eurobank Bulgaria" AD with maturity on 21.12.2020 at an interest rate three Sofibor + 6% margin. As at 31.12.2014 BGN 2 305 thousand, of which BGN 1 923 thousand is long-term portion and BGN 382 - short-term portion.
- The Group is party to a contract for an investment loan from 21 June 2013 at an interest rate 3-month SOFIBOR plus 3 bonus points, but not less than 6.0%, maturing on 20 May 2016 As at 31.12.2014 the remaining loan is BGN 10 673 thousand

Revolving Credits

- The revolving loan contract is concluded on 16 March 2011 with maturity date 31 December 2015. The interest rate equals 12-month EURIBOR, plus 7.0% premium. All payments are carried out in euro. According to the repayment schedule, the Group repays the loan by 35 equal payments at the amount of EUR 93 thousand each. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary, and mortgage on real estate, owned by a subsidiary. The outstanding amount of the loan as at 31 December 2013 amounts to BGN 8 704 thousand (EUR 4 450 thousand), of which the long-term portion is BGN 5 037 thousand and short-term portion BGN 3 764 thousand
- The Group has concluded three contracts for a revolving credit with commercial banks on 10 November 2006, 16 November 2006 and 29 August 2008 with maturity dates 30 April 2015, 28 August 2017 and 28 August 2017 respectively. The interest rate on those three loans is 6-month EURIBOR plus 0.875% premium. Payments shall be made in euro. The outstanding amount of the loans at 31 December 2014 amounts to BGN 4 303 thousand (EUR 2 200 thousand), of which long-term portion is BGN 2 308 thousand and short-term portion is BGN 1 995 thousand. Discount on bank loans is BGN 269 thousand.
- The Group has a contract with Eurobank Bulgaria AD from 16 May 2013, at an interest rate 3-month SOFIBOR plus 5 points premium and maturity - 10 April 2016 The remainder of the contract at 31.12.2014 is BGN 1 661 thousand.
- As at 31.12.2014 the Group has a contract with UniCredit Bulbank AD from 13 December 2013 with interest rate of 1 week SOFIBOR plus 3 bonus points and maturing on 13 December 2016. The remaining loan as at 31.12.2014 is BGN 16 000 thousand

24.4.2. Short-term bank loans

	2014 BGN‘000	2013 BGN‘000
Short-term portion of revolving and investment bank credits	35 970	16 314
Short-term revolving and investment bank credits	3 090	43 030
	39 060	**59 344**

Investment Loans

Liabilities of the Group as at 31 December 2014comprise the following loans bank investment loan

- The Group was granted a bank loan on 5 October 2011 at the amount of BGN 3 000 thousand with maturity date 5 October 2014 The interest rate equals 1-month SOFIBOR plus 4.00% premium as the interest cannot be less than 8.50% and greater than 10.00%. All payments are carried out in Bulgarian leva. The loan is secured with real estate – hotel complex "Geolog", located St. St. Constantine and Elena resort, owned by Park Build OOD;

Revolving Credits

- On 12 May 2009 the Group has concluded an overdraft agreement at the amount of EUR 6 135 thousand. The loan is classified as short-term because the Group is entitled to receive and return the funds allocated to the limit during the financial year. As at 31.12.2014 the utilized amount is BGN 8 870 thousand (2013: BGN 8 865 thousand). The loan repayments are carried out in euro. The interest rate on the overdraft is 3-month EURIBOR, plus 7 points premium, but not less than 8.51%. The contract is secured by Group's assets – a hangar, pledged rental receivables according to signed operating lease contract with Lufthansa Technik Sofia OOD, and pledged assets of the related party Aviation Company Hemus Air EAD and a warranty of the related party Bulgarian Airways Group EAD.
- Two contracts for bank loans made with commercial banks to provide working capital. The maturity on the borrowings are on 28.06.2014 and 02.01.2021. The utilized amount due as at 31.12.2014 is BGN 2 606 thousand (2013: BGN 3 050 thousand). Annual interest rates on contracts is within 6.5% - 8.00% on the used portion of the loans. The carrying values of assets provided as collateral on the loan is given in note 15
- A bank loan agreement - overdraft for working capital amounting to BGN 1 200 thousand is granted for seven months as the deadline for repayment is 08.03.2015, and is secured by a registered pledge on fixed assets owned by the Group. The annual interest rate for the loan is 6.5%. On 06.03.2015 the Group has repaid the obtained bank loan

24.5. Other borrowings

	Current		Non-current	
	2014 BGN'000	2013 BGN'000	2014 BGN'000	2013 BGN'000
Other borrowings	31 798	57 636	5 188	7 813

24.5.1. Other non-current borrowings

	2014 BGN'000	2013 BGN'000
Financing from State Agricultural Fund	78	157
Long term borrowings	5 110	7 656
	5 188	**7 813**

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

24.5.2. Other current borrowings

	2014 BGN'000	2013 BGN'000
Current borrowings	31 798	57 636
	31 798	**57 636**

Other current borrowings are received under annual interest rates from 8% to 12% depending on the contracted period. The period of repayment is on demand by the Group. The loans are not pledged with any collateral. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

24.6. Insurance contracts liabilities

	2014 BGN'000	2013 BGN'000
Insurance liabilities	10 122	8 717
Reinsurance liabilities	4 935	5 281
Transactions with Guarantee fund	865	1 640
Other	24	1
	15 946	**15 639**

24.7. Derivatives, held-for-trading

As at 31 December 2014 derivatives, held-for-trading, amounting to BGN 2 633 thousand (2013 BGN 10 860 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

24.8. Deposits from Banks

	Current		Non-current	
	2014 BGN'000	2013 BGN'000	2014 BGN'000	2013 BGN'000
Demand deposits – local banks				
-in Bulgarian leva	1 015	2 439	-	-
-in foreign currency	826	430	-	-
Demand deposits from foreign banks in foreign currency	3 253	789	-	-
Term deposits from foreign banks in foreign currency	12 781	19 064	620	620
	17 875	**22 722**	**620**	**620**

24.9. Payables under repurchase agreements of securities

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

25. Liabilities to insured individuals

	2014 BGN'000	2013 BGN'000
Attracted funds in a voluntary pension fund	65 009	59 824
Attracted funds in a professional pension fund	86 813	75 232
Attracted funds in a universal pension fund	660 438	524 750
	812 260	**659 806**

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2014 amounts to BGN 812 260 thousand. The increase compared to the liabilities as at 31 December 2013, amounts to BGN 152 454 as a result of proceeds and positive return on investment of the insured individuals, realized in 2014 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:

	2014 BGN'000	2013 BGN'000
Beginning of the period	**659 806**	**539 948**
Received pension contributions	101 749	89 387
Amounts received from pension funds, managed by other Pension Insurance Companies	52 380	41 220
Total increase of pension contributions	**154 129**	**130 607**
Positive/ (negative) income from investment of funds	55 151	32 530
Others (Transferred interest to National Revenue Agency)	1	
Result from investment of funds	**55 152**	**32 530**
Paid off pensions	(115)	(105)
One-time paid pensions to insured individuals	(4 207)	(3 839)
Funds for disbursement of funds to heirs of insured individuals	(1 106)	(773)
Amounts paid to the National Revenue Agency	(2 143)	(1 234)
Amounts paid under social security contracts	**(7 571)**	**(5 951)**
Amounts, paid to insured individuals, transferred to other pension funds		(27 168)
Amounts paid to state budget	(100)	(91)
Transferred amount to pension reserve	(8)	(8)
Entrance fee	(11)	(5)
Service fee	(172)	(167)
9% yield fee	(375)	(359)
5% service fee	(4 780)	(4 177)
1% investment fee	(6 783)	(5 343)
Withdrawal fee	(11)	(10)
End of the period	**812 260**	**659 806**

The net assets available for income are distributed as follows:

	2014	2013
	BGN'000	BGN'000
Individual accounts	811 234	658 838
Reserve for minimal return	1 026	968
Net assets available for income	**812 260**	**659 806**

26. Trade payables

	Current		Non-current	
	2014	2013	2014	2013
	BGN'000	BGN'000	BGN'000	BGN'000
Trade payables	142 222	119 612	2 236	16 043

26.1. Non-current trade payables

	2014	2013
	BGN'000	BGN'000
Public liabilities	2 216	16 024
Other	20	19
	2 236	**16 043**

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

Public payables

Long-term trade payables amounting to BGN 2 216 thousand (2013: BGN 16 024 thousand) are in connection with the agreement from 05.08.2013 for the rescheduling of payables to Sofia Airport on 06.01.2017

26.2. Current trade payables

	2014	2013
	BGN'000	BGN'000
Trade payables aviation activity	96 444	65 914
Trade payables manufacturing	12 013	5 255
Trade payables river transportation	4 414	6 605
Trade payables insurance	4 111	4 385
Trade payables bank activity	3 420	4 406
Trade payables pharmaceuticals	2 306	3 010
Other	19 514	30 037
	142 222	**119 612**

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

27. Employee remunerations

27.1. Employee benefits expense

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

	2014 BGN'000	2013 BGN'000
Wages expense	(94 307)	(90 215)
Social security costs	(16 440)	(15 613)
Employee benefits expense	**(110 747)**	**(105 828)**

27.2. Pension and other employee obligations

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

	2014 BGN'000	2013 BGN'000
Non-current:		
Pension provisions	2 480	2 254
Non-current pension and other employee obligations	**2 480**	**2 254**
Current:		
Employee benefits obligations	8 707	9 439
Payables to social security institutions	2 525	3 001
Pension provisions	550	388
Current pension and other employee obligations	**11 782**	**12 828**

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

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

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

	2014 BGN'000	2013 BGN'000
Pension provisions, beginning of period	2 642	2 393
Expenses for current service	457	469
Interest expenses	65	94
Adjustments - actuarial (gains) / losses from changes in demographic assumptions and financial assumptions	281	24
Benefits paid	(415)	(335)
Pension provisions, end of period	**3 030**	**2 642**

28. Tax liabilities

Tax liabilities include:

	2014 BGN‘000	2013 BGN‘000
Corporate income tax	3 188	5 815
VAT payables	1 540	1 333
Excise duty on imports	53	150
Other tax liabilities	4 134	2 220
	8 915	**9 518**

29. Other liabilities

Other liabilities can be summarized as follows:

	Current		Non-current	
	2014 BGN‘000	2013 BGN‘000	2014 BGN‘000	2013 BGN‘000
Other liabilities	90 883	90 501	4 027	1 288

29.1. Other non-current liabilities

	2014 BGN‘000	2013 BGN‘000
Financing for purchase of intangible assets	2 371	-
Trans-European Transport Network financing	1 276	1 252
Other	380	36
	4 027	**1 288**

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

A contract was signed with the Ministry of Economy, Energy and Tourism to provide grants for project financing amounting to 43.57% of the investment amount and 50% of the cost. The rest of the project the Group financed with its own funds. In November 2014 after approval of the report on implementation of the program by the Group received BGN 2 765 thousand, of which the non-current portion is BGN 2 371 thousand.

As at 31 December 2014 the Group is a beneficiary under the Resolution for granting financial aid by the Commission of the European Community for projects of common interest “Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria” 2008-BG-90300-S in the field of the trans-European transport networks (TEN-T), issued 10 June 2009.

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

29.2. Other current liabilities

	2014 BGN'000	2013 BGN'000
Pledges	31 249	33 374
Tickets sold	26 326	25 371
Advances from customers	15 043	9 410
Liabilities under concessionary remunerations	2 234	3 167
Penalties	1 339	2 012
Other	14 614	17 167
	90 805	**90 501**

Substantial part of guarantees amounting to BGN 30 649 thousand (2013 BGN 30 649) represent liabilities from received guarantee deposit formed by contract for the sale of fixed assets.

Liabilities on tickets sold amounting to BGN 26 326 thousand (2013 BGN 25 371 thousand) represent the conducted tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

30. Income from non-financial activities

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

	2014 BGN'000	2013 BGN'000
Income from sale of plane tickets	280 465	288 318
Income from sale of finished goods	68 693	72 276
Income from services rendered	53 635	67 262
Income from sale of trading goods	43 840	50 674
Other	58 032	41 281
	504 665	**519 811**

31. Expenses for non-financial activities

	2014 BGN'000	2013 BGN'000
Hired service expense	(205 594)	(209 141)
Cost of materials	(136 528)	(143 777)
Carrying amount of goods sold	(45 293)	(47 850)
Employee expense	(34 423)	(35 589)
Depreciation, amortization and impairment of non-financial assets	(26 023)	(16 819)

Change in the stock from work in progress	(399)	(379)
Other Expenses	(25 602)	(1 943)
	(473 862)	**(455 498)**

Independent audit fees for 2014 amount to BGN 160 thousand (2013 BGN 137 thousand).

32. Gain from sale of non-current assets

	2014 BGN'000	2013 BGN'000
Proceeds from sale of non-current assets	56 130	44 521
Carrying amount of non-current assets sold	(38 155)	(37 366)
	17 975	**7 155**

33. Insurance income

	2014 BGN'000	2013 BGN'000
Insurance premium income	220 826	174 704
Income from released insurance reserves	211 863	176 106
Income from reinsurance operations	55 986	29 204
Regression income	7 987	7 288
Other insurance income	2 063	149
	498 725	**387 451**

33.1. Income from insurance premiums

	2014 BGN'000	2014 %	2013 BGN '000	2013 %
Casco	104 446	47.30%	92 987	53.23%
Motor public liability insurance	68 930	31.21%	55 638	31.85%
General public liability insurance	16 736	7.58%	2 246	1.29%
Fire and natural calamities	10 886	4.93%	9 770	5.59%
Accidents	4 162	1.88%	2 803	1.60%
Travel Assistance	3 857	1.75%	3 090	1.77%
Property damage	3 216	1.46%	1 605	0.92%
Life and annuity	1 497	0.68%	1 070	0.61%
Casco of aircrafts	1 279	0.58%	1 367	0.78%
IT related to aircraft	1 214	0.55%	788	0.45%
Casco of vessels	946	0.43%	611	0.35%
Loans and leases	848	0.38%	357	0.20%
Freight transport	845	0.38%	477	0.27%
Additional insurance	833	0.38%	940	0.54%
Health services	610	0.28%	134	0.08%
Other financial losses	278	0.12%	221	0.13%
Insurance guarantees	228	0.10%	575	0.33%
IT related to vessels	15	0.01%	25	0.01%
	220 826	**100.00%**	**174 704**	**100.00%**

34. Insurance expenses

		2014 BGN '000	2013 BGN '000
Expenses for insurance reserves set aside		(255 991)	(202 279)
Indemnities paid off	34.1	(122 874)	(80 754)
Reinsurance expenses		(37 527)	(32 151)
Acquisition expenses		(48 128)	(35 411)
Liquidation of damages expenses		(4 610)	(3 336)
Other insurance expenses		(16 903)	(12 049)
		(486 033)	**(365 980)**

34.1. Indemnities paid off

During 2014and 2013he following indemnities, classified by group of insurance, have been paid off:

	2014 Indemnities paid off BGN'000	2014 Share %	2013 Indemnities paid off BGN'000	2013 Share %
Casco	(79 042)	64.33%	(54 180)	67.09%
Motor public liability insurance	(23 052)	18.77%	(18 093)	22.41%
General public liability insurance	(7 002)	5.70%	(460)	0.57%
Fire and natural calamities	(3 729)	3.03%	(4 134)	5.12%
Casco of aircrafts	(3 686)	3.00%	(1 280)	1.58%
Property damage	(2 447)	1.99%	(370)	0.46%
Travel assistance	(1 189)	0.97%	(958)	1.19%
Life insurance	(1 160)	0.94%	(315)	0.39%
Accident	(808)	0.66%	(496)	0.61%
Health services	(234)	0.19%	(7)	0.01%
Freight transport	(220)	0.18%	(135)	0.17%
Casco of vessels	(125)	0.10%	(91)	0.11%
Additional insurance	(100)	0.08%	(147)	0.18%
Loans and leases	(55)	0.04%	(78)	0.10%
Other financial losses	(19)	0.02%	-	-
IT connected with aircraft	(6)	0.00%	(10)	0.01%
	(122 874)	**100.00%**	**(80 754)**	**100.00%**

35. Interest income

	2014 BGN'000	2013 BGN'000
Interest income by types of sources:		
Legal entities	153 715	162 582
Government securities	35 565	32 985
Banks	8 449	8 526
Individuals	30 376	30 474
Other	988	535
	229 093	**235 102**

36. Interest expense

	2014 BGN'000	2013 BGN'000
Interest expense by depositors:		
Legal entities	(39 354)	(55 393)
Individuals	(78 874)	(78 032)
Banks	(9 627)	(8 095)
Other	(5 235)	(595)
	(133 090)	**(142 115)**

37. Gains from transactions with financial instruments

	2014 BGN'000	2013 BGN'000
Revaluation of financial instruments	460 085	388 189
Gains from transactions with securities	23 964	26 757
Income from financial instruments dividends	5 342	4 396
Other	4 152	-
	493 543	**419 342**

38. Losses from transactions with financial instruments

	2014 BGN'000	2013 BGN'000
Revaluation of financial instruments	(404 752)	(339 490)
Losses from transactions with securities	(15 329)	(7 247)
Other	(100)	(2)
	(420 181)	**(346 739)**

39. Administrative expense

	2014 BGN'000	2013 BGN'000
Employee benefits expense	(76 324)	(70 239)
Hired services expense	(63 431)	(66 316)
Depreciation and amortization	(35 051)	(33 943)
Cost of materials	(6 618)	(6 676)
Other	(24 202)	(35 193)
	(205 626)	**(212 367)**

40. Gain from acquisitions

From the concluded in 2014 business combinations, the Group has recognized gain at the amount of BGN 724 thousand, related to the following entities:

	2014 BGN'000	2013 BGN'000
Silver Wings Bulgaria OOD	-	724
	-	**724**

41. Other financial income

	2014 BGN'000	2013 BGN'000
Revenue from fees and commissions, net	50 263	45 389
Net result from foreign exchange differences	23 221	3 146
Other	8 766	17 139
	82 250	**65 674**

41.1. Revenue from fees and commissions

	2014 BGN'000	2013 BGN'000
Bank transfers in Bulgaria and abroad	22 737	21 942
Servicing deposit accounts	9 326	10 696
Servicing loans	1 816	1 864
Servicing commitments and contingencies	1 204	1 240
Other fees and commissions income, different from banks	12 470	10 359
Other income	11 763	7 247
Total revenue from fees and commissions	**59 316**	**53 348**

41.2. Fees and commissions expense

	2014 BGN'000	2013 BGN'000
Bank transfers in Bulgaria and abroad	(5 780)	(5 375)
Servicing accounts	(1 388)	(1 125)
Release of precious parcels	(231)	(203)
Transactions with securities	(130)	(73)
Other fees and commissions expenses, different from banks	(67)	(427)
Other expenses	(1 457)	(756)
Total fees and commissions expenses	**(9 053)**	**(7 959)**

42. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2013: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2014 BGN‘000	2013 BGN‘000
Profit before tax	85 086	94 134
Tax rate	10%	10%
Expected tax expense	**(8 509)**	**(9 413)**
Net effect of the decrease of the financial result	5 016	3 090
Current tax expense	**(3 493)**	**(6 323)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	(3 112)	(1 454)
Tax expenses	**(6 605)**	**(7 777)**
Deferred tax expense recognized in other comprehensive income	**370**	**(38)**

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

43. Earnings per share

43.1. Earnings per share

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

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

	31 December 2014	31 December 2013
Profit attributable to the shareholders of the Group (BGN)	64 476 000	73 392 000
Weighted average number of outstanding shares	144 478 166	144 902 698
Basic earnings per share (BGN per share)	**0.45**	**0.51**

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 2014	31 December 2013
Net profit, attributable to shareholders of the Group, adjusted with dividend expense (BGN)	69 082 200	79 188 000
Weighted average number of shares	227 860 731	229 286 222
Diluted earnings per share (BGN per share)	**0.30**	**0.35**

44. Related party transactions

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

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

44.1. Transactions with owners

Sale of goods and services, interest income and other income	**2014**	**2013**
	BGN'000	**BGN'000**
- interest income		
Invest Capital AD	9 159	11 302
Purchase of services, interest expense and other expenses		
- purchase of services		
Invest Capital AD	(21)	
- interest expense		
Invest Capital AD	(5)	(3)

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

Sale of goods and services, interest income and other income	**2014**	**2013**
	BGN'000	**BGN'000**
- sale of work in progress		
Kavarna Gas OOD	1 251	1 021
Chimsnab Trade OOD	488	484
- sale of finished goods		
Fraport TSAM AD	1 090	1 265
VTC AD	273	285
Aviation Company Hemus Air EAD	259	114
Chimsnab Trade OOD	4	1
Other	34	2
- sale of services		
Lufthansa Technik Sofia OOD	3 112	2 841
CCB Lider DF	603	537
CCB Aktiv DF	481	433
Swissport Bulgaria AD	202	12
Balcan Tours OOD	61	54
Neochim AD	48	48
CCB Garant VF	23	22
Aviation Company Hemus Air EAD	12	67
Other	71	66
- interest income		
Aviation Company Hemus Air EAD	9 513	8 362
Invest Capital Asset Management EAD	661	-
Niko Commerce AD	511	587
Konor GmbH	276	833
Varna Ferry OOD	119	88
Lufthansa Technik Sofia OOD	52	-
Fraport TSAM AD	6	20
M Car OOD	4	-
Other	88	234
- other income		
Aviation Company Hemus Air EAD	1 075	966

Sale of goods and services, interest income and other income	**2014**	**2013**
	BGN'000	**BGN'000**
Bulgaria On Air OOD	-	648
Lufthansa Technik Sofia OOD	196	462
Other	54	52
Purchases of services and interest expense		
-purchases of services		
Lufthansa Technik Sofia OOD	(9 238)	(8 316)
Fraport TSAM AD	(6 060)	(6 103)
Swissport Bulgaria AD	(3 648)	(774)
Silver Wings Bulgaria OOD	(3 099)	(1 566)
Aviation Company Hemus Air EAD	(937)	(2 603)
Varna Cars OOD	(3)	(121)
Bulgaria On Air OOD	-	(1 097)
Other	(14)	(35)
-interest expense		
Niko Comers AD	(200)	(132)
Fraport TSAM AD	(100)	(36)
Invest Capital Asset Management EAD	(36)	(7)
Dobrichki panair AD	(26)	(35)
Amadeus Bulgaria OOD	(13)	(18)
CCB Cyprus	-	(62)
Other	(31)	(99)

44.3. 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:

	2014	**2013**
	BGN'000	**BGN'000**
Short-term employee benefits:		
Salaries, including bonuses	(339)	(2 411)
Social security costs	(18)	(28)
Group car allowance	(1)	(6)
Total short-term benefits	**(358)**	**(2 445)**

45. Related party balances at year-end

	2014 BGN'000	2013 BGN'000
Non-current receivables from:		
- owners		
Invest Capital AD	2 762	2 200
	2 762	**2 200**
- associates		
Lufthansa Technik Sofia OOD	2 347	2 959
Varna Ferry OOD	2 433	1 993
	4 780	**4 952**
- other related parties		
Aviation Company Hemus Air EAD	11 998	99
PFK Cherno More AD	2 601	1 564
Other	-	-
	14 599	**1 663**
Total non-current receivables from related parties	**22 141**	**8 815**

	2014 BGN'00	2013 BGN'000
Current receivables from:		
- owners		
Invest Capital AD	125 786	141 649
	125 786	**141 649**
- associates		
Varna Ferry OOD	1 173	-
Lufthansa Technik Sofia OOD	713	355
Kavarna Gas OOD	686	629
Fraport TSAM AD	139	151
VTC AD	-	1
	2 711	**1 136**
- other related parties		
Aviation Company Hemus Air EAD	125 144	115 178
Konor GmbH	11 164	9 828
Niko Comers OOD	4 156	7 784
Consortium Energoproekt – Royal Haskoning	1 416	1 415
Varna Cars OOD	788	-
M Car OOD	177	58
PFC Cherno More AD	158	143
Via Intercar 2007	139	364
Chimsnab Trade OOD	65	37
Other	868	213
	144 075	**135 020**
Total current receivables from related parties:	**272 572**	**277 805**

	2014 BGN'000	2013 BGN'000
Non-current payables to:		
-owners		
Invest Capital AD	2	2
- associates		
VTC AD	1429	1 491
Nuance BG AD	432	162
Amadeus Bulgaria OOD	139	127
Fraport TSAM AD	90	1 719
Kavarna Gaz OOD	-	6
Lufthansa Technik Sofia OOD	-	1
	2 090	**3 506**
- other related parties		
Swissport Bulgaria AD	176	-
M Car OOD	159	164
Varna Cars OOD	94	62
Chimsnab Trade OOD	31	20
Invest Capital Asset Management EAD	20	3
Capital Invest EAD	11	21
Aviation Company Hemus Air EAD	-	1
Other	67	344
	558	**615**
Total non-current payables to related parties:	**2 650**	**4 123**

Current payables to:	**2014** **BGN'000**	**2013** **BGN'000**
-owners		
Chiminvest Institute	-	1
Invest Capital AD	355	12 593
	355	**12 594**
-associates		
Fraport TSAM AD	2 288	7 176
Lufthansa Technik Sofia OOD	2 212	3 140
Silver Wings Bulgaria OOD	1 226	988
Swissport Bulgaria AD	942	445
Dobrichki panair AD	750	986
VTC AD	680	1 490
Amadeus Bulgaria OOD	478	478
Nuance BG AD	338	126
	8 914	**14 829**
- other related parties		
Niko Comers AD	2 290	1 827
Consortium Energoproekt – Royal Haskoning	1 900	1 900
Invest Capital Asset Management EAD	446	242
M Car OOD	347	202
Varna Cars	100	
Capital Invest EAD	29	8
Chimsnab Trade OOD	26	4

Other	507	2 028
	5 645	**6 211**
Total current payables to related parties:	**14 914**	**33 634**

46. Contingent assets and liabilities and other commitments

As at 31 December 2014and 2013 the Group has entered into granting bank loans to customers, which future utilization depends on whether the lessees fulfill certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.

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

	2014 BGN'000	2013 BGN'000
Bank guarantees in: BGN	51 484	33 636
Bank guarantees in: foreign currency	30 609	30 678
• Irrevocable commitments	104 273	108 698
• Other contingent liabilities	208	241
Total contingent liabilities	**186 574**	**173 253**

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

- For the sum of EUR 50 000, guaranteeing the activities of environmental protection and reclamation of damaged as a result of geological terrains activities in Block 1-12 Knezha, Bulgarian land. The bank guarantee is valid until 30.06.2015;
- In connection with the expiration of validity of the bank guarantee, issued by the "DSK Bank" EAD on 03.04.2013, a new bank guarantee in the amount of EUR 44 000 was issued, guaranteeing the execution of the work program of the Group for the third year of the term of the prospecting and exploration of crude oil and natural gas in Block 1-12 Republic, Bulgarian land.

The Group is party to bank guarantees issued by UniCredit Bulbank totaling BGN 121 thousand The guarantees are valid until 30.11.2030.

Under the concluded contract with Texim Bank AD for issuance of bank guarantees, the Group has provided bank guarantees in the amount of BGN 576 thousand

The Group shall provide and maintain confirmed, unconditional, irrevocable bank guarantee in the amount of BGN 100 thousand to ensure proper performance under contract to provide access for port services in a port for public transport of regional importance "Pristis".

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

- bank guarantee for good performance to guarantee the investment program for the first investment year in the amount of BGN 160 thousand
- A bank guarantee: for good performance guarantee fulfillment of obligations under the contract in the amount of BGN 449 thousand

- A bank guarantee for customs purposes to cover the duties and other state receivables of goods stored in a customs warehouse at BGN 50 thousand.

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

Commitments

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

- As of 31 December 2014 a commitment to the provision of port services in a port for public transport with regional importance - Port "Pristis" for a period of not more than 5 years is effective. The Group undertakes to implement an annual traffic for each year of the contract period as follows: 1 510 Ship visits and 23 050 passengers. As of 31 December 2014 annual traffic was carried as follows: 1 092 ship visits and 39 443 passengers
- Concession Agreement for Port Terminal - Balchik: Investment Program in the amount no less than BGN 3 475 thousand
- The agreement with the Ministry of Transport, Information Technology and Communications, on concession service on port terminal "Vidin - North" and port terminal "Ferry complex Vidin" parts of the port for public transport of national importance Vidin, is for a period of 30 years.
- Contract for the concession of port terminal "Lesport" for a period of 30 years from 3 May 2006: Investment Program; - For the entire period - amounting to no less than BGN 129,010 thousand
- Agreement with the Ministry of Transport, Information Technology and Communications, on a service concession for the provision of a service concession on Port Terminal "Republic", part of the port for public transport of national importance Ruse is for a period of 35 years.
- The Group has a commitment to bring its activities in compliance with environmental standards pursuant to Directive 97/68 Level II of the European Union to reduce greenhouse gas emissions, as well as based on the Regulations for Protection of the Danube River from pollution navigation
- Agreement for the concession of "Port Terminal Lom" for a period of 35 years. The investment program for the second contract year in relation to obligations for investment covers the period 01.01.2015 - 31.12.2015 and amounts to BGN 2 100 thousand
- In 2015, the Company shall make a total investment of BGN 339 thousand for the eighth concession year of the concession in the following areas
    - Direction serviceability totaling BGN 195 thousand
    - Direction Consultation on the implementation of the concession contract in the amount of BGN 144 thousand

The term of the investments is 31 December 2015

Contingent liabilities for the Group's associates

Bank guarantees:

Bank guarantee in favor of CTM Sofia Airport in the amount of BGN 8 700 thousand

Bank guarantee in connection with the concession contract for the airports in Varna and Bourgas in the amount of EUR 15,000 thousand.

Commitments:

- Fraport Twin Star Airport Management AD is a concessionaire under the contract for the modernization and operation of Civil airport for public use "Burgas" and Civil airport for public use "Varna" with a 35 years period starting from 2006. Obligations under the investment program amounting to the higher of the two amounts: 19.2% of revenues or contractually guaranteed minimum annual fee and others.
- During the year various legal claims to and from the Group were issued. With the exception of those that have already accrued provisions, the Group's management believes that the claims made claims are unfounded and that they tend to cost for the Group at their settlement is small. This assessment of the management is supported by the opinion of independent legal counsel. None of the above claims has not been exposed here in detail, in order not to have a serious impact on the Group's position in resolving them.

47. Non-cash transactions

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

- The Group has offset dividends payable on preferred shares against receivables from some of its shareholders amounting to BGN 14 179 for 2014 (13 614 thousand for 2013).

48. 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**	**2014 BGN‘000**	**2013 BGN‘000**
Financial assets held to maturity	16.3, 13.2		
- debentures		**298 338**	**303 235**
Financial assets available for sale:	16.4, 13.4		
- Securities and debentures		**356 196**	**307 900**
Financial assets held for trading (carried at fair value through profit or loss):	16.2, 13.3		
- Non-derivative financial assets securities and debentures		1 180 633	851 874
- Derivatives		6 068	13 097
		1 186 701	**864 971**
Loans and receivables			
- Trade and other receivables	17, 19	166 597	264 295
- Receivables on insurance and reinsurance contracts	16.5	62 392	56 985
- Receivables on loans provided	16.1, 13.1	2 318 421	2 143 593
- Receivables from related parties	45	294 713	286 620
- Cash and cash equivalents	20	1 480 670	1 317 412
		4 322 793	**4 068 905**
		6 164 028	**5 545 011**

Financial liabilities	**Note**	**2014 BGN‘000**	**2013 BGN‘000**
Financial liabilities, measured at amortised cost:			
- liabilities to depositors	24.1	3 848 262	3 346 374
- loans	24.3, 24.4, 24.5	298 897	394 494
- dividend obligations	24.2	34 672	47 847
- bank deposits	24.8	18 495	23 342
- cession payables		85 505	16 109
- insurance contracts payables	24.6	15 946	15 639
- obligations under repo agreements		1 408	-
- finance lease obligations	9.1	10 776	15 462
- trade and other payables	26, 29	201 369	218 034
- related parties payables	45	17 564	37 757
		4 532 894	**4 115 058**
Derivatives designated as hedging instruments in cash flow (at fair value):			
Derivatives	24.7	**2 633**	**10 860**
		4 535 527	**4 125 918**

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 49. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 4.19.

49. Financial instruments risk

Risk management objectives and policies

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

The Group is exposed to different types of risk with regards to its financial instruments. For further information see note 48. The most significant financial risks to which the Group is exposed to are described below.

49.1. Insurance risk

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

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

The Group is exposed mainly to the following risks:

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

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

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

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

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

Simulations as at 31 December 2013	Profit	Equity	Solvency limit	Coverage coefficient	Δ of the coverage coefficient
	BGN'000	BGN'000	BGN'000	%	%
Current capital position	443	60 215	27 100	222%	
Return on investments (+2%)	7 263	67 035	27 100	247%	25%
Return on investments (-1.5%)	3 082	62 854	27 100	232%	10%
Increase of the expenses quota (+10%)	(3 550)	56 222	27 100	207%	(15%)
Increase of the damages (+10%)	(4 325)	55 447	27 100	205%	(18%)

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

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

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

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

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

49.1.1. 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.

49.1.2. 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	2014 Damages, quota, gross %	2014 Damages, quota, net %	2013 Damages, quota, gross %	2013 Damages, quota, net %
Accident insurance	24%	22%	51%	52%
Including obligatory accident insurance of the passengers in the public transport	7%	8%	2%	2%
Illness	0%	0%	0%	0%
Casco	99%	71%	65%	66%
Insurance of rail vehicles	0%	0%	0%	0%
Casco of aircrafts	-38%	208%	141%	30%
Casco of vessels	46%	55%	21%	(9%)
Cargo insurance during transportation	9%	-8%	27%	20%
Fire and natural calamities insurance	75%	39%	14%	14%
Property damage insurance	125%	131%	24%	28%
Insurance associated with the ownership and usage of motor vehicles, including:	51%	54%	46%	40%
Third-party vehicle insurance	50%	52%	42%	36%
"Green Card" insurance	61%	124%	439%	405%
Third-party boarder insurance	200%	285%	14%	14%
Third-party carrier insurance	5%	5%	27%	27%
Third-party aviation insurance	0%	36%	0%	35%
Third party vessels insurance	3181%	1578%	6%	10%
General third-party insurance	-220%	-181%	38%	46%
Credit insurance	-51%	-51%	32%	32%
Guarantees insurance	0%	0%	0%	0%
Insurance against financial losses	8%	8%	53%	53%
Insurance against legal expenses	0%	0%	0%	0%
Travel assistance	36%	36%	41%	41%
Total:	**71%**	**59%**	**54%**	**53%**

Comparing annual net damages quota - for 2014 and 2013 it appears that there is a significant reduction in damages.

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

Type of insurance	BGN	Number	Average indemnity 2014	Average indemnity 2013	Average indemnity 2012	Average indemnity 2011
Accident insurance	789 154	1 528	516	461	764	519
Casco	79 398 875	82 884	958	749	767	760
Casco of aircrafts	3 696 100	20	184 805	85 859	57 053	162 113
Casco of vessels	160 494	26	6 173	8 289	17 934	15 402
Cargo insurance during transportation	223 731	86	2 602	2 601	469	1 190
Fire and Natural calamities insurance	3 749 919	2 485	1 509	2 668	1 364	965
Property damage insurance	2 241 912	119	18 840	8 040	7 957	8 526

Type of insurance	BGN	Number	Average indemnity 2014	Average indemnity 2013	Average indemnity 2012	Average indemnity 2011
Insurance associated with the ownership and usage of motor vehicles, including:	19 054 502	9 163	2 080	2 241	2 235	2 180
Third-party aviation insurance	5 862	6	977	2 051	10 645	5 222
Third party vessels insurance	-	-	-	-	-	36 270
General third-party insurance	1 089 926	26	41 920	12 783	23 774	12 997
Credit insurance	54 779	5	10 956	9 754	9 754	40 511
Guarantees insurance	-	-	-	-	-	161
Insurance against financial losses	18 637	3	6 212	-	7 758	7 350
Travel assistance	1 184 119	1 633	725	727	717	983
Total:	**111 668 010**	**97 984**	**1 140**	**948**	**949**	**960**

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						
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	
At the end of the period	76 769	47 874	52 711	42 654	48 214	42 575	310 797
1 year later	-	20 408	25 093	17 472	18 386	16 747	98 107
2 years later	-	-	5 528	4 142	3 679	3 938	17 287
3 years later	-	-	-	3 034	1 878	2 550	7 461
4 years later	-	-	-	-	1 420	830	2 250
5 years later	-	-	-	-	-	2 881	2 881
Cumulative payments, current	76 769	68 282	83 332	67 302	73 577	69 521	438 783
General assessment of the indemnities	127 728	80 049	91 686	71 358	76 758	69 522	517 101
As at 31 December							
Payments:							
Assessment:	50 959	11 767	8 354	4 055	3 181	1	78 318
Actual	80 867	13 965	15 045	6 328	4 627	2 472	123 304

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

49.1.3. Solvency limit

As at the end of 2014 the defined solvency limit is in accordance with the respective legal requirements:

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

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

49.2. 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 2014 is as follows:

	BGN	EUR	USD	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL ASSETS					
Placements with, and advances to, banks	4	73 338	41 721	32 019	147 082
Receivables under repurchase agreements	155 233	968	-	-	156 201
Financial asset held-for-trading	108 625	90 490	2 143	3 961	205 219
Loans and advances to customers, net	911 598	850 009	51 014	130 204	1 942 825
Available-for-sale financial assets	68 452	135 168	8 616	28 672	240 908
Held-to-maturity financial assets	36 095	146 788	-	95 888	278 771
TOTAL ASSETS	**1 280 007**	**1 296 761**	**103 494**	**290 744**	**2 971 006**
FINANCIAL LIABILITIES					
Deposits from banks	1 015	3 664	2 026	10 527	17 232
Bank loans	-	-	-	450	450
Liabilities to other depositors	2 415 629	1 145 879	180 932	173 176	3 915 616
Other attracted funds	171	-	-	778	949
Subordinated liabilities	-	18 961	-	-	18 961
TOTAL LIABILITIES	**2 416 815**	**1 168 504**	**182 958**	**184 931**	**3 953 208**
NET POSITION	**(1 136 808)**	**128 257**	**(79 464)**	**105 813**	**(982 202)**

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

	BGN	EUR	USD	Other	Total
	'000	'000	'000	'000	'000
FINANCIAL ASSETS					
Placements with, and advances to, banks	31,075	159,876	8,256	63,612	262,819
Receivables under repurchase agreements	47,695	969	-	-	48,664
Financial asset held-for-trading	97,491	21,415	10,822	2,311	132,039
Financial assets at fair value	928,568	756,123	89,074	87,087	1,860,852
Loans and advances to customers, net	40,916	153,891	11,430	8,959	215,196
Available-for-sale financial assets	69,837	90,415	-	123,299	283,551
TOTAL ASSETS	**1,215,582**	**1,182,689**	**119,582**	**285,268**	**2,803,121**
FINANCIAL LIABILITIES					
Deposits from banks	4,541	13,445	2,272	448	20,706
Bank loans	7,072	-	-	739	7,811
Liabilities to other depositors	2,038,970	1,074,740	180,406	187,320	3,481,436
Other attracted funds	290	-	-	778	1,068
Subordinated liabilities	-	19 325	-	-	19 325
TOTAL LIABILITIES	**2,050,873**	**1,107,510**	**182,678**	**189,285**	**3,530,346**
NET POSITION	**(835,291)**	**75 179**	**(63,096)**	**95,983**	**(727,225)**

49.3. 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 2014, 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 +/- 1.79 %, 1-month SOFIBOR, amounting to +/- 4.84% , 3-month SOFIBOR, amounting to +/- 9.12% and a floating rate based on 1-month EURIBOR, amounting to +/- 9.86 %, 3-month EURIBOR, amounting to +/- 9.70%, 12-month EURIBOR, amounting to +/- 10.32%. 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 2014	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1W SOFIBOR	(3)	3	(3)	3
1M SOFIBOR	(6)	6	(6)	6
3M SOFIBOR	(27)	27	(27)	27
1M EURIBOR	(4)	4	(4)	4
3M EURIBOR	(12)	12	(12)	12
12M EURIBOR	(9)	9	(9)	9

31 December 2013	Net financial result		Equity	
	Increase of the interest rate	Decrease of the interest rate	Increase of the interest rate	Decrease of the interest rate
1M SOFIBOR	(9)	9	(9)	9
3M SOFIBOR	(2)	2	(2)	2
3M EURIBOR	(11)	11	(11)	11
6M EURIBOR	(3)	3	(3)	3
12M EURIBOR	(6)	6	(6)	6
3M LIBOR	(2)	2	(2)	2

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 2014 is negative, amounting to BGN 1 168 195 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 33.32%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to banks	145 955	1 127	-	-	-	147 082
Receivables under repurchase agreements	68 147	16 762	71 292	-	-	156 201
Financial assets held-for-trade	762	-	110 236	12 806	-	123 804
Loans and advances to customers, net	108 545	82 217	481 015	864 465	406 583	1 942 825
Financial assets held-for-trade	-	-	54 310	126 174	6 831	187 315
Financial assets held-to-maturity	26 026	13 278	76 810	92 654	70 003	278 771
INTEREST-BEARING ASSETS	349 435	113 384	793 663	1 096 099	483 417	2 835 998
INTEREST-BEARING LIABILITIES						
Deposits from banks	10 698	6534	-	-	-	17 232
Bank loans	25	2	43	204	176	450
Liabilities to other depositors	1 832 364	369 205	963 016	745 127	5 904	3 915 616
Other attracted funds	6	12	75	78	778	949
Shares Issues	-	-	-	-	69 946	69 946
INTEREST–BEARING LIABILITIES	1 843 093	375 753	963 134	745 409	76 804	4 004 193
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(1 493 658)	(262 369)	(169 471)	350 690	406 613	(1 168 195)

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 2014, over the net interest income, assuming an increase of 2% (2013: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 902 thousand (2013:BGN 1 809 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2013 is negative, amounting to BGN 882 743 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 31.49%.

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

49.4. Credit risk sensitivity

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

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

	2014 BGN'000	2013 BGN'000
Financial assets – carrying amounts:		
Non-current financial assets	1 848 462	1 676 397
Related parties receivables	22 141	8 815
Current financial assets	2 373 586	2 000 287
Related parties receivables	272 572	277 805
Cash and cash equivalents	1 480 670	1 317 412
Trade and other receivables	166 597	264 295
Carrying amount	**6 164 028**	**5 545 011**

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

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

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

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

Group's policy regarding banking activities

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

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

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

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

In order to reduce the credit risk, in compliance with the internal credit rules, 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 1 232 519 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 147 141 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 2014 the lump sum of this risk amounts to BGN 30 161 thousand. As at 31 December 2014 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 59 thousand.

The receivables under repurchase agreements, amounting to BGN 156 201 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 70 899 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 85 302 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 205 219 thousand carry mainly market risk to the Group, which is analyzed in the notes, related to the market risk.

The equity instruments held-for-sale, amounting to BGN 53 857 thousand, are shares in financial and non-financial companies as well as shares in mutual funds, that carry credit risk, whose maximum exposure percentage is 100% or BGN 53 857 thousand. As at 31 December 2014 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 265 thousand.

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

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 96 459 thousand, bear credit risk, whose maximum exposure is 100% or BGN 96 459 thousand .

The debentures held to maturity and issued by the Republic of Bulgaria in the amount of BGN 162 657 thousand do not carry credit risk as they are guaranteed by the Bulgarian state. The debentures held to maturity and issued by the National Bank of the Republic of Macedonia in the amount of BGN 19 380 thousand do not carry credit risk as they are guaranteed by the National Bank of the Republic of Macedonia. The debentures held to maturity and issued by the Republic of Macedonia in the amount of BGN 75 692 thousand do not carry credit risk as they are guaranteed by the Macedonian state. The debentures held to maturity and issued by the Russian Federation in the amount of BGN 816 thousand do not carry credit risk as they are guaranteed by the Russian Federation.

The debt instruments held-to-maturity and issued by foreign trade company, amounting to BGN 20 226 thousand carry credit risk to the Group, whose maximum exposure in percentage is one hundred percent or BGN 20 226 thousand.

Loans and advances to customers with a carrying value of BGN 1 978 711 thousand carry credit risk for the Group. To determine the amount of exposure of the Group to this risk, an analysis of individual risk for the Group arising from each particular exposure , the Group applies the criteria for assessment and classification of risk exposures , compliance with the banking legislation of the Republic of Bulgaria , the Republic of Macedonia, Russian Federation and IFRS. According to these criteria and performed analysis of the Group's maximum exposure to credit risk amounts to BGN 1 634 934 thousand. In order to minimize the credit risk in the lending process detailed procedures for the analysis of the economic viability of each project, the types of collateral acceptable to the Group's control over the use of allocations and administration associated with this activity, are applied. The Group maintains respect to total capital ratio above the statutory requirements, mainly as a response to concentration risk.

The adoption and control over the limits for credit risk restrict concentrations of risk exposures by geographic regions, industries, business segments and groups of loans, common risk bearers. The Group has adopted a methodology for calculating the allowance for impairment of loans and advances to customers based on the requirements of IFRS. As of 31 December 2014 the amount of formed by the provisions for losses on impairment of loans and advances amounts to BGN 35 887 thousand.

Quality of the credit portfolio

Classes of financial assets as at 31 December 2014:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount BGN '000**	***Share %***	**Provisions BGN '000**	**Amount BGN '000**	**Amount BGN '000**	***Share %***	**Provisions BGN '000**
Regular	1 886 050	95.32	6 291	105 699	76 986	93.78	39
Monitored	24 381	1.23	1 187	1 100	3 168	3.86	-
Not serviced	13 525	0.68	3 152	153	-	-	-
Loss	54 755	2.77	25 257	130	1 939	2.36	-
Total	1 978 711	100	35 887	107 082	82 093	100	39

Classes of financial assets as at 31 December 2013:

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**
Regular	1 802 568	95.14	3 059	107 854	64 314	100	22
Monitored	25 927	1.37	1 514	533	-		-
Not serviced	18 687	0.99	3 637	184	-		-
Loss	47 382	2.50	25 502	149	-		-
Total	1 894 564	100	33 712	108 720	64 314	100	22

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

Name of the group	**31 December 2014**			**31 December 2013**		
	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	1 243 330	62.84	156 201	1 344 261	70.95	48 664
Outstanding but not impaired	578 629	29.24	-	425 513	22.46	-
Impaired on individual base	156 752	7.92	-	124 790	6.59	-
Total	1 978 711	100	156 201	1 894 564	100	48 664
Set-aside provisions	(35 887)		-	(33 712)		-
Net loans	**1 942 824**		**156 201**	**1 860 852**		**48 664**

As at 31 December 2014 and 2013 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:

	2014	**2013**
	BGN '000	**BGN'000**
Individuals		
Credit cards and overdrafts	14 925	22 102
Consumer loans	139 791	94 670
Mortgage loans	60 143	40 565
Corporate clients	1 028 471	1 186 924
Total	**1 243 330**	**1 344 261**

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.

	2014 BGN '000	2013 BGN'000
Individuals		
Credit cards and overdrafts	6 429	8 152
Consumer loans	15 019	15 577
Mortgage loans	19 656	20 234
Corporate clients	537 525	381 550
Total	**578 629**	**425 513**

The book value of the loans, with accrued provision on an individual basis as at 31 December 2014 and 2013 is BGN 44 460 thousand and BGN 51 230 thousand. These amounts do not include cash flows from the collaterals of these loans.

31 December 2014	**Book value before impairment BGN '000**	**Book value before impairment BGN '000**	**Book value before impairment BGN '000**	**Total highly liquid collateral BGN '000**
Credit cards and overdrafts	1 490	680	3 056	-
Consumer loans	5 620	2 246	7 919	3 417
Mortgage loans	1 310	66	2 072	2 629
Corporate clients	1 991	2 440	15 568	24 221
Total	**10 412**	**5 432**	**28 615**	**30 267**

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

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

Client	**Contracted limit**	**Net exposure as at 31.12.2014**	**Client**	**Contracted limit**	**Net exposure as at 31.12.2013**
Company 1	81 771	80 416	Company 1	75 008	80 112
Company 2	64 884	44 201	Company 2	75 916	77 810
Company 3	68 388	67 592	Company 3	65 850	65 864
Company 4	55 076	52 667	Company 4	68 255	60 385
Company 5	73 301	48 085	Company 5	71 697	49 444
Company 6	42 246	46 971	Company 6	48 070	49 273
Company 7	43 764	45 739	Company 7	42 246	44 096
Company 8	39 420	40 697	Company 8	39 420	39 576
Company 9	73 998	73 480	Company 9	52 844	37 699
Company 10	31 793	36 023	Company 10	58 969	36 611

Client	Contracted limit	Net exposure as at 31.12.2014	Client	Contracted limit	Net exposure as at 31.12.2013
Total	**574 641**	**535 871**		**598 275**	**540 870**

The total net exposure for 2014 and 2013 represents 27.08 % and 27.19%, respectively, from the Group's loans and advances from clients.

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

Segment	Group	Amount		Delay of payment				
		Number of transactions	**Debt**	**Principal**	**Interest**	**Court receivables**	**Provisions**	**Unutilized engagement**
Trade	Regular	80 616	320 954	432	189	-	2 186	41 208
	Monitored	2 946	12 715	424	221	-	713	463
	Not serviced	1 317	7 652	643	346	-	1 444	153
	Loss	4 099	20 353	1 978	1 312	10 974	9 843	108
Total		**88 978**	361 674	3 477	2 068	10 974	14 186	41 932
Corporate	Regular	1 060	1 558 477	8 989	3 242	-	4 085	64 481
	Monitored	53	11 666	40	192	-	474	587
	Not serviced	10	5 873	42	58	-	1 708	-
	Loss	152	34 402	6 546	1 919	17 419	15 414	22
Total		1 275	1 610 418	15 617	5 411	17 419	21 681	65 090
Budget	Regular	6	6 619	345	-	-	20	11
	Monitored	3	-	-	-	-	-	49
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		9	6 619	345	-	-	20	60
	Total portfolio	90 262	1 978 711	19 439	7 479	28 393	35 887	107 082

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

Segment	Group	Amount: Number of transactions	Amount: Debt	Delay of payment: Principal	Delay of payment: Interest	Court receivables	Provisions	Unutilized engagement
Trade	Regular	75 777	241 892	481	196	-	2 751	37 486
	Monitored	3 296	15 369	467	268	-	912	508
	Not serviced	1 540	10 118	778	418	-	1 950	183
	Loss	3 703	20 121	2 212	1 215	9 964	14 159	134
Total		**84 316**	**287 500**	**3 938**	**2 097**	**9 964**	**19 772**	**38 311**
Corporate	Regular	1 297	1 443 214	2 301	2 412	-	307	70 298
	Monitored	98	10 558	65	101	-	602	24
	Not serviced	54	7 004	335	194	-	906	2
	Loss	225	27 261	3 617	1 425	17 200	12 125	15
Total		1 674	**1 488 037**	6 318	4 132	17 200	13 940	70 339
Budget	Regular	9	119 027	-	92	-	-	49
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		9	119 027	-	92	-	-	49
	Total portfolio	**85 999**	**1 894 564**	**10 256**	**6 321**	**27 164**	**33 712**	**108 699**

49.5. 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 2014 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

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

As at 31 December 2013 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	Non-current

	Within 12 months BGN'000	From 2 to 5 years BGN'000	Over 5 years BGN'000
Dividend payables	15 544	32 303	-
Bank and other loans	121 605	198 530	74 359
Related parties payables	33 634	4 123	-
Financial lease payables	5 460	10 748	-
Trade and other payables	243 311	17 331	-
Total	**419 554**	**263 035**	**74 359**

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 21 695 thousand (2013: BGN 15 560 thousand).

Group's policy regarding banking activities

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

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

The Group traditionally maintains huge volume of highly liquid assets – cash and cash equivalents on hand and cash in Central Banks, which ensures the Group's smooth addressing of liquid need. As of 31 December 2014 they cover about 28% of the total assets. As an additional tool for ensuring high liquidity the Group uses resources and advances given to financial institutions. Essentially, these are deposits in prime foreign and Bulgarian financial institutions with maturity of 7 days. As of 31 December 2014 they cover over 3% 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 2.5% of the Group's assets. Maintaining over 33.5% 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 2014, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL LIABILITIES						
Deposits from banks	6 683	7 649	-	2 900	-	17 232
Credits from banks	25	2	43	203	176	450
Liabilities to other depositors	1 831 521	339 127	993 938	745 127	5 904	3 915 616
Other borrowed funds	6	12	75	78	778	949
Issued bonds	-	-	-	-	69 945	69 945
Other liabilities	10 842	-	-	-	-	10 842
FINANCIAL LIABILITIES	**1 849 077**	**346 790**	**994 056**	**748 308**	**76 803**	**4 015 034**

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

The allocation of financial liabilities of the Group as of 31 December 2013, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
FINANCIAL LIABILITIES						
Deposits from banks	12 254	8 452	-	-	-	20 706
Credits from banks	90		168	7 328	225	7 811
Liabilities to other depositors	1 395 855	406 819	995 761	678 011	4 990	3 481 436
Other borrowed funds	17	34	82	157	778	1 068
Subordinated liabilities	-	-	-	-	69 897	69 897
Other liabilities	19 017	-	-	-	-	19 017
FINANCIAL LIABILITIES	**1 427 233**	**415 305**	**996 011**	**685 496**	**75 890**	**3 599 935**

Financial 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.

50. Fair value measurement

50.1. Fair value measurement of financial instruments

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

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

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

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

31 December 2014	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Assets					
Financial assets held for trading	a)	991 387	184 981	1 520	1 177 888
Financial assets available for sale	b)	168 008	-	109 188	277 196
Total		**1 159 395**	**184 981**	**110 708**	**1 455 084**
Liabilities					
Derivatives		-	2 633	-	2 633
Loans in BGN		2 525	-	-	2 525
Total		**2 525**	**2 633**	**-**	**5 158**

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

Measurement of fair value

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

a) Listed equity instruments

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

b) Non-listed equity instruments

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

c) Derivatives

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

d) Loans in BGN

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

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

50.2. Fair value measurement of nonfinancial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014:

31 December 2014	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
Land, building, machines and equipment	-	-	310 684	310 684

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 2014.

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

	Investment properties Land, buildings, machines and equipment BGN '000
Balance at 1 January 2014	229 768
Gains or losses recognised in profit or loss	
- change in fair value of investment property	17 362
Acquisitions and reclassifications	65 781
Disposals and reclassifications	(2 227)
Balance at 31 December 2014	**310 684**
Total amount included in Income from non-financial activities as a result of unrealized gains or losses from assets held at the end of the reporting period	17 362

51. 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:

	2014 BGN '000	2013 BGN '000
Shareholders' equity	1 561 082	1 521 274
Equity	**1 561 082**	**1 521 274**
Debt	5 441 946	4 850 247
- Cash and cash equivalents	(1 480 670)	(1 317 412)
Net debt	**3 961 276**	**3 532 835**
Capital to net debt	**1:2.54**	**1:2.32**

The increase in ratio during 2014 is primarily a result of the increase in the Group's net debt due to its bank and other activities. The Group has honoured its covenant obligations, including maintaining capital ratios.

52. Post-reporting date events

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

- With a contract for the sale of an entity signed on 07.01.2015 and entered in the Commercial Register on 15.01.2015 , "Bulgaria Air" AD acquired the commercial entity "Airline Hemus Air" EAD as a set of rights, liabilities and factual relations

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

53. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2014 (including comparatives) were approved by the Managing board on 29 April 2015.