Grant Thornton

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

CHIMIMPORT AD

31 December 2012

CHIMIMPORT
PUBLIC HOLDING COMPANY

Contents

Consolidated statement of financial position as at 31 December

	Note	2012 BGN '000	2011 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	482 178	526 230
Investment property	10	143 963	92 554
Investments accounted for using the equity method	6	128 503	167 558
Goodwill	11	45 024	42 140
Other intangible assets	12	70 726	81 221
Long-term financial assets	13	1 430 610	1 342 702
Long-term related party receivables	46	14 879	2 181
Deferred tax assets	14	5 129	2 120
Non-current assets		**2 321 012**	**2 256 706**
Current assets			
Inventories	15	36 780	36 204
Short-term financial assets	16	1 743 234	1 389 018
Related party receivables	46	239 108	266 675
Trade receivables	17	163 591	146 621
Tax receivables	18	2 828	4 654
Other receivables	19	189 211	200 020
Reinsurance assets	23.1	17 445	18 001
Cash and cash equivalents	20	1 212 020	1 021 696
Current assets		**3 604 217**	**3 082 889**
Non-current assets, classified as held for sale	21	**72 827**	**30 601**
Total assets		**5 998 056**	**5 370 196**

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

/A. Kerezov/ /I. Kamenov/

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

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

Equity and liabilities	Note	2012 BGN '000	2011 BGN '000
Equity			
Share capital	22.1	229 388	230 345
Share premium	22.2	220 012	225 643
Other reserves	22.3	79 542	70 917
Retained earnings		603 390	558 803
Profit for the year		104 099	111 681
Equity attributed to the shareholders of parent company		1 236 431	1 197 389
Non-controlling interests		224 012	216 844
Total equity		**1 460 443**	**1 414 233**
Specialized reserves	**23**	**181 821**	**156 487**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	24	994 640	719 811
Payables to insured individuals	25	539 948	424 466
Long-term trade payables	26.1	21 337	22 318
Long-term related party payables	46	4 153	2 037
Finance lease liabilities	9.1	15 462	19 870
Pension and other employee obligations	27.2	2 655	2 188
Other long-term liabilities	29	3 276	1 204
Other provisions		438	387
Deferred tax liabilities	14	34 207	21 869
Non-current liabilities		**1 616 116**	**1 214 150**
Current liabilities			
Short-term financial liabilities	24	2 471 103	2 377 693
Trade payables	26.2	109 895	80 539
Short-term related party payables	46	36 959	22 024
Finance lease liabilities	9.1	5 417	6 538
Pension and other employee obligations	27.2	12 932	12 573
Tax liabilities	28	8 767	10 260
Other liabilities	29	94 603	75 690
Current liabilities		**2 739 676**	**2 585 317**
Non-current liabilities held for sale		-	9
Total liabilities		**4 355 792**	**3 799 476**
Total equity, reserves and liabilities		**5 998 056**	**5 370 196**

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

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2012 BGN '000	2011 BGN '000
Income from non-financial activities	30	485 252	477 879
Expenses for non-financial activities	31	(483 561)	(421 667)
Change in fair value of investment property	32	8 047	43 083
Gain on sale of non-current assets	33	24 300	30 838
Net result from non-financial activities		**34 038**	**130 133**
Insurance income	34	352 938	323 650
Insurance expense	35	(338 849)	(298 588)
Net insurance result		**14 089**	**25 062**
Interest income	36	234 393	220 353
Interest expense	37	(159 291)	(145 293)
Net interest income		**75 102**	**75 060**
Gains from transactions with financial instruments and investments	38	367 531	286 435
Losses from transactions with financial instruments and investments	39	(200 364)	(244 111)
Net result from transactions with financial instruments and investments		**167 167**	**42 324**
Administrative expenses	40	(190 187)	(188 981)
Gains from acquisitions	41	346	-
Dividend income		3 435	2 227
Share of profit from equity accounted investments	5.1	11 902	10 899
Other financial income	42	52 020	43 011
Allocation of income to secured persons		(42 150)	(11 127)
Profit before tax		**125 762**	**128 608**
Tax expense	43	(10 797)	(6 005)
Net profit for the period		**114 965**	**122 603**
Other comprehensive income			
Gains from financial assets		4 113	182
Total comprehensive income		**119 078**	**122 785**
Profit for the year attributable to:			
the shareholders of Chimimport AD		104 099	111 681
non-controlling interests		10 866	10 922
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		107 416	111 746
non-controlling interests		11 662	11 039
Basic earnings per share in BGN	44	0.7149	0.7586
Diluted earnings per share in BGN	44	0.4817	0.5122

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

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

The accompanying notes on pages 7 to 127 form an integral part of the financial statements.

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		
Adjusted balance at 1 January 2012	**230 345**	**225 643**	**70 917**	**670 484**	**1 197 389**	**216 844**	**1 414 233**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(957)	(5 631)	-	-	(6 588)	-	**(6 588)**
Business combinations	-	-	(13 578)	(48 204)	(61 782)	(4 494)	**(66 276)**
Transactions with owners	**(957)**	**(5 631)**	**(13 578)**	**(48 204)**	**(68 370)**	**(4 494)**	**(72 864)**
Profit for the year ending 31 December 2012	-	-	-	104 099	104 099	10 866	**114 965**
Other comprehensive income							
Revaluation of financial assets	-	-	3 317	-	3 317	796	**4 113**
Total comprehensive income for the year	**-**	**-**	**3 317**	**104 099**	**107 416**	**11 662**	**119 078**
Transfer of retained earnings to other reserves	-	-	18 886	(18 886)	-	-	**-**
Other changes	-	-	-	(4)	(4)	-	**(4)**
Balance at 31 December 2012	**229 388**	**220 012**	**79 542**	**707 489**	**1 236 431**	**224 012**	**1 460 443**

Prepared by: ______________________
/A. Kerezov/

Executive director: ______________________
/I. Kamenov/

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

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

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Adjusted balance at 1 January 2011	**229 759**	**219 761**	**(3 124)**	**638 765**	**1 085 161**	**217 796**	**1 302 957**
Increase in share capital and reserves resulting from sale of treasury shares by subsidiaries	795	6 181	-	-	6 976	-	**6 976**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(209)	(299)	-	-	(508)	-	**(508)**
Business combinations	-	-	(12 854)	6 870	(5 984)	(11 991)	**(17 975)**
Transactions with owners	**586**	**5 882**	**(12 854)**	**6 870**	**484**	**(11 991)**	**(11 507)**
Profit for the year	-	-	-	111 681	111 681	10 922	**122 603**
Other comprehensive income							
Share of other comprehensive income of associates	-	-	-	(39)	(39)	39	**-**
Revaluation of financial assets	-	-	104	-	104	78	**182**
Total comprehensive income for the year	**-**	**-**	**104**	**111 642**	**111 746**	**11 039**	**122 785**
Transfer of retained earnings to other reserves	-	-	86 791	(86 791)	-	-	**-**
Other changes	-	-	-	(2)	(2)	-	**(2)**
	230 345	**225 643**	**70 917**	**670 484**	**1 197 389**	**216 844**	**1 414 233**

Prepared by: ______________
/A. Kerezov/

Executive director: ______________
/I. Kamenov/

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

Consolidated statement of cash flows for the year ended 31 December

	Note	2012	2011
		BGN'000	BGN'000
Proceeds from short-term loans		97 911	195 840
Payments for short-term loans		(109 541)	(192 030)
Proceeds from sale of short-term financial assets		628 504	630 191
Purchase of short-term financial assets		(634 464)	(627 706)
Cash receipt from customers		600 443	453 072
Cash paid to suppliers		(544 065)	(421 245)
Proceeds from secured persons		95 481	89 187
Payments to secured persons		(13 527)	(22 164)
Payments to employees and social security institutions		(109 232)	(97 928)
Cash receipts from banking operations		44 377 883	43 689 240
Cash paid for banking operations		(44 191 561)	(43 213 525)
Cash receipts from insurance operations		163 098	148 970
Cash paid for insurance operations		(91 595)	(79 756)
Income taxes paid		(7 547)	(13 096)
Other cash outflows, net		(29 980)	(23 029)
Net cash flow from operating activities		**231 808**	**516 021**
Investing activities			
Net payments for acquisition of subsidiaries and associates		4 437	(640)
Dividends received		5 976	685
Sale of property, plant and equipment		9 260	26 767
Purchase of property, plant and equipment		(35 990)	(34 904)
Purchase of intangible assets		(1 148)	(1 920)
Sale of investment property		-	18
Purchase of investment property		(3 168)	(7 518)
Sale of non-current financial assets		488 949	503 871
Purchase of non-current financial assets		(533 742)	(782 496)
Interest payments received		43 770	46 562
Proceeds from loans granted		127 809	71 818
Payments for loans granted		(152 238)	(75 216)
Other cash outflows, net		(19 248)	(2 091)
Net cash flow from investing activities		**(65 333)**	**(255 064)**
Financing activities			
Dividends paid on preference shares	24.2	(2 924)	(3 706)
Sale of treasury shares		57	9 055
Proceeds from loans received		219 856	166 427
Payments for loans received		(168 142)	(65 620)
Interest paid		(19 477)	(19 861)
Payments for finance leases		(4 939)	(5 807)
Other cash outflows, net		(604)	(538)
Net cash flow from financing activities		**23 827**	**79 950**
Net change in cash and cash equivalents		**190 302**	**340 907**
Cash and cash equivalents, beginning of year		**1 021 696**	**681 959**
Exchange gains/(losses) on cash and cash equivalents		**22**	**(1 170)**
Cash and cash equivalents, end of year	20	**1 212 020**	**1 021 696**

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ /I. Kamenov/

Date: 26 April 2013

Audited according to the auditor's report dated 30 April 2013:

The accompanying notes on pages 7 to 127 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.

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

The Group is engaged in the following business activities:

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

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

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

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

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

As at 31 December 2012 the Group has 6 207 employees (2011: 5 688 employees).

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

2. Basis for the preparation of the consolidated financial statements

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

The financial statements are the consolidated statements of the Company. The parent company has released its separate financial statements on 1 April 2013.

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 2011) unless otherwise stated.

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

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

3. Changes in accounting policies

3.1. Overall considerations and new standards, revisions and amendments that are effective for the year beginning 1 January 2012

IFRS 7 "Financial Instruments: Disclosures" – Derecognition, effective from 1 July 2011, adopted by the EU on 23 November 2011 is mandatory for implementation for first time from the year beginning 1 January 2012. The amendment in IFRS 7 will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an Group's financial position, particularly those involving securitization of financial asset.

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

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted earlier by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below:

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

The new disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

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

IFRS 9 "Financial instruments" represents the first milestone in the comprehensive IASB project to replace IAS 39 "Financial instruments: Recognition and measurement" by the end of 2010. It replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value represents the most relevant measurement basis. IFRS 9 eliminates the need for multiple impairment models; such that only one impairment model for financial assets carried at amortised cost will be required. Additional sections in relation to impairment and hedge accounting are still being developed. Group's management should assess the effect of the amendments on the financial statements. However, the implementation of the changes is not expected before the release of all sections of the standard or before the overall effect is assessed.

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2013, 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. The management has yet to assess the impact of this new standard on the classification (as subsidiaries or otherwise) of any of the existing investees of the Group.

IFRS 11 "Joint Arrangements" effective from 1 January 2013, adopted by the EU on 11 December 2012

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

IFRS 12 "Disclosure of Interests in Other Entities" effective from 1 January 2013, 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.

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

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

IAS 1 "Financial Statement Presentation" – Other Comprehensive Income, effective from 1 July 2012, adopted by the EU on 5 June 2012

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. Early adoption is permitted and full retrospective application is required.

IAS 12 "Income Taxes" – Deferred Tax, effective from 1 January 2013, adopted by the EU on 11 December 2012

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

IAS 19 "Employee Benefits" effective from 1 January 2013, adopted by the EU on 05 June 2012

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. 'Actuarial gains and losses' are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income'. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The amendments should be applied retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The amendments are not expected to affect the financial statements of the Group, as at 31 December 2012 no actuarial gains and losses recognized through profit and loss.

IAS 27 "Separate Financial Statements" (Revised) effective from 1 January 2013, 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.

IAS 28 "Investments in Associates and Joint Ventures" (Revised) effective from 1 January 2013, 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.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended) – Fixed dates and Hyperinflation, effective from 1 January 2013, not yet adopted by the EU.

- IFRIC 20 "Stripping costs in the production phase of a surface mine" effective from 1 January 2013, adopted by the EU on 11 December 2012.

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 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 2012 one comparative period is presented, as no adjustments to the presentation of the elements of financial statements and the corresponding reference data. In case there are adjustments to the classification of the elements of financial statements, relevant comparative figures have also been reclassified to ensure comparability between reporting periods.

4.3. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2012. 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. For business combinations occurring since 1 January 2010, the requirements of IFRS 3 (revised) have been applied (see note 5). The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the date of acquisition of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree 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.

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 measured 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 measured 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.

Prior to 1 January 2010, business combinations were accounted under the previous version of IFRS 3.

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 33 Gains from sale of non-current assets, note 34 Insurance income, note 36 Interest revenue, note 38 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. 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. Aviation activity

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

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

4.9.6. 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. Health insurance activity

The Group recognizes as revenue premiums from health insurance contracts based on the payment due to the insured person or the insurer for the all covered period and also in the cases when the covered period covered the next reporting period. The negotiated health insurance contracts, depending on their duration, can be separated on long-term contracts and short-term contracts. The short-term contracts ensured health insurance defense for the fixed period and give an opportunity the condition of the contract to be corrected at the end of the negotiated date, for example the sum of health insurance premium or the range over the payment. For the recognized revenue of health insurance premiums are formed health insurance reserves in accordance with Health Insurance Technical Plans, which bear the respective risks of the health insurance packages to a sufficient extend.

When according to the health insurance contract premiums are due by installments, each future installment recognized as revenue as at the date of the statement of financial position is reflected as a receivable.

4.9.8. 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.

4.9.9. 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**Error! Reference source not found.** 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**Error! Reference source not found.** 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 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 comprehensive income within 'Amortization of non-financial assets', included in item Expenses for non-financial activities and Administrative expenses.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within 'Gain/ (Loss) 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 comprehensive income for the respective period.

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

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

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

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

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

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

4.15. Leases

Group as a 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.

Group as a 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 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 Change in fair value of investment property **Error! Reference source not found.**.

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

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

Rental income and operating expenses from investment property are reported within 'Revenue from non-financial activity' and 'Expenses for non-financial activities' respectively, and are recognized as described in note 4.9**Error! Reference source not found.** 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**Error! Reference source not found.**".

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 comprehensive income for the current period. Recovered amounts, previously written-down, are recognized as revenue by reduction of the impairment of uncollectibility during the year. The uncollectable credits and advance payments, which cannot be recovered, are written-down and are net from accumulated impairment for uncollectibility. After all legal procedures are concluded, and when the value of the loss is defined, these credits are written-down.

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

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

4.19.2. Financial liabilities

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

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

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

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

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

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

4.20. Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and reported as derivatives for trading in the consolidated statement of financial position. The derivatives fair value is based on their market value or similar valuation models. The derivative assets are presented as financial assets held-for-trading, and the derivative liabilities are presented as other liabilities. Changes in the fair value of derivatives designated as held-for-trading are recognized in net income from business operations in the consolidated statement of 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 comprehensive income for the respective period.

4.23. Inventories

Inventories include raw materials, finished goods, work in progress, spare parts 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**Error! Reference source not found.**.

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

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

4.25. Cash and cash equivalents

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

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

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

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

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

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

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

4.27. Equity, reserves and dividend payments

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

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

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

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

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

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

4.28. Social security and pension contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The insurance contract is terminated in the following cases:

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

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

4.29. Specialized reserves for pension insurance activity

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

4.30. Health insurance reserves

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

4.31. Post employment benefits and short-term employee benefits

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

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

The liability recognized in the consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the DBO 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 high quality corporate bonds.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

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 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 comprehensive income and the reserves formed at the year-end are recognized as income from released insurance reserves in the current period statement of 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 of 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 Financial instruments : recognition and measurement.

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.

4.38.5. Revenue from sale of air tickets with expired validity

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

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

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

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

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

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

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

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

4.39. Estimation uncertainty

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

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

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

4.39.1. Impairment

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

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

The Group has incurred an impairment loss of BGN 728 thousand on goodwill in 2012 (2011: BGN 701 thousand) in order to reduce the carrying amount of goodwill to its recoverable amount (see 11).

4.39.2. Useful lives of depreciable assets

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

At 31 December 2012 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 12 and 8. 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 36 780 thousand (2011: BGN 36 204) 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 December 2012 %	31 December 2011 %
Central Cooperative Bank AD	Bulgaria	Finance	81.56%	77.12%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	71.24%	78.78%
TAT Investbank OAO	Russia	Finance	49.16%	-
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	81.56%	77.12%
ZAD Armeec	Bulgaria	Finance	85.35%	87.19%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	46.75%	46.75%
DPF CCB Sila	Bulgaria	Finance	46.75%	46.75%
UPF CCB Sila	Bulgaria	Finance	46.75%	46.75%
PPF CCB Sila	Bulgaria	Finance	46.75%	46.75%
Chimimport Holland B.V.	The Netherlands	Finance	100.00%	100.00%
Chimimport Group EAD	Bulgaria	Production, Trade and Services	-	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	66.67%	59.77%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	38.24%	51.88%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	38.24%	51.88%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	66.67%	59.77%
Asenova Krepost AD	Bulgaria	Production, Trade and Services	54.75%	-
PDNG Service EOOD	Bulgaria	Production, Trade and Services	38.24%	51.88%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	26.77%	37.75%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	44.00%	60.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	40.00%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	40.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	66.67%	-
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	40.00%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	40.09%	60.00%

Name of the subsidiary	Country of incorporation	Main activities	31 December 2012 %	31 December 2011 %
Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	34.00%	-
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	38.24%	51.88%
Zarneni Hrani Grain AD	Bulgaria	Production, Trade and Services	66.67%	-
Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	-	52.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	33.33%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	45.33%	60.00%
Siliko 07 OOD	Bulgaria	Production, Trade and Services	-	50.00%
Chimtrans OOD	Bulgaria	Production, Trade and Services	-	60.00%
Plovdivska Stokova Borsa AD	Bulgaria	Production, Trade and Services	76.63%	75.00%
Asela AD	Bulgaria	Production, Trade and Services	28.14%	-
AK Plastic OOD	Bulgaria	Production, Trade and Services	54.21%	-
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%
AH HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	61.80%	83.80%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	60.00%	90.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	66.67%	100.00%
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%
Besa Tour AD	Bulgaria	Production, Trade and Services	54.91%	-
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	82.20%	81.91%
Port Balchik AD	Bulgaria	Sea and River Transport	68.33%	61.78%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	99.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	76.43%	78.16%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	44.60%	45.61%
Portstroi Invest EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
Port Invest EOOD	Bulgaria	Sea and River Transport	100.00%	-
Blue See horizion corp.	Seychelles	Sea and River Transport	82.16%	82.16%
Interlihter EOOD	Slovakia	Sea and River Transport	81.09%	81.91%
VTC AD	Bulgaria	Sea and River Transport	-	42.29%

Name of the subsidiary	Country of incorporation	Main activities	31 December 2012 %	31 December 2011 %
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%
Airport Services Bulgaria EAD (Molet EAD)	Bulgaria	Aviation Transport	100.00%	100.00%
Airport Services EOOD	Bulgaria	Aviation Transport	-	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	100.00%
Trans intercar EOOD	Bulgaria	Vehicle Transport	100.00%	100.00%
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	83.20%
Energoproekt Utilities OOD	Bulgaria	Construction and engineering	42.43%	42.43%
Bulgaria Air OOO Russia	Russia	Real Estate	-	99.99%
Golf Shabla AD	Bulgaria	Real Estate	24.85%	36.38%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%
Sporten management AD	Bulgaria	Real Estate	65.00%	65.00%
Bulchimex GmBH	Germany	Real Estate	100.00%	100.00%

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

5.2. Changes in controlling shares in subsidiaries

5.2.1. Merger of Chimimport Group EAD in Zarneni Hrani Bulgaria AD

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

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

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

5.2.2. Merger of Airport Services EOOD in Airport Services – Bulgaria EAD

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

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

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

5.2.3. Sale of the subsidiary Bulgaria Air OOO Russia

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

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

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

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

- 90 acres land designated for construction of modern multifunctional complex comprising eighteen –storey building with a business type hotel part, and office premises with total area of 1 500 sq.m. meters and built-up area 27960 sq.m and 4 residential buildings, three of which ten storey and one six-storey with total built area: 16,515 square meters and total area 129,610 square meters. The whole complex will be a modern infrastructure, having recreation and entertainment places.

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

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

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

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

In 2012, the subsidiaries of the Group - Fertilizers Trade OOD., Silico 07 OOD and Chimtrans OOD were terminated by liquidation. As a result, the cost of investments amounting to BGN 209 thousand for the Group has been recovered through liquidation proceeds.

5.2.5. Transfer of the controlling share of VTC AD in 2012

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

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

The remaining part of Group's share at 41% was retained as an associate investment with fair value at the date of transfer determined to BGN 2 317 thousand.

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

	10 January 2012 BGN'000
Total Assets	5 742
Total Liabilities	(191)
Total carrying amount of net assets	5 551
Carrying amount of the shares retained	2 348

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

	BGN'000
Fair value of the shares retained	2 317
Carrying amount of shares retained	(2 348)
Decrease in the retained earnings	**(31)**

5.3. Acquisitions in 2012

5.3.1. Acquisition of Tat Investbank OAO

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

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

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

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

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

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

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

5.3.2. Acquisition of Asenova Krepost AD

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

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

	Recognized value as at the date of acquisition BGN'000
Property, plant and equipment	17 245
Investment property	616
Investments	65
Inventory	4 019
Cash and cash equivalents	150
Financial assets	5 169
Trade receivables	24 155
Payables	(28 128)

	Recognized value as at the date of acquisition
	BGN‘000
Net value of the assets	**23 291**
Non-controlling interest	**(11 176)**
Fair value of identifiable net assets acquired by the Group	**12 115**

	BGN‘000
Total consideration	15 270
Fair value of identifiable net assets acquired by the Group	(12 115)
Goodwill	**3 155**

	BGN‘000
Consideration transferred settled in cash	-
Cash and cash equivalents acquired	150
Net cash outflow on acquisition	**150**

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

5.3.3. Acquisition of Asela AD

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

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

	Recognized value as at the date of acquisition
	BGN‘000
Property, plant equipment	172
Inventory	178
Cash and cash equivalents	298
Trade and other receivables	216
Payables	(90)
Net value of the assets	**774**
Non-controlling interest	**(557)**
Fair value of identifiable net assets acquired by the Group	**217**
Total consideration	**34**
Fair value of identifiable net assets acquired by the Group	**(217)**
Gain on acquisition	**(183)**

BGN‘000

Consideration transferred settled in cash	-
Cash and cash equivalents acquired	298
Net cash outflow on acquisition	**298**

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

5.3.4. Acquisition of AK Plastik OOD

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

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

	Recognized value as at the date of acquisition BGN'000
Trade receivables	66
Payables	-
Net value of the assets	**66**
Non-controlling interest	**(37)**
Fair value of identifiable net assets acquired by the Group	**29**

	BGN'000
Total consideration	1
Fair value of identifiable net assets acquired by the Group	(29)
Gain on acquisition	**(28)**

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

5.3.5. Acquisition of Petrochim Trade EAD

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

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

	Recognized value as at the date of acquisition BGN '000

Investments	865
Payables	(919)
Net value of the assets	**(54)**
Non-controlling interest	**(21)**
Fair value of identifiable net assets acquired by the Group	**(33)**
Total consideration	**33**
Fair value of identifiable net assets acquired by the Group	**(33)**
Goodwill/ (gain)	**-**

5.3.6 Acquisition of Bessa Tour AD

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

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

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

	BGN'000
Consideration transferred settled in cash	-
Cash and cash equivalents acquired	78
Net cash outflow on acquisition	**78**

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

5.3.7 Acquisition of Texim Trading AD

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

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

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

	BGN'000
Consideration transferred settled in cash	-
Cash and cash equivalents acquired	5
Net cash outflow on acquisition	**5**

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

5.3.8 Acquisition of Zyrneni Hrani Grain EOOD

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

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

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

5.3.9 Acquisition of Port Invest EOOD

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

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

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

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

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:

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

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

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

6.2. Investments in joint ventures

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

Name	2012 BGN '000	Share %	2011 BGN'000	Share %
Nuance BG AD	250	50,00%	-	-
Varna ferry OOD	-	50,00%	-	50,00%
	250		**-**	

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

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

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

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

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

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 2012	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	108 724	10 727	360 578	210	4 526	487	485 252
Change in fair value of investment property	-	8 047	-	-	-	-	8 047
Gain from sale of non-current assets	8 910	16 176	4 774	-	1 537	(7 097)	24 300
Inter-segment income from non-financial activities	29 582	4 957	5 005	-	673	(40 217)	-
Total income from non-financial activities	**147 216**	**39 907**	**370 357**	**210**	**6 736**	**(46 827)**	**517 599**
Result from non-financial activities	**12 309**	**39 907**	**(18 927)**	**(34)**	**1 090**	**(307)**	**34 038**
Insurance income from external customers	-	352 938	-	-	-	-	352 938
Inter-segment insurance income	-	6 924	-	-	-	(6 924)	-
Total insurance income	**-**	**359 862**	**-**	**-**	**-**	**(6 924)**	**352 938**
Result from insurance	**-**	**19 698**	**-**	**-**	**-**	**(5 609)**	**14 089**
Interest income	13 304	250 830	11 117	508	116	(41 482)	234 393
Interest expenses	(14 439)	(166 020)	(19 558)	-	(756)	41 482	(159 291)
Result from interest	**(1 135)**	**84 810**	**(8 441)**	**508**	**(640)**	**-**	**75 102**
Gains from transactions with financial instruments from external customers	15 063	309 504	43 351	-	-	(387)	367 531
Inter-segment gains from transactions with financial instruments	-	-	-	-	-	-	-
Gains from transactions with financial instruments	**15 063**	**309 504**	**43 351**	**-**	**-**	**(387)**	**367 531**
Result from transactions with financial instruments	**14 854**	**107 177**	**42 850**	**-**	**-**	**2 286**	**167 167**
Administrative expenses	**(8 087)**	**(178 639)**	**(13 258)**	**(143)**	**(291)**	**10 231**	**(190 187)**
Gain from purchases	**346**	**-**	**-**	**-**		**-**	**346**
Gain from dividends	-	4 745	882	-	-	(2 192)	3 435
Net result from equity accounted investments in associates	108	421	11 373	-	-	-	11 902
Other financial income/ expense	(5 083)	58 104	(1 398)	(1)	(67)	465	52 020
Profit for allocating insurance batches	-	(42 150)	-	-	-	-	(42 150)
Profit for the period before tax	**13 312**	**94 073**	**13 081**	**330**	**92**	**4 874**	**125 762**
Tax expense	(666)	(9 996)	(31)	(41)	(30)	(33)	(10 797)
Net profit for the year	**12 646**	**84 077**	**13 050**	**289**	**62**	**4 841**	**114 965**

Operating segments 31 December 2012	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Assets of the segment	769 469	6 490 900	816 151	47 052	16 450	(2 287 914)	5 852 108
Equity accounted investments in associates	4 667	16 789	11 552	-	2	95 493	128 503
Total consolidated assets	**774 136**	**6 507 689**	**827 703**	**47 052**	**16 452**	**(2 192 421)**	**5 980 611**
Specialized reserves	**-**	**164 376**	**-**	**-**	**-**	**-**	**164 376**
Liabilities of the segment	345 690	4 498 224	377 429	108	12 990	(878 649)	4 355 792
Total consolidated liabilities	**345 690**	**4 498 224**	**377 429**	**108**	**12 990**	**(878 649)**	**4 355 792**

Operating segments 31 December 2011	**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	70 723	19 138	386 211	217	1 590	-	477 879
Change in fair value of investment property	-	20 441	-	-	-	22 642	43 083
Gain from sale of non-current assets	18 316	12 652	329	-	622	(1 081)	30 838
Inter-segment income from non-financial activities	26 001	4 573	4 691	-	1 907	(37 172)	-
Total income from non-financial activities	**115 040**	**56 804**	**391 231**	**217**	**4 119**	**(15 611)**	**551 800**
Result from non-financial activities	**28 736**	**56 804**	**25 738**	**(237)**	**659**	**18 433**	**130 133**
Insurance income from external customers	-	323 650	-	-	-	-	323 650
Inter-segment insurance income	-	5 671	-	-	-	(5 671)	-
Total insurance income	**-**	**329 321**	**-**	**-**	**-**	**(5 671)**	**323 650**
Result from insurance	**-**	**27 669**	**-**	**-**	**-**	**(2 607)**	**25 062**
Interest income	9 848	236 969	13 270	507	114	(40 355)	220 353
Interest expenses	(12 693)	(153 689)	(18 437)	(136)	(693)	40 355	(145 293)
Result from interest	**(2 845)**	**83 280**	**(5 167)**	**371**	**(579)**	**-**	**75 060**
Gains from transactions with financial instruments from external customers	11 211	274 376	847	-	1	-	286 435
Inter-segment gains from transactions with financial instruments	38	3 465	-	-	-	(3 503)	-
Gains from transactions with financial instruments	**11 249**	**277 841**	**847**	**-**	**1**	**(3 503)**	**286 435**
Result from transactions with financial instruments	**8 844**	**31 944**	**796**	**-**	**1**	**739**	**42 324**
Administrative expenses	**(15 082)**	**(171 509)**	**(13 408)**	**-**	**-**	**11 018**	**(188 981)**
Gain from purchases							
Net result from equity accounted investments in associates	737	37 476	1 224			(37 210)	2 227
Other financial income/ expense	103	403	10 393	-	-	-	10 899
Profit for allocating insurance batches	(218)	55 890	(4 141)	(419)	14	(8 115)	43 011
Profit for the period before tax	-	(11 127)	-	-	-	-	(11 127)
Tax expenses	**20 275**	**110 830**	**15 435**	**(285)**	**95**	**(17 742)**	**128 608**
Net profit for the year	(1 992)	(3 426)	(705)	62	(29)	85	(6 005)
Income from non-financial activities from external customers	**18 283**	**107 404**	**14 730**	**(223)**	**66**	**(17 657)**	**122 603**

Operating segments 31 December 2011	**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	887 006	5 670 495	771 520	59 034	16 375	(2 219 793)	5 184 637
Equity accounted investments in associates	4 667	17 133	64 240	-	2	81 516	167 558
Total consolidated assets	**891 673**	**5 687 628**	**835 760**	**59 034**	**16 377**	**(2 138 277)**	**5 352 195**
Specialized reserves	**-**	**138 486**	**-**	**-**	**-**	**-**	**138 486**
Liabilities of the segment	425 230	3 846 716	422 786	12 830	12 982	(921 068)	3 799 476
Total consolidated liabilities	**425 230**	**3 846 716**	**422 786**	**12 830**	**12 982**	**(921 068)**	**3 799 476**

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:

2012	Land	Building	Machines	Equipment	Vehicles	Repairs	Others	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2012	117 237	89 511	66 603	163 784	135 713	26 853	47 785	85 373	**732 859**
Additions:									**-**
- through business combinations	1 201	17 947	30 236	140	429	-	4 584	-	**54 537**
- separately acquired	410	22 441	12 623	1 468	4 786	560	3 726	27 406	**73 420**
Disposals									
- through business combinations	-	(7 241)	(5 505)	(17)	-	(314)	-	(4 263)	**(17 340)**
- separately disposed of	(127)	(23 090)	(6 205)	(1 725)	(14 600)	-	(868)	(26 612)	**(73 227)**
- Assets held for sale (or in disposal group)	(33 476)	(1 264)	(1 669)	(1 100)	(376)	-	(1)	(847)	**(38 733)**
Balance at 31 December 2012	**85 245**	**98 304**	**96 083**	**162 550**	**125 952**	**27 099**	**55 226**	**81 057**	**731 516**
Depreciation and impairment									
Balance at 1 January 2012	-	(26 060)	(51 095)	(30 772)	(52 155)	(21 282)	(25 265)	-	**(206 629)**
Additions through business combinations, net	-	(3 783)	(22 356)	(207)	(384)	-	(909)	-	**(27 639)**
Disposals assets held for sale	-	470	846	89	307	-	-	-	**1 712**
Disposals	-	3 443	2 263	526	4 031	-	192	-	**10 455**
Depreciation and impairment	-	(1 812)	(8 649)	(4 675)	(7 325)	(2 907)	(1 869)	-	**(27 237)**
Balance at 31 December 2012	**-**	**(27 742)**	**(78 991)**	**(35 039)**	**(55 526)**	**(24 189)**	**(27 851)**	**-**	**(249 338)**
Carrying amount at 31 December 2012	**85 245**	**70 562**	**17 092**	**127 511**	**70 426**	**2 910**	**27 375**	**81 057**	**482 178**

- for the period ending 31 December 2011

	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 2011	118 379	113 278	70 939	163 271	142 870	26 347	45 069	55 114	735 267
Additions:									-
- through business combinations	-	68	-	202	-	-	582	-	852
- separately acquired	253	1 525	2 993	1 760	7 047	743	2 265	39 893	56 479
Disposals	-	-	-	-	-	-	-	-	
- through business combinations	(1 358)	(14 589)	(6 063)	(316)	(1 870)	-	-	-	(24 196)
- separately disposed of	(37)	(10 771)	(1 266)	(1 133)	(12 334)	(237)	(131)	(9 634)	(35 543)
Balance at 31 December 2011	117 237	89 511	66 603	163 784	135 713	26 853	47 785	85 373	732 859
Depreciation and impairment									
Balance at 1 January 2011	-	(25 079)	(43 115)	(26 863)	(48 926)	(15 549)	(25 105)	-	(184 637)
Additions through business combinations, net	-	577	769	(16)	344	-	47	-	1 721
Disposals	-	2 297	919	974	6 690	124	117	-	11 121
Depreciation and impairment	-	(3 855)	(9 668)	(4 867)	(10 263)	(5 857)	(324)	-	(34 834)
Balance at 31 December 2011	-	(26 060)	(51 095)	(30 772)	(52 155)	(21 282)	(25 265)	-	(206 629)
Carrying amount at 31 December 2011	**117 237**	**63 451**	**15 508**	**133 012**	**83 558**	**5 571**	**22 520**	**85 373**	**526 230**

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 2012	19 414	32 070	63 055	30 302	1 110	145 951
Carrying amount as at 31 December 2011	19 179	35 714	57 578	18 673	1 185	132 329

9. Leases

9.1. Finance leases as lessee

The Group has entered into finance leases as a lessee to acquire machinery and equipment such as ships, cars, industrial machinery, computer equipment. Assets are included in the consolidated statement of financial position in "Property, Plant and Equipment" (see note 8). Net book value of assets acquired under finance leases amounted to BGN 41 800 thousand (2011: BGN 39 794 thousand).

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

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

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

31 December 2011	**Within 1 year BGN'000**	**1 to 5 years BGN'000**	**After 5 Years BGN'000**	**Total BGN'000**
Lease payments	7 528	21 542	100	29 170
Finance charges	(990)	(1 771)	(1)	(2 762)
Net present values	**6 538**	**19 771**	**99**	**26 408**

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

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

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

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

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

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

9.3. Operating leases as lessor

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

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

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

Future minimum lease payments are as follows:

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

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

10. Investment property

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

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

	Land BGN '000	Buildings BGN '000	Total BGN '000
Carrying amount at 1 January 2011	**24 434**	**31 244**	**55 678**
Additions:			
-from subsequent expenditure	-	48	**48**
-from acquisitions	116	5 353	**5 469**
Disposals	-	(174)	**(174)**
Net (loss)/ gain from fair value adjustments	(856)	32 389	**31 533**
Carrying amount at 31 December 2011	**23 694**	**68 860**	**92 554**
Additions:			
-through business combinations and reclassifications	4 506	22 780	27 286
-from subsequent expenditure	18 329	2 613	20 942
-from acquisitions	-	2 065	2 065
Disposals	-	8 047	8 047
Net gain from fair value adjustments	-	(6 931)	(6 931)
Carrying amount at 31 December 2012	**46 529**	**97 434**	**143 963**

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 and the current market prices.

Investment properties representing hangar and service extensions that are in the region of Sofia Airport with carrying amount at 31 December 2012 amounted to BGN 14 349 thousand are pledged as collateral under a loan to the Bulgarian Development Bank AD

Revenue from investment properties for the year 2012 amounted to BGN 4 140 thousand (2011: BGN 2 292 thousand) and are included in the consolidated statement of comprehensive income within "Income from operations". Contingent rents are not recognized. Direct operating expenses in the amount of 1 477 thousand are recognized as "non-financial activities" (2011: BGN 508 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
2011	
Gross carrying amount at 1 January	46 993
Acquired through business combination	655
Derecognized on disposal of a subsidiary	(4 804)
Reclassified	(3)
Impairment loss recognized	(701)
Gross carrying amount at 31 December	**42 140**
2012	
Gross carrying amount at 1 January	42 140
Acquired through business combination	3 615
Derecognized on disposal of a subsidiary	(3)
Impairment loss recognized	(728)
Gross carrying amount at 31 December	**45 024**

For the purpose of annual impairment testing in 2012 the carrying amount of goodwill is allocated to the following cash-generating units:

	2012 BGN'000	2011 BGN'000
Zarneni Hrani Bulgaria AD	17 016	17 295
ZAD Armeec	8 541	8 541
Central Cooperative Bank AD – Skopje	4 884	5 336
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Asenova Krepost AD	3 155	-
Plovdivska Stokova Borsa AD	655	655
Parahodstvo Balgarsko Rechno Plavane AD	580	580
Teksim Trading OOD	460	-
Oil and Gas Exploration and Production AD	358	358
Bulchimeks OOD	217	217
Port Lesport AD	164	164
Slanchevi Lachi Provadia EAD	83	83
Omega Finance OOD	47	47
POAD CCB Sila	46	46
	45 024	**42 140**

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 2012 an impairment of goodwill was performed and are related to Zarneni Hrani Bulgaria AD Central Cooperative Bank AD - Skopje totaling BGN 734 thousand . Impairment of goodwill is included within "Cost of non-financial activities" in the consolidated statement of 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 2012	44 885	8 218	7 351	6 742	1 145	3 745	43 631	904	116 621
Additions:									-
- acquired via business combination	-	-	7	-	-	-	-	563	570
- separately acquired	-	186	512	-	-	6 689	-	161	7 548
Disposals									
- separately disposed of	-	(8)	(2 353)	-	-	(4 403)		(722)	(7 486)
Balance at 31 December 2012	44 885	8 396	5 517	6 742	1 145	6 031	43 631	906	117 253
Amortization and impairment									
Balance at 1 January 2012	(16 568)	(3 941)	(5 070)	(1 258)	(52)	-	(8 003)	(508)	(35 400)
Acquired through business combinations, net	-	-	(3)	-	-	-	-	-	(3)
Disposals	-	8	576	-	-	-	-	-	584
Amortization and impairment	(4 306)	(652)	(994)	(678)	-	-	(4 891)	(187)	(11 708)
Balance at 31 December 2012	(20 874)	(4 585)	(5 491)	(1 936)	(52)	-	(12 894)	(695)	(46 527)
Carrying amount at 31 December 2012	**24 011**	**3 811**	**26**	**4 806**	**1 093**	**6 031**	**30 737**	**211**	**70 726**

- For the period ended 31 December 2011:

	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 2011	38 375	7 941	6 948	8 258	1 145	3 275	18 032	-	83 974
Additions:									-
- separately acquired	6 510	786	409	-	-	7 939	25 599	3 716	44 959
Disposals	-	-	-	-	-	-	-	-	-
- through business combinations and reclassification	-	-	-	(1 516)	-	-	-	-	(1 516)
- separately disposed of	-	(509)	(6)	-	-	(7 469)	-	(2 812)	(10 796)
Balance at 31 December 2011	44 885	8 218	7 351	6 742	1 145	3 745	43 631	904	116 621
Amortization and impairment									
Balance at 1 January 2011	(12 890)	(3 378)	(3 968)	(848)	(52)	-	(5 924)	-	(27 060)
Disposals	-	2	6	-	-	-	-	-	8
Amortization and impairment	(3 678)	(565)	(1 108)	(410)	-	-	(2 079)	(508)	(8 348)
Balance at 31 December 2011	(16 568)	(3 941)	(5 070)	(1 258)	(52)	-	(8 003)	(508)	(35 400)
Carrying amount at 31 December 2011	**28 317**	**4 277**	**2 281**	**5 484**	**1 093**	**3 745**	**35 628**	**396**	**81 221**

Established Property Right
Established property rights to the buildings relate to the twenty-six massive office buildings, located in several major cities in the country, which will be used for branches of CCB AD. Rights to use the buildings are set up in 2011 and 2012 for the terms until 2016, 2020 and 2022 for a total amount of BGN 43 631 thousand . carrying amount of each entitlement is amortized in equal installments for the period of use of buildings..

Trademarks
Trademarks acquired by the Group are "Bulgaria Air -National Carrier", and "Arena Armeec", representing name of multifunctional building in Sofia, Bulgaria – Arena Armeec, Sofia, for the total amount of BGN 6 510 thousand. The useful life of the intangible asset is 6 years.

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

As at 31 December 2012 the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha, Block 1-4 Kavarna, Block Shabla and Block 1-17 Ovcha mogila in the amount of BGN 6 031 thousand (2011: BGN 3 475 thousand).

	2012 BGN'000	2011 BGN'000
Block 1-12 Knezha	5 954	2 467
Block 1-4 Kavarna	77	715
Block Shabla	-	502
Block 1-17 Ovcha mogila	-	61
	6 031	**3 745**

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 4 403 thousand were impaired (2011: BGN 7 469 thousand). These expenses are presented in the consolidated statement of comprehensive income within "Other expenses".

All amortization expenses are included in the consolidated statement of 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	2012 BGN '000	2011 BGN '000
Loans and receivables	13.1	1 058 720	862 903
Held-to-maturity financial assets	13.2	98 068	130 919
Financial assets at fair value through profit or loss	13.3	3 284	2 520
Available-for-sale financial assets	13.4	270 538	346 360
		1 430 610	**1 342 702**

13.1. Loans and receivables

Loans and receivables	Note	2012 BGN'000	2011 BGN'000
Long-term bank loans and client advance payments	13.1.1	926 806	748 770
Less impairment		(10 801)	(12 191)
		916 005	736 579
Other long-term loans	13.1.2	142 715	126 324
		1 058 720	**862 903**

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

	2012 BGN'000	2011 BGN'000
Analysis by type of the client:		
Natural persons		
-in BGN	114 695	141 612
-in foreign currency	18 316	31 378
Legal entities		
-in BGN	380 691	263 887
-in foreign currency	413 104	311 893
	926 806	**748 770**
Impairment for uncollectibility	(10 801)	(12 191)
Total bank loans granted and client advance payments	**916 005**	**736 579**

	2012 BGN‘000	2011 BGN‘000
Analysis by economic sectors:		
Agriculture and forestry	39 561	33 501
Manufacturing	52 037	54 117
Construction	49 198	48 048
Trade and finance	519 111	353 777
Transport and communications	77 330	35 469
Natural persons	133 011	172 990
Others	56 558	50 868
	926 806	**748 770**
Impairment for uncollectibility	(10 801)	(12 191)
Total bank loans granted and client advance payments	**916 005**	**736 579**

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

	2012 BGN‘000	2011 BGN‘000
Receivables on provided loans	114 695	92 589
Receivables on cession agreements	28 020	33 735
	142 715	**126 324**

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 2013. 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:

	2012 BGN ‘000	2011 BGN ‘000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	50 143	88 302
Long-term Bulgarian government bonds	27 027	21 714
Corporate bonds	20 898	20 903
	98 068	**130 919**

Bulgarian securities pledged as collateral
As at 31 December 2012 government bonds, issued by the Bulgarian government at the amount of BGN 47 361 thousand (2011: BGN 94 569 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.

	2012 BGN'000	2011 BGN'000
Capital investments with market value	3 014	1 088
Other	270	1 432
	3 284	**2 520**

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

	2012 BGN '000	2011 BGN '000
Bulgarian corporate bonds	108 377	131 473
Capital investments with market value	65 112	66 593
Long-term Bulgarian government bonds	32 860	64 869
Investments in shares for not listed companies	38 505	47 984
Mid-term Bulgarian government bonds	24 278	19 262
Foreign corporate bonds	1 406	16 179
	270 538	**346 360**

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 38 505 thousand (2011: BGN 47 984 thousand).

In 2012, the Group sold its entire interest in ZAO TAT Aero – Russia having a cost of BGN 9 479 thousand and made a profit amounting to BGN 36 thousand presented in the consolidated statement of comprehensive income within "Gains from transactions with financial instruments and investments".

Bulgarian securities pledged as collateral
As at 31 December 2012 government bonds, issued by the Bulgarian government at the amount of BGN 62 852 thousand (2011: BGN 5 234 thousand), are pledged as collateral for servicing budget accounts.

14. Deferred tax assets and liabilities

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

Deferred tax liabilities/ (assets)	1 January 2012 BGN'000	Recognized in equity BGN'000	Recognized in business combination BGN'000	Recognized in profit and loss BGN'000	31 December 2012 BGN'000
Non-current assets					
Property, plant and equipment	13 281	(2)	1 047	(387)	13 939
Long - term financial assets	(419)	(81)	(11)	(265)	(776)
Investment property	2 631	-	-	809	3 440
Others	1 191	4 424	56	6 280	11 951
Current assets					
Trade and other receivables	(366)	-	-	(2 239)	(2 605)
Financial assets	4 300	63	-	-	4 363
Others	(141)	-	-	(1)	(142)
Non-current liabilities					
Pension and other employee obligations	(69)	-	-	(53)	(122)
Others	(86)	-	-	(158)	(244)
Current liabilities					
Pension and other employee obligations	(565)	-	-	87	(478)
Others	466	2	-	46	514
Unused tax losses	(474)	65	-	(353)	(762)
	19 749	**4 471**	**1 092**	**3 766**	**29 078**
Recognized as:					
Deferred tax asset	**(2 120)**				**(5 129)**
Deferred tax liability	**21 869**				**34 207**

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

Deferred tax liabilities/ (assets)	**1 January 2011 BGN'000**	**Recognized in equity BGN'000**	**Recognized in profit and loss BGN'000**	**31 December 2011 BGN'000**
Non-current assets				
Property, plant and equipment	13 603	-	(322)	**13 281**
Long - term financial assets	(406)	4	(17)	**(419)**
Investment property	615	-	2 016	**2 631**
Others	2 230	-	(1 039)	**1 191**
Current assets				
Trade and other receivables	(527)	-	161	**(366)**
Financial assets	5 189	-	(889)	**4 300**
Others	(220)	(141)	220	**(141)**
Non-current liabilities				
Pension and other employee obligations	(165)	-	96	**(69)**
Others	-	(69)	69	**-**
Current liabilities				
Pension and other employee obligations	(514)	-	(51)	**(565)**
Others	(288)	-	668	**380**
Unused tax losses	(191)	-	(283)	**(474)**
	19 326	**(206)**	**629**	**19 749**
Recognized as:				
Deferred tax asset	**(2 311)**			**(2 120)**
Deferred tax liability	**21 637**			**21 869**

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

15. Inventories

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

	2012 BGN'000	**2011 BGN'000**
Raw materials	13 608	14 450
Finished goods	11 207	14 683
Spare Parts	4 860	4 481
Trading goods	4 101	1 156
Work in progress	1 427	907
Others	1 577	527
	36 780	**36 204**

In 2012 inventories of the Group amounting to BGN 5 484 thousand (2011: BGN 2 156 thousand) are pledged as collateral for bank loans.

16. Short-term financial assets

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

	Note	2012 BGN '000	2011 BGN '000
Loans and receivables	16.1	783 393	683 330
Financial assets at fair value through profit or loss	16.2	714 361	542 326
Held-to-maturity financial assets	16.3	191 281	130 504
Held for sale financial assets	16.4	54 199	32 858
		1 743 234	**1 389 018**

16.1. Loans and receivables

	Note	2012 BGN '000	2011 BGN '000
Bank loan and client advance payments	16.1.1	563 985	468 678
Less impairment		(22 170)	(17 284)
		541 815	**451 394**
Other short-term loans contracts	16.1.2	241 578	231 936
		783 393	**683 330**

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:	2012 BGN '000	2011 BGN '000
	70 047	88 099
Natural persons	11 185	22 470
-in BGN		
-in foreign currency	230 467	162 143
Legal entities	252 286	195 966
-in BGN	**563 985**	**468 678**
-in foreign currency		
	(22 170)	(17 284)
Impairment for uncollectibility		
Total bank loans and client advance payments	**541 815**	**451 394**

Analysis by economic sectors:	2012 BGN '000	2011 BGN '000
Agriculture and forestry	24 160	20 841
Manufacturing	31 779	33 667
Construction	30 046	29 891
Trade and finance	315 002	219 999
Transport and communications	47 226	22 066
Natural persons	81 231	110 569
Others	34 541	31 645
	563 985	**468 678**
Impairment for uncollectibility	(22 170)	(17 284)
Total bank loans and client advance payments	**541 815**	**451 394**

16.1.2. Contracts for other short-term loans

	2012 BGN '000	2011 BGN '000
Short term loan receivables	178 154	191 527
Receivable on cession agreements	63 424	40 409
	241 578	**231 936**

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.

16.2. 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.

	2012 BGN '000	2011 BGN '000
Bulgarian corporate securities	431 871	385 449
Shares from EU countries	104 568	56 311
Long-term Bulgarian government bonds	53 713	40 896
Mid-term Bulgarian government bonds	18 882	7 947
Short-term Bulgarian government bonds	13 539	13 066
Derivatives, held-for-trade	12 252	9 462
Others	79 536	29 195
	714 361	**542 326**

Bulgarian corporate securities

As at 31 December 2012 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 431 871 thousand (2011: BGN 385 449 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 2012 the Group holds Bulgarian government bonds at the amount of BGN 86 134 thousand (2011: BGN 61 909 thousand).

Derivatives, held-for-trade
As at 31 December 2012 derivatives held-for-trade amounting to BGN 12 252 thousand (2011: 9 462 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 2012 government bonds, issued by the Bulgarian government at the amount of BGN 33 472 thousand (2011: BGN 0 thousand), are pledged as collateral for servicing budget accounts.

16.3. Financial assets held-to-maturity

	2012 BGN'000	2011 BGN'000
Short-term Macedonian government securities	101 412	38 231
Short-term Bulgarian government bonds	54 539	21 437
Short-term bonds issued by the National Bank of the Republic of Macedonia	7 943	51 270
Others	27 387	19 566
	191 281	**130 504**

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 2012 the short-term Bulgarian government bonds, amounting BGN 54 539 thousand (2011 BGN 21 437 thousand) are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

16.4. Financial assets available-for-sale

	2012 BGN'000	2011 BGN'000
Repurchase agreements receivables	35 391	31 159
Short-term Bulgarian government bonds	13 193	-
Foreign capital investments	3 359	1 697
Others	2 256	2
	54 199	**32 858**

Repurchase agreements receivables
As at 31 December 2012 the Group has signed agreements with a repurchase clause for securities for a total amount of BGN 35 391 thousand, including the interest receivables, amounting to BGN 15 104 thousand. The Group has pledged these receivables with Bulgarian government and corporate securities, at approximately equal value, as collateral. The maturity of these bonds is between January and June 2013.

17. Trade receivables

	2012 BGN'000	2011 BGN'000
Trade receivables, gross	173 008	147 196
Impairment	(9 417)	(575)
Trade receivables	**163 591**	**146 621**

The trade receivables as at 31 December are as follows:

	2012 BGN'000	2011 BGN'000
Advances for acquisition of investments	60 000	60 000
Receivables from sale of plastic and other packaging products	16 834	-
Receivables from sale of petroleum products	16 176	21 203
Receivables from sale of airline tickets and other aviation services	15 216	20 411
Receivables from sale of cereals	6 381	13 819
Insurance customers	6 602	7 724
Receivables from sale of pharmaceuticals	3 837	3 595
Banking customers	1 261	2 953
Other	37 284	16 916
	163 591	**146 621**

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 12 330 thousand (2011: BGN 316 thousand) has been recognized in the consolidated statement of 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:

	2012 BGN'000	2011 BGN'000
Balance as at 1 January	575	797
Written off amounts (uncollectable)	(3 485)	(463)
Impairment loss	12 330	316
Recovery of impairment loss	(3)	(75)
Balance as at 31 December	**9 417**	**575**

18. Tax receivables

	2012 BGN'000	2011 BGN'000
Corporate income tax overpaid	1 488	2 428
VAT for reimbursement	904	1 766
Excise for reimbursement	88	88
Other	348	372
	2 828	**4 654**

19. Other receivables

	2012 BGN'000	2011 BGN'000
Court receivables	62 400	61 505
Insurance and reinsurance receivables	53 098	50 858
Short-term deposits and guarantees	12 785	11 379
Prepaid expenses	11 282	15 294
Foreign activity	9 951	10 030
Advance payments	6 025	29 171
Others	33 670	21 783
	189 211	**200 020**

The major part of court receivables amounting to BGN 59 800 thousand, out of BGN 62 400 thousand (2011: BGN 61 505 thousand) relate to litigation brought by the Group against it's receivable include accrued premiums on insurance contracts, and estimates from reinsurance and co-insurance contracts.

Receivables from insurance and reinsurance in the amount of BGN 53 098 thousand (2011: BGN 50 858 thousand) 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 10 038 thousand from a total of BGN 12 785 thousand (2011: BGN 5 272 thousand from a total of BGN 11 379 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 in the total amount of BGN 11 282 thousand (2011: BGN 15 294 thousand) are prepaid advertising costs, rent, insurance, etc.

The balances in foreign operations amounting to BGN 9 951 thousand (2011: BGN 10 030 thousand) are internal receivables from Geokom - service Libya arising from the payment of the Group liabilities of that company to staff.

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2012 BGN'000	2011 BGN'000
Cash at bank and in hand:		
- BGN	791 429	379 253
- EUR	329 932	608 535
- USD	25 692	24 525
- other currencies	64 967	9 383
	1 212 020	**1 021 696**

	2012 BGN'000	2011 BGN'000
Current accounts with the Central Bank	826 862	369 880
Short-term investments	232 240	432 339
Placements with, and advances to, banks	93 005	184 404
Deposits in conformity with the Insurance Code	50 234	31 912
Blocked cash and cash equivalents	9 679	3 161
	1 212 020	**1 021 696**

Restricted cash related to activity other than banking as at 31 December 2012 amounts to BGN 5 993 thousand (2011: BGN 655 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:

	2012 BGN'000	2011 BGN'000
Cash in hand:	187 882	141 491
Term deposits with local banks		
- in BGN	11 496	90 185
- in foreign currency	63 846	116 701
Term deposits with foreign banks in foreign currency	10 037	254 720
Restricted accounts with local banks in BGN	9 679	3 161
Nostro accounts with local banks		
- in BGN	12 668	11
- in foreign currency	5 263	1 678
Nostro accounts with foreign banks in foreign currency	34 053	11 957
Total placements with, and advances to, banks	**334 924**	**619 904**

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:

	2012 BGN'000	2011 BGN'000
Non-current assets		
Property, plant and equipment	72 827	30 461
Current Assets		
Receivables	-	97
Cash and cash equivalents	-	43
Assets, classified as held-for-sale	**72 827**	**30 601**

Non-current assets, classified as held-for-sale, at the amount of BGN 39 743 thousand (2011: BGN 20 552 thousand) are granaries (buildings, machines and others) that are not used by the Group and action on their sale is taken.

Non-current assets, classified as held-for-sale, at the amount of BGN 6 509 thousand (2011: BGN 9 909 thousand) are real estate properties, acquired by the banks within the Group in their capacity of mortgage creditors of granted and not serviced debt. Those assets will not be used by the Bank in its business activities, as a result of which the Group takes action on their sale.

Non-current assets, classified as held-for-sale, at the amount of BGN 26 575 thousand derive from land in Kazan, Russia, held for sale.

22. Equity

22.1. Share capital

The share capital of Chimimport AD as at 31 December 2012 consists of 150 875 596 (2011: 150 875 596) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2011: 88 770 671) preferred shares with a par value of BGN 1, including 5 962 675 (2011: 5 170 175,) ordinary shares and 4 295 449 (2011: 4 131 489) preferred shares, acquired by companies of Chimimport Group. The ordinary shares of Chimimport AD are registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Group's estate.

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

On 12 June 2009 Chimimport AD issued mandatory convertible preferred shares with 9% guaranteed fixed annual dividend and guaranteed liquidation quota. 89 646 283 preferred shares are issued and paid with issue value amounting to BGN 2.22 each, representing 99.61% of the offered shares. The

accumulated capital during the public offering amounts to BGN 199 015 thousand. The obligatory conversion of the shares occurs at the end of the seventh year after the registration of the capital increase in the Trade register.

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

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

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

- BGN 28 271 thousand – share premium
- BGN (1 492) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 16 770 thousand – current dividend payables
- BGN (835) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 46 147 thousand – non-current dividend payables
- BGN (2 313) thousand – reduction of non-current dividend payables due to treasury shares acquired by subsidiaries

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

	2012 Number of ordinary shares	2012 %	2011 Number of ordinary shares	2011 %
Chimimport Invest AD	108 957 067	72.22%	108 533 269	71.94%
Artio International Equity Fund	5 744 865	3.81%	10 693 367	7.09%
Unicredit Bank Austria	5 208 127	3.45%	1 161 064	0.77%
CCB Group EAD	5 160 005	3.42%	4 395 005	2.91%
EFG EUROBANK ERGASIAS	2 878 750	1.91%	1 378 750	0.91%
CACEIS Bank Deutschland GmbH	2 841 264	1.88%	2 833 188	1.88%
PIC Saglasie Co.Ltd.	788 972	0.52%	850 672	0.56%
Consolid Commerce	704 276	0.47%	704 276	0.47%
The Bank of New York Mellon	452 029	0.30%	633 049	0.42%
Danske invest trans-balkan fund	695 638	0.46%	505 999	0.34%
Eaton Vance Tax-Managed Emerging Markets	487 988	0.32%	487 988	0.32%
ZAD Armeec	463 100	0.31%	463 100	0.31%
Eaton Vance Structured Emerging Markets	329 922	0.22%	329 922	0.22%
EFG Eurobank Clients ACC	272 057	0.18%	337 796	0.22%
Clearstream Banking Luxembourg Clients	80	0.00%	446 080	0.30%
DIAS Investment Company	-	0.00%	1 500 000	0.99%
LIC Saglasie AD	-	0.00%	765 000	0.51%
MEI – Romanian and Bulgaria Funds	-	0.00%	504 088	0.33%
Skandinavian Enskilda Banken	-	0.00%	500 000	0.33%
Julius Baer Multistock - Black Sea Fund	-	0.00%	346 425	0.23%
Other legal entities	8 174 046	5.42%	7 139 704	4.73%
Other natural persons	7 717 410	5.12%	6 366 854	4.22%
	150 875 596	**100%**	**150 875 596**	**100.00%**
Shares of the Group, acquired by subsidiaries				
CCB Group AD	(5 160 005)	3.42%	(4 395 005)	2.91%
ZAD Armeec	(463 100)	0.31%	(463 100)	0.31%
CCB AD	(84 500)	0.06%	(57 000)	0.04%
POAD CCB Sila	(255 070)	0.17%	(255 070)	0.17%
	(5 962 675)	**3.96%**	**(5 170 175)**	**3.43%**
Net number of shares	**144 912 921**		**145 705 421**	

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

	2012 Number of ordinary and preferred shares	2012 %	2011 Number of ordinary and preferred shares	2011 %
Chimimport Invest AD	175 710 589	73.32%	179 885 551	75.06%
Artio International Equity Fund	12 093 007	5.05%	17 109 388	7.14%
CCB Group EAD	8 233 658	3.44%	7 468 658	3.12%
UniCredit Bank Austria	5 750 082	2.40%	1 909 993	0.80%
PIC Saglasie Co.Ltd.	3 130 555	1.31%	1 635 655	0.68%
LIC Saglasie AD	2 902 819	1.21%	765 000	0.32%
CACEIS Bank Deutschland GmbH	2 841 264	1.19%	2 833 188	1.18%
POAD CCB Sila	1 476 866	0.62%	1 287 106	0.54%
Danske invest trans-balkan fund	929 138	0.39%	505 999	0.21%
Consolid Commerce	704 276	0.29%	704 276	0.29%
The Bank Of New York Mellon	452 029	0.19%	633 049	0.26%
EFG EUROBANK ERGASIAS	272 657	0.11%	1 378 750	0.58%
ING Pension Funds	244 605	0.10%	539 525	0.23%
Dias investment company	-	0.00%	1 500 000	0.63%
MEI – Romanian and Bulgaria Funds	-	0.00%	574 088	0.24%
Skandinavian Enskilda Banken	-	0.00%	500 000	0.21%
Other legal entities	10 946 890	4.57%	11 694 067	4.88%
Other natural persons	13 957 832	5.82%	8 721 974	3.64%
	239 646 267	**100%**	**239 646 267**	**100%**
Shares of the Group, acquired by subsidiaries				
CCB Group AD	(8 233 658)	3.44%	(7 468 658)	3.12%
ZAD Armeec	(463 100)	0.19%	(463 100)	0.77%
CCB AD	(84 500)	0.03%	(82 800)	0.03%
POAD CCB Sila	(1 476 866)	0.62%	(1 287 106)	0.54%
	(10 258 124)	**4.28%**	(9 301 664)	4.46%
Net number of shares	**229 388 143**		**230 344 603**	

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

22.2. Share premium

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

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

As at 31 December 2012 premium reserve amounts to BGN 220 012 thousand (2011: BGN 225 643 thousand). Premium reserve is formed by the following issues:

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

22.3. Other reserves

As at 31 December 2012 amount of other reserves equals to BGN 79 542 thousand (2011: BGN 70 917 thousand). The increase in 2012 at the amount of BGN 8 625 thousand is due mainly to the distribution of retained earnings to other reserves.

23. Specialized reserves

	Note	2012 BGN‘000	2011 BGN‘000
Insurance reserves	23.1	176 966	152 733
Pension fund reserves	23.2	4 855	3 754
		181 821	**156 487**

23.1. Insurance reserves and reinsurance assets

Insurance reserves	Note	2012 BGN'000	2011 BGN'000
Premium reserve carried forward	23.1.1	73 824	72 946
Reserve for outstanding payments	23.1.2	88 832	70 381
Reserve for bonuses and discounts	23.1.3	953	1 370
Additional reserve for filed, but not paid claims	23.1.4	1 272	1 649
Additional reserve for Public liability insurance – motor vehicles	23.1.5	7 987	5 822
Contingency fund	23.1.6	545	315
Mathematical reserve	23.1.7	627	237
Unexpired risk reserve		2 926	13
		176 966	**152 733**

Reinsurance assets	2012 BGN'000	2011 BGN'000
Reinsurers' share in the premium reserve carried forward	5 618	9 294
Reinsurers' share in the reserve for outstanding payments	11 371	7 602
Reinsurers' share in the reserve for bonuses and discounts	398	997
Reinsurers' share in the shortage reserve according to art. 8a	58	58
	17 445	**18 001**

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

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

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

23.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2012 amounts to BGN 73 824 thousand (2011: BGN 72 946 thousand).

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

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

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

23.1.2. Reserve for outstanding payments

23.1.2.1. Reserve for occurred and presented claims

The reserve for occurred and presented claims is calculated by applying the method claim by claim. For damages brought under court claims regarding Casco insurance and Public liability insurance of drivers, an adjustment coefficient is applied in accordance with art. 8, par. 5 of Regulation No 27 concerning the order and methodology for forming technical reserves of the insurers, reinsurers and health security insurance reserves. The coefficient values are 83% for Casco insurance, 40% for non-pecuniary damages and 68% for pecuniary damages on Public liability insurance of drivers.

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

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

As at 31 December 2012 and 31 December 2011 the reserve for outstanding payments amounts respectively to BGN 88 832 thousand and BGN 70 381 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 2002-2012. 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 – 2002-2012. The above mentioned method is in accordance with Ordinance 27, approved by decision N -103/11.02.2012 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 2007-2012, 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 2002 to 2012.

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 2002-2012.

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 953 thousand (2011: BGN 1 370 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 2011 and pending at the end of 2011, 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 2011, 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 31.12.2012 amounts to BGN 1 272 thousand (2011 BGM 1 649 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 2011 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 17.36.

Calculation basis – the data for the entered into insurance policies Public liability insurance for drivers including those after 15 November 2010, derived from INSIS.

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

The additional reserve on Public liability insurance of the drivers as at 31.12.2012 amounts to BGN 7 987 thousand (2011 BGN 5 822 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 545 thousand (2011: BGN 315 thousand).

23.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2012 for individual savings policies is 68 policies (2011: 68 policies) is set aside by applying the prospective method in accordance with art. 13 of Regulation № 27. The Zillmer adjustment is applied, representing the present value of the unpaid acquisition costs (art. 13, par. 8 of regulation № 27), is enclosed. The mathematical reserve is at the amount of BGN 627 thousand (2011: BGN 237 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 31.12.2012 insurances "General civil liability" and "Travel assistance" ended with a negative result under Appendix № 3 for third consecutive year. Therefore, a reserve for unexpired risks insurance was required to be set aside. Coefficients of failure, calculated in accordance with Regulation № 27 are respectively 260% for "General civil liability" insurance and 62% for insurance "Travel assistance". For the former insurance a reserve for unexpired risks amounting to BGN 2 713 thousand has been set aside while for the latter a reserve amounting to BGN 213 thousand has been set aside.

23.2. Pension fund reserves

	2012 BGN'000	2011 BGN'000
Reserves for guaranteeing minimal yield on UPF	4 192	3 218
Reserves for guaranteeing minimal yield on PPF	651	529
Life pension reserve UPF	12	7
	4 855	**3 754**

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 2012 BGN'000	Current 2011 BGN'000	Non-current 2012 BGN'000	Non-current 2011 BGN'000
Financial liabilities measured at amortized cost:					
Liabilities to depositors	24.1	2 254 126	2 035 229	656 366	503 190
Dividend payables	24.2	15 935	15 921	43 834	53 399
Bonds and debenture loan	24.3	3 755	135 115	146 686	-
Bank loans	24.4	58 726	42 702	129 979	151 891
Other borrowings	24.5	59 160	44 379	14 841	11 331
Insurance contract liabilities	24.6	14 980	18 846	-	-
Derivatives, held-for-trading	24.7	8 265	6 098	-	-
Deposits from banks	24.8	36 013	50 233	2 934	-
Liabilities under repurchase agreements	24.9	20 143	29 170	-	-
Total carrying amount		**2 471 103**	**2 377 693**	**994 640**	**719 811**

24.1. Long- and short-term liabilities to depositors

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

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

24.2. Dividend payables

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

	Current		Non-current	
	2012 BGN'000	2011 BGN'000	2012 BGN'000	2011 BGN'000
Dividend payables	15 935	15 921	43 834	53 399
	15 935	**15 921**	**43 834**	**53 399**

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

24.3. Bonds and debenture loans

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

	Current		Non-current	
	2012	**2011**	**2012**	**2011**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Chimimport Holland B.V.	3 217	135 115	134 951	-
Asenova Krepost AD	538	-	11 735	-
	3 755	**135 115**	**146 686**	**-**

<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 Chimimport Invest AD, the bonds can be exchanged with ordinary shares of Chimimport AD with par value of BGN 1.00. The redemption of the bonds will be carried out on 22 August 2015 and the price of the redemption will be 118.9% of the total amount of the debenture loan.

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

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

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

As at 31 December 2012, the Group's liability to bondholders amounts to BGN 138 168 thousand (2011 BGN 135 115 thousand) calculated at amortised cost.

Asenova Krepost AD – debenture loan

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

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

The interest expense on the debenture loan for the reporting period amounts to BGN 1 291 thousand. Other related expenses, amounting to BGN 114 thousand are included in the consolidate financial statement of comprehensive income within 'Finance cost'.

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

The issue costs amounting to BGN 3 thousand are netted debenture loan at the initial recognition. They are amortized as current finance cost on a straight line basis.

As at 31 December 2012, the Group's liability to bondholders amounts to BGN 12 273 thousand calculated at amortised cost.

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	
	2012 BGN'000	**2011 BGN'000**	**2012 BGN'000**	**2011 BGN'000**
Bank loans	58 726	42 702	129 979	151 891

24.4.1. Long-term bank loans

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

Investment loans

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

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

- Contract for bank loan concluded on 4 July 2011 for the amount of BGN 39 117 thousand with maturity date 25 June 2017. The semi-annual interest rate equals 7.375%. All payments are made in euro. According to the repayment schedule, the Group repays the loan by 6 payments, the first of which is on 25 June 2013. The credit is secured with first rank collateral on current and future receivables arising from current bank account contracts, signed with the bank. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 48 896 thousand (EUR 25 000 thousand) where BGN 2 543 thousand is current (EUR 1 300 thousand)
- The Group has received a loan from Commercial bank under loan agreement No 114, dated 6 June 2006 with maturity 25 April 2016. The interest rate is 3-month EURIBOR plus 4.5% premium. The loan is secured with real estate – "Dom na geologa", located in Varna, St. St. Constantine and Elena resort at the amount of BGN 6 293 thousand – owned by Park Build OOD. Payments are carried out in euro. According to the repayment schedule, the Group repays the loan by monthly payments at the amount of BGN 187 thousand (EUR 97 thousand). The outstanding balance of the loan as at 31 December 2012 amounts to BGN 7 736 thousand (EUR 3 955 thousand), of which long-term portion – BGN 5 471 thousand and short-term portion – BGN 2 265 thousand.
- As at 31 December 2012 the Group has received investment credit from Commercial bank with maturity date 18 February 2015. The payments are carried out in US dollars and the interest rate is 3-month LIBOR, plus 3.5% premium. The loan is secured with an aircraft BOING 737 – 300. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 3 573 thousand (USD 2 409 thousand), of which long-term portion – BGN 2 024 thousand and short-term portion – BGN 1 549 thousand.
- As at 31 December 2012 the Group has investment credit obligation with maturity date 31 December 2015 at the amount of BGN 1 437 thousand with interest rate – 3-month Libor plus 4 points premium. Payments are carried out in euro. The credit is secured with mortgage on second and third floor of administrative building on Korab Planina street and warranty agreement. The outstanding amount of the credit is as at 31 December 2012 is BGN 953 thousand. (EUR 487 thousand), of which long-term portion is BGN 651 thousand and short-term portion is BGN 302 thousand.

Revolving Credit

- The revolving loan contract is concluded on 16 March 2011 with maturity date 31 December 2015. The interest rate equals 12-month EURIBOR, plus 7.0% premium. All payments are carried out in euro. According to the repayment schedule, the Group repays the loan by 7 equal payments at the amount of EUR 1 117 thousand each. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary, and mortgage on real estate, owned by a subsidiary. The outstanding amount of the loan as at 31 December 2012 amounts to BGN 15 396 thousand (EUR 7 872 thousand), (31 December 2011 amounts to BGN 19 721 thousand (EUR 10 083 thousand)), of which long-term portion is BGN 8 689 thousand (2011: BGN 13 088 thousand) and short-term portion – BGN 6 707 thousand (2011: BGN 6 633 thousand).
- The Group has concluded three contracts for a revolving credit with commercial banks on 10 November 2006, 16 November 2006 and 29 August 2008 with maturity dates 30 April 2015, 28 August 2017 and 28 August 2017 respectively. The interest rate on those three loans is 6-month EURIBOR plus 0,875% premium. Payments shall be made in euro. The outstanding amount of the loans at 31 December 2012 amounts to BGN 9 327 thousand (EUR 4 769 thousand), of which long-term portion is BGN 6 814 thousand (2011: BGN 8 551 thousand) and short-term portion is BGN 2 513 thousand (2011: BGN 2 276 thousand). Discount on bank loans is BGN

777 thousand, of which BGN 515 thousand is long-term portion and BGN 262 thousand is short-term portion.

Program for special purpose refinancing of commercial banks

As at 31 December 2012 the Group has the following credit obligations:

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

24.4.2. Short-term bank loans

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

Investment Loans

Liabilities of the Group as at 31 December 2012 comprises the following loans:

- **bank investment loan -** The Group was granted a bank loan on 5 October 2011 at the amount of BGN 3 000 thousand with maturity date 5 October 2013. The interest rate equals 1-month SOFIBOR plus 4.00% premium as the interest cannot be less than 8.50% and greater than 10.00%. All payments are carried out in Bulgarian leva. The loan is secured with real estate – hotel complex "Geolog", located St. St. Constantine and Elena resort, owned by Park Build OOD;

Revolving Credits

- The Group is granted an investment loan under a contract amounting to BGN 10 million, dated 28 January 2008, with maturity date 25 March 2012. The interest rate equals to 1-month SOFIBOR, plus 6% premium. Payments are carried out in Bulgarian leva. The loan is secured with mortgages on real estate, pledge in machines, plant and equipment, and with pledge on tangible fixed assets under the Law on registered pledges;
- In 2007 he Group has concluded 2 bank revolving credits which will be in force until 20 September 2013 at total amount of BGN 18 195, with interest rates as follows: 1-month SOFIBOR plus 3 points premium and 1-month SOFIBOR plus 3.5 points premium. Repayments under both agreements are carried out in Bulgarian leva. The agreements are secured with mortgages on real estate property, machines and equipment under the Law on registered pledges, as well as pledges on inventory and future receivables. The outstanding amount of the credits as at 31 December 2012 is BGN 16 200 thousand. Discount on credits amounts to BGN 72 thousand.
- On 12 May 2009 the Group has concluded an overdraft agreement at the amount of EUR 6 135 thousand. The loan is classified as short-term because the Group is entitled to receive and return the funds allocated to the limit during the financial year. As at 31.12.2012 the utilized amount is BGN 8 867 thousand (2011: BGN 10 884 thousand). The loan repayments are carried out in

euro. The interest rate on the overdraft is 3-month EURIBOR, plus 7 points premium, but not less than 8.51%. The contract is secured by Group's assets – a hangar, pledged rental receivables according to signed operating lease contract with Lufthansa Technik Sofia OOD, pledged assets of the related party Aviation company Hemus Air EAD and a warranty of the related party Bulgarian Airways Group EAD. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 8 838 thousand (EUR 4 519 thousand);

- The Group has received a bank loan, dated 10 August 2006, with maturity date extended until 31 August 2012. The interest rate is 3-month SOFIBOR plus 5.00% premium. Payments are carried out in Bulgarian leva. The loan is secured with a mortgage of real estates, pledge on fixed assets under the terms of the Law for the Registered Pledges. The outstanding balance of the loan as at 31 December 2012 amounts to BGN 2 467 thousand.
- Two contracts for bank loans have been concluded with Commercial bank for working capital. The maturities are 28.06.2013 and 28.02.2014, respectively. The utilized amount and the amount due as at 31.12.2012 amounts to BGN 759 thousand (2011 BGN 505 thousand). The annual interest rate under the agreement is 9% on the utilized amount. The carrying amount of the assets pledged as a security is presented in note 15.

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

24.5. Other borrowings

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

24.5.1. Other long-term borrowings

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

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

24.5.2. Other short-term borrowings

	2012 BGN'000	2011 BGN'000
Short-term borrowings	59 160	44 379
	59 160	**44 379**

Other short-term borrowings are received under annual interest rates from 8% to 12% depending on the contracted period. 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

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

24.7. Derivatives, held-for-trading

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

24.8. Deposits from Banks

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

24.9. Liabilities under repurchase agreements

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

25. Liabilities to insured individuals

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

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

The change in the net assets available for income is a result of:

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

The net assets available for income are distributed as follows:

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

26. Trade payables

	Current		Non-current	
	2012 BGN'000	2011 BGN'000	2012 BGN'000	2011 BGN'000
Trade payables	109 895	80 539	21 337	22 318

26.1. Non-current trade payables

	2012 BGN'000	2011 BGN'000
Public liabilities	21 318	21 271
Other	19	1 047
	21 337	**22 318**

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

Public payables

Noncurrent liabilities in the amount of BGN 21 318 thousand (2011: BGN 21 271 thousand) represent the carrying value of the liability for taxes and other public liabilities, calculated using the effective interest method. According to an agreement from 21 July 2009 liabilities of the Group are deferred to 20 July 2017 and accordingly deferred for the first 3 years. The principal obligation is at the amount of BGN 17 998 thousand Effective annual interest rate is set at 10.44%, taking into account the terms of the agreement and other factors that could have an influence. The currency in which the payments will be made is BGN.

26.2. Current trade payables

	2012 BGN'000	2011 BGN'000
Trade payables aviation activity	58 116	45 374
Trade payables manufacturing	8 350	4 489
Trade payables river transportation	8 052	9 018
Trade payables insurance	6 064	7 547
Trade payables bank activity	3 824	2 153
Trade payables pharmaceuticals	2 747	1 955
Other	22 742	10 003
	109 895	**80 539**

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 include current salaries and wages, as well as social security expenses, unused leaves and provisions for pension as follows:

	2012 BGN'000	2011 BGN'000
Wages expense	(89 389)	(81 125)
Social security costs	(15 351)	(14 087)
Employee benefits expense	**(104 740)**	**(95 212)**

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:

	2012 BGN'000	2011 BGN'000
Non-current:		
Pension provisions	2 655	2 188
Non-current pension and other employee obligations	**2 655**	**2 188**
Current:		
Employee benefits obligations	9 669	9 208
Payables to social security institutions	2 889	2 526
Pension provisions	374	839
Current pension and other employee obligations	**12 932**	**12 573**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2013.

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

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

	2012 BGN'000	2011 BGN'000
Pension provisions, beginning of period	3 027	3 069
Increase of pension provisions due to an increased number of employees expected to retire in next 5 years	186	285
Discounted	19	(61)
Increase of pension provisions as result of discount rate	3	2
Increase of pensions as a result of changes in the gross salary	(1)	11
Paid compensations to employees	(205)	(279)
Pension provisions, end of period	**3 029**	**3 027**

28. Tax liabilities

Tax liabilities include:

	2012 BGN'000	2011 BGN'000
Corporate income tax	3 378	3 277
Excise duty on imports	90	50
Other tax liabilities	5 299	6 933
	8 767	**10 260**

29. Other liabilities

Other liabilities can be summarized as follows:

	Current		Non-current	
	2012 BGN'000	2011 BGN'000	2012 BGN'000	2011 BGN'000
Other liabilities	94 603	75 690	3 276	1 204

29.1. Other non-current liabilities

	2012 BGN'000	2011 BGN'000
Innovation contract	1 790	-
Trans-European Transport Network financing	1 173	1 173
Other	313	31
	3 276	**1 204**

As at 31 December 2012 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 600 thousand (BGN 1 173 thousand) under contract № 80800ББГ-А-0191, dated 24th of 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

	2012 BGN'000	2011 BGN'000
Pledges	36 726	13 819
Flight tickets sold	24 177	20 465
Advances received	6 843	18 731
Cession payables	5 209	830
Liabilities under concessionary remunerations	1 980	1 755
Other	19 668	20 090
	94 603	**75 690**

Substantial part of guarantees amounting to BGN 30 649 thousand (2011: BGN 8 156) represent liabilities from received guarantee deposit formed by contract for the sale of fixed assets with Cetisime Trade EOOD. The Group has guarantees received at the amount of BGN 2 225 thousand (2011: BGN 3 673 thousand) under operating lease agreements for aircrafts, as a lessor, to other airline companies.

Liabilities on airplane tickets sold amounting to BGN 24 177 thousand (2011: BGN 20 465 thousand) represent the conducted tickets sales, which as at the date of the consolidated financial statements have not actually occurred i.e. conducting the carriage.

30. Income from non-financial activities

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

	2012 BGN'000	2011 BGN'000
Traffic revenue from scheduled and charter flights	265 760	224 696
Income from services rendered	64 272	93 088
Income from sale of trading goods	46 991	47 153
Income from sale of finished goods	65 469	21 228
Other	42 760	91 714
	485 252	**477 879**

31. Expenses for non-financial activities

	2012 BGN'000	2011 BGN'000
Hired service expense	(205 803)	(178 453)
Cost of materials	(158 447)	(126 344)
Cost of goods sold	(42 569)	(39 520)
Employee expense	(35 387)	(33 445)
Depreciation, amortization and impairment of non-financial assets	(26 017)	(31 253)
Other Expenses	(15 338)	(12 652)
	(483 561)	**(421 667)**

Audit fee for 2012 amounts to BGN 78 thousand (2011: BGN 59 thousand).

32. Gain/(Loss) from change in the fair value of investment property

	2012 BGN'000	2011 BGN'000
Gain from change in the fair value of investment property	8 067	43 934
Loss from change in the fair value of investment property	(20)	(851)
Change in the fair value of investment property, net	**8 047**	**43 083**

33. Gain from sale of non-current assets

	2012 BGN'000	2011 BGN'000
Proceeds from sale of non-current assets	48 815	42 578
Carrying amount of non-current assets sold	(24 515)	(11 740)
	24 300	**30 838**

34. Insurance income

	2012 BGN'000	2011 BGN'000
Insurance premium income	166 528	157 891
Income from released insurance reserves	154 510	132 771
Income from reinsurance operations	24 198	20 648
Regression income	7 235	6 626
Other insurance income	467	5 714
	352 938	**323 650**

34.1. Income from insurance premiums

	2012 BGN'000	2012 %	2011 BGN '000	2011 %
Casco	85 220	51,17%	73 519	46,56%
Public liability	52 415	31,48%	49 773	31,52%
Fire and natural calamities	10 031	6,02%	9 428	5,97%
Accidents	3 753	2,25%	2 828	1,79%
Travel Assistance	2 987	1,79%	2 606	1,65%
General public liability	2 703	1,62%	2 475	1,57%
Casco of aircrafts	2 340	1,41%	5 374	3,40%
Public liability related to aircraft	1 783	1,07%	4 888	3,10%
Property damage	1 461	0,88%	1 703	1,08%
Life and annuity	942	0,57%	514	0,33%
Additional insurance	892	0,54%	901	0,57%
Freight transport	528	0,32%	730	0,46%
Insurance guarantees	486	0,29%	636	0,40%
Loans and leases	214	0,13%	675	0,43%
Casco of vessels	177	0,11%	540	0,34%
Hospital care	123	0,07%	93	0,06%
Improve health and prevent disease	120	0,07%	79	0,05%
Reimbursement of expenses	105	0,06%	57	0,04%
Dental care	84	0,05%	40	0,03%
Outpatient medical care	80	0,05%	60	0,04%
Other financial losses	40	0,02%	878	0,55%
Additional services related to domestic disabilities	29	0,02%	24	0,02%
Public liability related to vessels	15	0,01%	70	0,04%
	166 528	**100,00%**	**157 891**	**100,00%**

35. Insurance expenses

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

35.1. Indemnities paid off

During 2012 and 2011 the following indemnities, classified by group of insurance, have been paid off:

	2012 Indemnities paid off BGN'000	2012 Share %	2011 Indemnities paid off BGN'000	2011 Share %
Casco	54 899	69,02%	48 270	70,61%
Motor public liability insurance	16 079	20,22%	13 874	20,28%
Fire and natural calamities	3 032	3,81%	989	1,45%
General public liability insurance	1 658	2,08%	685	1,00%
Accident	1 102	1,39%	866	1,27%
Travel assistance	888	1,12%	886	1,30%
Life insurance	619	0,78%	37	0,05%
Casco of aircrafts	497	0,62%	135	0,20%
Property damage	432	0,54%	541	0,79%
Health services	205	0,26%	5	0,01%
Casco of vessels	67	0,08%	275	0,40%
IT connected with aircraft	27	0,03%	57	0,08%
Loans and leases	18	0,02%	1 472	2,15%
Other financial losses	12	0,02%	72	0,11%
Freight transport	3	0,00%	101	0,15%
IT related to vessels	-	0,00%	100	0,15%
	79 538	**100,00%**	**68 365**	**100,00%**

36. Interest income

	2012 BGN'000	2011 BGN'000
Interest income by types of sources:		
Legal entities	153 759	150 671
Government securities	27 735	25 216
Banks	16 828	6 982
Individuals	32 292	36 124
Other	3 779	1 360
	234 393	**220 353**

37. Interest expense

	2012 BGN'000	2011 BGN'000
Interest expense by depositors:		
Legal entities	(45 462)	(56 340)
Individuals	(84 768)	(74 764)
Banks	(28 437)	(13 200)
Other	(624)	(989)
	(159 291)	**(145 293)**

38. Gains from transactions with financial instruments and investments

	2012 BGN'000	2011 BGN'000
Revaluation of financial instruments	294 921	234 674
Gains from transactions with securities and investments	68 859	50 497
Other	3 751	1 264
	367 531	**286 435**

39. Losses from transactions with financial instruments and investments

	2012 BGN'000	2011 BGN'000
Revaluation of financial instruments	(188 709)	(214 578)
Losses from transactions with securities and investments	(11 172)	(27 601)
Other	(483)	(1 932)
	(200 364)	**(244 111)**

40. Administrative expense

	2012 BGN'000	2011 BGN'000
Employee benefits expense	(69 403)	(61 767)
Hired services expense	(61 168)	(58 177)
Depreciation, amortization and impairment of non-financial assets	(25 460)	(35 239)
Cost of materials	(7 126)	(6 110)
Other	(27 030)	(27 688)
	(190 187)	**(188 981)**

41. Gain on acquisitions

From the concluded in 2012 business combinations, the Group has recognized gain at the amount of BGN 346 thousand, related to the following entities:

	2012 BGN'000	2011 BGN'000
Asela AD	183	-
Bessa Tour AD	135	-
AK Plastik OOD	28	-
	346	**-**

42. Other financial income

	2012 BGN'000	2011 BGN'000
Revenue from fees and commissions, net	41 628	22 417
Net result from foreign exchange differences	4 195	3 995
Other	6 197	16 599
	52 020	**43 011**

42.1. Revenue from fees and commissions

	2012 BGN'000	2011 BGN'000
Bank transfers in Bulgaria and abroad	18 941	17 596
Servicing current bank accounts	5 746	2 507
Servicing loans	5 844	2 194
Servicing commitments and contingencies	1 359	1 163
Other fees and commissions income, different from banks	8 673	-
Other income	8 231	5 607
Total Revenue from fees and commissions	**48 794**	**29 067**

42.2. Fees and commissions expense

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

43. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2011: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2012 BGN'000	2011 BGN'000
Profit before tax	125 762	128 608
Tax rate	10%	10%
Expected tax expense	**(12 576)**	**(12 861)**
Net effect of the financial result adjustments for tax purposes	6 637	7 485
Current tax expense	**(5 939)**	**(5 376)**
Deferred tax expense, resulting from:		
- origination and reversal of temporary differences and changes in tax rates		
Tax expenses	(4 858)	(629)
	(10 797)	**(6 005)**

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

44. Earnings per share

44.1. Earnings per share

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

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

	31 December 2012	31 December 2011
Profit attributable to the shareholders (BGN)	104 099 000	111 681 000
Weighted average number of outstanding shares	145 607 982	147 214 743
Basic earnings per share (BGN per share)	**0.7149**	**0.7586**

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 2012	31 December 2011
Net profit, attributable to shareholders, adjusted with dividend expense (BGN)	110 883 200	119 251 661
Weighted average number of shares	230 205 369	232 810 174
Diluted earnings per share (BGN per share)	**0.4817**	**0.5122**

45. 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.

45.1. Transactions with owners

Sale of goods and services, interest income and other income	**2012**	**2011**
	BGN'000	**BGN'000**
- interest income		
Chimimport Invest AD	13 317	15 058
Purchase of services, interest expense and other expenses		
- purchase of services		
Chimimport Invest AD	(10)	(90)
- interest expense	-	(284)
Chimimport Invest AD		

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

Sale of goods and services, interest income and other income	**2012**	**2011**
	BGN'000	**BGN'000**
- sale of work in progress		
Kavarna Gas OOD	1 326	1 379
Chimsnab Trade OOD	433	-
Fraport TSAM AD	-	181
- sale of finished goods		
Fraport TSAM AD	1 267	1 012
VTC AD	254	-
Chimsnab Trade OOD	23	22
Asenova Krepost AD	-	73
Other	21	-
- sale of services		
Lufthansa Technik Sofia OOD	2 840	411
CCB Lider DF	506	479
CCB Aktiv DF	410	374
Aviation Company Hemus Air EAD	385	191
Consortium Energoproekt – Royal Haskoning	103	71
Balcan Tours OOD	50	-
CCB Garant VF	13	12
Chimsnab Trade OOD	-	4
Other	74	643
- interest income		
Aviation Company Hemus Air EAD	8 351	7 351
Niko Commerce EAD	714	-
Fraport TSAM AD	467	181

Sale of goods and services, interest income and other income	**2012**	**2011**
	BGN'000	**BGN'000**
Konor GmbH	90	86
Lufthansa Technik Sofia OOD	85	23
Varna Ferry OOD	49	-
MCar OOD	33	161
Other	139	1 657
- other income		
Lufthansa Technik Sofia OOD	2 065	1 643
Aviation Company Hemus Air EAD	960	2 997
Other	40	25
Purchases of services and interest expense		
-purchases of services		
Lufthansa Technik Sofia OOD	(6 813)	(3 002)
Aviation Company Hemus Air EAD	(5 450)	(16 678)
Fraport TSAM AD	(4 097)	(3 393)
Other	(38)	(167)
-interest expense		
Fraport TSAM AD	(304)	(480)
PIC Syglasie AD	(70)	(75)
Dobrichki panair AD	(39)	(32)
Amadeus Bulgaria OOD	(20)	(29)
Invest Capital EAD	(8)	(11)
Other	(27)	(430)

45.3. Transactions with key management personnel

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

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

46. Related party balances at year-end

	2012 BGN'000	2011 BGN'000
Non-current receivables from:		
- owners		
Chimimport Invest AD	2 300	-
	2 300	**-**
- associates		
Lufthansa Technik Sofia OOD	3 042	94
Fraport TSAM AD	-	1 347
	3 042	**1 441**
- other related parties		
Aviation Company Hemus Air EAD	8 078	96
Other	1 459	644
	9 537	**740**
Total non-current receivables from related parties	**14 879**	**2 181**
Current receivables from:		
- owners		
Chimimport Invest AD	126 536	147 383
	126 536	**147 383**
- associates		
Konor GmbH	9 356	9 422
Lufthansa Technik Sofia OOD	900	726
Kavarna Gas OOD	592	531
Fraport TSAM AD	91	5 974
PIC Saglasie Co Ltd	1	649
Holding Nov Vek AD	1	-
	10 941	**17 302**
- other related parties		
Aviation Company Hemus Air EAD	86 530	86 555
Niko Komerce OOD	8 889	-
Consortium Energoproekt – Royal Haskoning	1 414	2 471
Chimsnab Trade OOD	1	2 186
M Car OOD	56	27
Asenova Krepost AD	-	26
OAO Airport Kazan	-	10 571
Other	4 741	154
	101 631	**101 990**
Total current receivables from related parties	**239 108**	**266 675**

	2012 BGN'000	2011 BGN'000
Non-current payables to:		
-owners		
Chimimport Invest AD	157	-
- associates		
Fraport TSAM AD	2 039	1 430
VTC AD	1 383	-
Amadeus Bulgaria OOD	135	130
PIC Syglasie AD	34	88
Lufthansa Technik Sofia OOD	15	43
Kavarna Gaz OOD	6	22
	3 612	**1 713**
- other related parties		
Nuance BG AD	162	-
M Car OOD	80	-
Aviation Company Hemus Air EAD	58	170
Asela AD	-	46
Chimsnab Trade OOD	27	27
Asenova krepost AD	-	21
Capital Invest EAD	17	9
Chimsnab Trade OOD	-	46
Capital Invest EAD	27	27
Invest Capital EAD	1	3
Pamporovo property EOOD	-	2
Holding Asenova krepost AD	-	1
Other	39	45
	384	**324**
Total non-current payables to related parties	**4 153**	**2 037**
Current payables to:		
-owners		
Chiminvest Institute	494	-
Chimimport Invest AD	9 482	109
	9 976	**109**
-associates		
PIC Syglasie AD, together with PPF, UPF and DPF Syglasie	1 003	9 046
Fraport TSAM AD	17 305	2 773
Lufthansa Technik Sofia OOD	2 675	1 766
Dobrichki panair AD	951	897
VTC AD	645	-
Amadeus Bulgaria OOD	401	395
Kavarna Gaz OOD	62	62
	23 042	**14 939**
- other related parties		
Nuance BG AD	338	-
Varna Cars OOD	143	-
Consortium Energoproekt – Royal Haskoning	1 900	2 797
M Car OOD	437	216
Invest Capital EAD	252	226
Aviation Company Hemus Air EAD	39	39

	2012 BGN'000	2011 BGN'000
Capital Invest EAD	39	31
Holding Asenova Krepost AD	-	2 192
Asenova Krepost AD	-	429
OAO Airport Kazan	-	237
Asela AD	-	138
Chimsnab Trade OOD	-	19
Other	793	652
	2 041	**6 976**
Total current payables to related parties	**36 959**	**22 024**

47. Contingent assets and liabilities and other commitments

As at 31 December 2012 and 2011, the Group has entered into granting bank loans to customers, which future utilization depends on whether the lessees fulfill certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.

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

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

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

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

Other bank guarantees issued by DSK Bank EAD as follows:

- at the amount of EUR 50 thousand, guaranteeing the execution of the activities of environmental protection and reclamation of damages as a result of geological activities in areas in Block 1-12 village Kneja, district Bulgarian drought. The bank guarantee is valid until 30.06.2015
- at the amount of EUR 18 thousand, guaranteeing the execution of the work program of the Group for the first year under the Contract for prospecting and exploration of crude oil and natural gas in Block 1-12, village Kneja, district Bulgarian drought.

The Group is party to bank guarantees issued by Unicredit Bulbank at total amount of BGN 427 thousand. Bank guarantees are valid until 30.11.2030.

Other commitments

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

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

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

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

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**	**2012 BGN '000**	**2011 BGN '000**
Financial assets held to maturity			
- non-current		98 068	130 919
- current	16.3	191 281	130 504
Financial assets available for sale:			
- non-current	13.4	270 538	346 360
- current	16.4	54 199	32 858
Financial assets held for trading (carried at fair value through profit or loss):			
- non-current	13.3	3 284	2 520
- current	16.2	714 361	542 326
Loans and receivables:			
- non-current		1 297 828	865 084
- current		949 082	1 340 502
Cash and cash equivalents	20	1 212 020	1 021 696
		4 790 661	**4 412 769**
Financial liabilities, measured at mortised cost:			
Non-current:			
- liabilities to depositors	24.1	600 829	503 190
- dividend obligations	24.2	43 834	53 399
- loans	24.3, 24.4, 24.5	291 506	163 202
- finance lease obligations	9.1	15 462	2 037
- trade and other payables	26, 29	22 541	450 025
Current:			
- liabilities to depositors	24.1	2 309 663	2 035 229
- dividend obligations	24.2	15 935	15 921
- loans	24.3, 24.4, 24.5	121 641	222 196
- finance lease obligations	9.1	5 417	22 024
- trade and other payables	26, 29	197 655	197 449
		3 624 483	**3 664 672**

See note 4.19 about information related to the accounting policy for each category financial instruments. Methods, used for assessment of fair value are presented in note 24. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 50.

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 analyze the different types of insurance risks, which is included in the general conditions. By means of variable methods of assessment and control, the director of Internal Control department is making regularly assessments of the risks and scrutinizes the accumulation of insured amounts by groups of clients and regions. The risk management is performed by the Internal Control department in collaboration with actuaries and the management of the Group.

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

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

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

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

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

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

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

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

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

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 analyzes the credit rating of the respective reinsurer. Only the ones with high credit rating are being chosen. The Group periodically analyzes the current financial position of the reinsurers, which the Group has reinsurance engagements with.

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

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:

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

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

Type of insurance	BGN	Number	Average indemnity 2012	Average indemnity 2011	Average indemnity 2010	Average indemnity 2009
Accident insurance	1 114 544	1 446	764	519	967	512
Casco	55 117 797	71 832	767	760	735	804
Casco of aircrafts	1 084 005	19	57 053	162 113	14 077	97 693
Casco of vessels	125 536	7	17 934	15 402	12 199	20 002
Cargo insurance during transportation	5 161	11	469	1 190	414	1 724
Fire and Natural calamities insurance	3 074 062	2 254	1 364	965	1 476	1 179
Property damage insurance	437 634	55	7 957	8 526	9 433	3 008
Insurance associated with the ownership and usage of motor vehicles, including:	16 143 275	7 223	2 235	2 180	2 291	2 154
Third-party aviation insurance	63 872	6	10 645	5 222	0	0
Third party vessels insurance	0	0	0	36 270	14 200	20 292
General third-party insurance	1 664 161	70	23 774	12 997	14 572	1 287
Credit insurance	126 799	13	9 754	40 511	78 899	21 405
Guarantees insurance	0	0	0	161	0	7 270
Insurance against financial losses	38 792	5	7 758	7 350	13 152	5 801
Travel assistance	890 833	1 243	717	983	836	858
Total:	**79 886 471**	**84 184**	**949**	**960**	**935**	**964**

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			
	2012 BGN '000	**2011 BGN '000**	**2010 BGN '000**	**2009 BGN '000**	**2008 BGN '000**	**2007 BGN '000**	**Общо BGN '000**
At the end of the period	53 204	42 859	47 164	42 582	34 215	19 627	239 651
1 year later	-	17 774	19 442	16 906	20 187	13 053	87 362
2 years later	-	-	4 050	3 701	2 503	2 239	12 493
3 years later	-	-	-	2 760	2 113	2 037	6 910
4 years later	-	-	-	-	992	1 745	2 737
5 years later	-	-	-	-	-	711	711
General assessment of the indemnities	53 204	60 633	70 656	65 949	60 011	39 412	349 864
As at 31 December Payments:							
Assessment:	37 292	9 594	6 649	3 127	1 102	0	57 764
Actual	42 307	16 410	7 371	10 187	6 243	4 804	87 321

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

49.1.3. Solvency limit

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

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

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

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.

<u>Group's policies regarding the banking activities</u>

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

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

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

	BGN	EUR	USD	Other	Total
	'000	'000	'000	'000	'000
Financial assets					
Placements with, and advances to, banks	28 217	83 694	23 673	36 916	172 500
Receivables under repurchase agreements	42 866	21 110	-	-	63 976
Financial asset held-for-trading	72 148	12 214	8 621	3 423	96 406
Financial assets at fair value	-	-	-	1 446	1 446
Loans and advances to customers, net	834 277	611 731	141 314	64 777	1 652 099
Available-for-sale financial assets	48 976	152 385	47	3 876	205 284
Held-to-maturity financial assets	58 991	93 507	-	117 176	269 674
Total assets	**1 085 475**	**974 641**	**173 655**	**227 614**	**2 461 385**
Financial liabilities					
Deposits from banks	19 532	14 195	1 724	562	36 013
Bank loans	40 937	-	-	1 213	42 150
Liabilities under repurchase agreements	-	-	-	-	-
Liabilities to other depositors	1 729 888	993 179	163 082	186 211	3 072 360
Other attracted funds	1 000	-	-	-	1 000
Subordinated liabilities	45 023	-	-	-	45 023
Total liabilities	1 836 380	1 007 374	164 806	187 986	3 196 546
Net position	**(750 905)**	**(32 733)**	**8 849**	**39 628**	**(735 161)**

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

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

49.3. Interest rate sensitivity

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

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2012, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and financial liabilities of the Company are at fixed interest rates. All investments in bonds of the Group are repaid on the basis of fixed interest rates.

The following table below illustrates the sensitivity of the net financial result after tax and the share capital to a reasonably possible change in the floating interest rates based on 1M SOFIBOR, amounting to +/- 0.45 %, 3M SOFIBOR, amounting to +/- 0.68% ,1M EURIBOR, and to the loans with floating interest rates, based on 1M EURIBOR, amounting to +/- 0.23 %, 3M EURIBOR, amounting to +/- 0.34%, and 12M EURIBOR, amounting to +/- 0.42% . These changes are considered to be reasonably possible based on observations 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 which are sensitive to changes in interest rates. All other parameter are held constant.

31 December 2012	**Net financial result**		**Equity**	
	Increase of the interest rate	**Decrease of the interest rate**	**Increase of the interest rate**	**Decrease of the interest rate**
1M SOFIBOR	(119)	119	(119)	119
3M SOFIBOR	(17)	17	(17)	17
1M EURIBOR	(21)	21	(21)	21
3M EURIBOR	(26)	26	(26)	26
12M EURIBOR	(33)	33	(33)	33

31 December 2011	**Net financial result**		**Equity**	
	Increase of the interest rate	**Decrease of the interest rate**	**Increase of the interest rate**	**Decrease of the interest rate**
1M SOFIBOR	(145)	145	(145)	145
3M SOFIBOR	(21)	21	(21)	21
1M EURIBOR	(26)	26	(26)	26
3M EURIBOR	(32)	32	(32)	32
12M EURIBOR	(40)	40	(40)	40

Group's policy regarding banking activities

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

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

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

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2012 is negative, amounting to BGN 821 264 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 33.37%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing assets						
Placements with, and advances to banks	161 915	7 583	3 002	-	-	172 500
Receivables under repurchase agreements	37 671	12 860	13 445	-	-	63 976
Financial assets held-for-trade	-	-	12	37 303	5	37 320
Loans and advances to customers, net	523	923	-	-	-	1 446
Financial assets held-for-trade	218,203	98 639	372 350	625 198	337 709	1 652 099
Financial assets held-to-maturity	893	9 510	943	119 251	47 670	178 267
Total interest-bearing assets	84 796	84 343	2 576	70 932	27 027	269 674
Interest-bearing assets	**504 001**	**213 858**	**392 328**	**852 684**	**412 411**	**2 375 282**
Interest-bearing liabilities						
Deposits from banks	31 787	2 416	1 182	628	-	36 013
Bank loans	162	98	288	5 453	36 149	42 150
Liabilities under repurchase agreements	-	-	-	-	-	-
Liabilities to other depositors	1 222 810	434 451	805 254	602 059	7 786	3 072 360
Other attracted funds	52	40	240	668	-	1 000
Total interest-bearing liabilities	-	-	-	-	45 023	45 023
Interest-bearing liabilities	**1 254 811**	**437 005**	**806 964**	**608 808**	**88 958**	**3 196 546**
Imbalance between interest bearing assets and liabilities, net	**(750 810)**	**(223 147)**	**(414 636)**	**243 876**	**323 453**	**(821 264)**

The Group is exposed to a reduction of the interest income when the interest rates rise, as the Group holds a negative imbalance. The imbalance impact, as at 31 December 2012, over the net interest income, assuming an increase of 2% (2011: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 915 thousand (2011:BGN 984 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2011 is negative, amounting to BGN 367 721 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 12.53%.

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

49.4. Other price risk sensitivity

A threat for the Group is the decrease of the market prices of its equity instruments, held-for-trade, which will lead to a decrease of the net profit. The Group does not possess significant exposure to derivative instruments, based on the equity instruments and indices. The carrying amount of equity instruments and investments in mutual funds, which are from financial assets held- for-trade portfolio, exposures to risk amounts to BGN 15 080 thousand (2011: 35 834 thousand).

49.5. Credit risk sensitivity

Group's policy regarding other than banking activities

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

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

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

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

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

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

Group's policy regarding banking activities

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

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

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

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

In order to reduce the credit risk, in compliance with the internal credit rules, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 928 111 thousand do not carry any credit risk for the Group, due to their nature and the ability of the Group to dispose of them.

The placements and advances to banks with book value BGN 172 500 thousand are mainly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear certain credit risk, whose maximum exposure according to the Group's policy may be 20%, 50% or 100%, depending on the qualitative characteristics of financial institutions. As at 31 December 2012 the lump sum of this risk amounts to BGN 42 856 thousand. As at 31 December 2012 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 135 thousand.

The receivables under repurchase agreements, amounting to BGN 63 976 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 39 860 thousand does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities. The remaining receivables amounting to BGN 24 116 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

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

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

The equity instruments held-for-sale, amounting to BGN 27 826 thousand are shares in financial and non-financial companies as well as shares in mutual funds, that carry credit risk, whose maximum exposure percentage is 100% or BGN 27 826 thousand . As at 31 December 2012 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 286 thousand.

The debt instruments held-for-sale, amounting to BGN 68 669 thousand bear the credit risk of the country issuer.

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

The debt instruments held-to-maturity and issued by Republic of Bulgaria, amounting to BGN 131 709 thousand do not carry credit risk to the Group, as they are secured by Bulgarian government. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia, amounting to BGN 7 943 thousand do not bear any credit risk for the Group, as they are secured by the National Bank of the Republic of Macedonia. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia at the amount of BGN 101 411 thousand do not bear any credit risk as they are guaranteed by the Republic of Macedonia.The debt instruments held-to-maturity and issued by the Russian federation at the amount of BGN 7 821 thousand do not bear any credit risk for the Group, as they are secured by the Russian federation.

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

Loans and advances to customers with book value of BGN 1 688 175 thousand expose the Group to credit risk. In order to determine the amount of exposure of the Group to this kind of risk, an analysis is being conducted of the individual risk for the Group, originating from every specifically determined exposure, as the Group applies the criteria for evaluation and classification of the risky exposures, set in the bank legislation of the Republic of Bulgaria and the Republic of Macedonia. In accordance with these criteria and the conducted analysis the Group's maximum exposure amounts to BGN 1 390 415 thousand .In order to minimize the credit risk, in the process of granting credits detailed procedures, regarding the analysis of the economic appropriateness of any single project, the different kinds of securities acceptable by the Group, the control of the placements and their administration, are applied. The Group monitors the observance of the limits for credit exposure by regions and industries. The purpose of the above-mentioned limits is to limit the concentration of one region or industry in the portfolio, which could lead to increased credit risk. The Group has adopted the methodology for calculating the provisions for impairment of loans and advances to customers, based on the requirements of the bank legislation, respectively in the Republic of Bulgaria and the Republic of Macedonia, as they do not differ significantly. As at 31 December 2012 the provisions for coverage of losses from impairment of loans and advances amount to BGN 36 076 thousand .

Quality of the credit portfolio

Classes of financial assets as at 31 December 2012:

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

Classes of financial assets as at 31 December 2011:

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

Loans granted by the Group could be summarized as follows:

Name of the group	**31 December 2012**			**31 December 2011**		
	Loans, granted to non-financial clients		**Loans to banks and receivables under repurchase agreements**	**Loans, granted to non-financial clients**		**Loans to banks and receivables under repurchase agreements**
	BGN '000	**%**		**BGN '000**	**%**	
Not outstanding and not impaired	1 138 551	67.44	63 796	941 880	63.65	32 444
Outstanding but not impaired	452 331	26.79	-	465 503	31.46	-
Impaired on individual base	97 293	5.76	-	72 448	4.89	-
Total	1 688 175	100	63 796	1 479 831	100	32 444
Set-aside provisions	(36 076)		-	30 062		-
Net loans	**1 652 099**		**63 796**	**1 449 769**		**32 444**

As at 31 December 2012 and 2011 the predominant share of the loans, represented as outstanding but not impaired, are loans, for which a 30-day delay in payment is allowed. The Group considers that such incidental delays are not indication for impairment of these loans.

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

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

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

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

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

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

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

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

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

The total net exposure for 2012 and 2011 represents 27.88% and 26.03%, respectively, from the Group's loans and advances from clients.

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

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

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

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

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

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

49.6. Liquidity risk analysis

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

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

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

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

As at 31 December 2011 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

	Current	**Non-current**	
	Within 12 months BGN'000	**From 1 to 5 years BGN'000**	**Within 12 months BGN'000**
Dividend payables	15 921	53 399	-
Bank and other loans	222 196	140 021	23 181
Related parties payables	12 573	2 037	-
Financial lease payables	6 538	19 771	99
Trade and other payables	2 220 105	951 178	-
Total	**2 477 333**	**1 166 406**	**23 280**

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

The amounts, reported in this analysis for the maturity of the liabilities represent the non- discounted cash flows from the contracts, which may differ from the carrying amounts of the liability as at the reporting date. The annual interest payments amount to BGN 19 477 thousand (2011: BGN 19 861 thousand).

<u>Group's policy regarding banking activities</u>
The Group follows the obligations and restriction arising from the regulations of the banking legislations in counties involved in the management and supervision of bank's liquidity. The Group maintains

specialized collective bodies for liquidity's management, which adopt the Group's policy of managing the liquidity risk.

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

The Group traditionally maintains huge volume of highly liquid assets – cash and cash equivalents on hand and cash in Central Banks, which ensures the Group's smooth addressing of liquid need. As of 31 December they cover about 25% of the total assets. As an additional tool for ensuring high liquidity the Group uses resources and advances given to financial institutions. Essentially, these are deposits in prime foreign and Bulgarian financial institutions with maturity of 7 days. As of 31 December they cover about 5% of the total assets. Bonds issued by the Republic of Bulgaria and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about 5.25% of the Group's assets. Maintaining over 30% of its assets in highly liquid assets, the Group is able to cover all its needs regarding payments on matured financial liabilities.

The allocation of financial liabilities of the Group as of 31 December 2012, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Financial liabilities						
Deposits from banks	35 528	485	-	-	-	36 013
Credits from banks	162	98	288	5 453	36 149	42 150
Obligations under agreements for security repurchasing	-	-	-	-	-	-
Liabilities to other depositors	1 222 811	434 451	805 253	602 059	7 786	3 072 360
Other borrowed funds	52	40	240	668	-	1 000
Other liabilities	-	-	-	-	45 023	45 023
Total financial liabilities	20 412	-	-	-	-	20 412
Financial liabilities	**1 278 965**	**435 074**	**805 781**	**608 180**	**88 958**	**3 216 958**

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities. Most of them – above 40% have residual maturity of less than one month. Usually customers of the Group that prefer concluding deposit contract with 1 month maturity renegotiating it for longer period later on. Therefore, one-month deposits are essentially long and relatively permanent resource for the Group.

Central Cooperative Bank AD entered into a subordinated debt agreement with its shareholder CCB Group EAD in accordance with regulations set forth by Ordinance N 8 dated 14 December 2006 of the Bulgarian National Bank for capital adequacy of the credit institutions, as a result it has received loan at the amoun of BGN 45 000 thousand with 4.5 % interest. The maturity of the debt is December 2019 as a one-time repayment at maturity. Under the terms of the contract early repayment of debt is possible only after the prior written permission of the Bulgarian National Bank, while the creditor is not entitled to declare acceleration of the Loan under any circumstances.

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

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

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

50. Capital management policies and procedures

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

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

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

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

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

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

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

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

The increase in ratio during 2012 is primarily a result of the increase in the Group's net debt due to its bank and other activities. The Group has honored its covenant obligations, including maintaining capital ratios.

51. Post-reporting date events

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

- On 3 January 2013 the Group acquired 22,635 shares of BGN 100 / one hundred / each share of the capital of T AB Real Estate EOOD through in-kind contribution;
- On 21 January 2013 the Group has made a sale of land in Russia that is classified as held for sale as of the date of the consolidated financial statements;
- On 6 February 2013 a change in the legal form of a company Anitas 2003 EOOD, through which a single member limited liability company (EOOD) was transformed into a limited liability company (OOD);
- - On 4 February 2013 the Board of Directors of the Teksim Trading AD took a decisions to increase share capital from BGN 187 600 to BGN 794 280 through the issuance of 121,336 number of new registered, common stock, with a liquidation quota, with a nominal value of BGN 5 and issue price of BGN 5 each one. On 11 February 2013 the increase of share capital was registered in the Commercial Register at the Registry Agency;
- On 29 January 2013 the Group concluded a framework agreement for the issuance of bank guarantees totaling BGN 2 200 thousand for a term of five years and an option for automatic renewal for another five years. As collateral for a Framework Agreement for the issuance of a bank guarantee in the amount of BGN 2 200 thousand current assets are pledged to Port Lesport AD evaluated by licensed appraisers to BGN 4 160 thousand;
- On 28 January 2013 a debt of the Group at the Ministry of Transport and Communications was paid, that is in conjunction with one of the concessions in which the Company is a concessionaire. The sum amounts to BGN 535 thousand and a variable part of the annual concession fee for 2012.

52. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2012 (including comparatives) were approved by the Managing board on 29 April 2013.