FIRST INVESTMENT BANK AD

UNCONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012
WITH INDEPENDENT AUDITOR'S REPORT THEREON

INDEPENDENT AUDITOR'S REPORT

To the shareholders of First Investment Bank AD

Report on the unconsolidated financial statements

We have audited the accompanying unconsolidated financial statements of First Investment Bank AD ("the Bank"), which comprise the unconsolidated statement of the financial position as at 31 December 2012, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of First Investment Bank AD as at 31 December 2012, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and supervisory requirements

Annual management report of the Bank in accordance with Article 33 of the Law on Accounting

As required under the Accountancy Act, we report that the historical unconsolidated financial information disclosed in the annual report of the activities of the Bank, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the unconsolidated financial information disclosed in the audited unconsolidated financial statements of the Bank as of and for the year ended 31 December 2012. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 15 March 2013.

Tzvetelinka Koleva
Manager

Krassimir Hadjidinev
Registered auditor

KPMG Bulgaria OOD

Sofia, 15 March 2013

Unconsolidated statement of comprehensive income for the year ended 31 December 2012

in BGN '000

	Note	2012	2011
Interest income		454,979	432,610
Interest expense and similar charges:		(307,500)	(276,181)
Net interest income	**6**	**147,479**	**156,429**
Fee and commission income		81,590	78,947
Fee and commission expense		(9,388)	(8,166)
Net fee and commission income	**7**	**72,202**	**70,781**
Net trading income	8	**8,198**	**11,117**
Other net operating income/(expense)	9	**2,813**	**(2,192)**
TOTAL INCOME FROM BANKING OPERATIONS		**230,692**	**236,135**
Administrative expenses	10	(152,452)	(150,361)
Allowance for impairment	11	(36,035)	(34,370)
Other expenses, net		(10,067)	(10,794)
PROFIT BEFORE TAX		**32,138**	**40,610**
Income tax expense	**12**	**(3,223)**	**(4,107)**
NET PROFIT		**28,915**	**36,503**
Other comprehensive income for the period			
Revaluation reserve on available for sale investments, net		272	778
Revaluation reserve on property, net		4,500	-
Total other comprehensive income		**4,772**	**778**
TOTAL COMPREHENSIVE INCOME		**33,687**	**37,281**

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 55.

Vassil Christov
Executive Director

Svetoslav Moldovansky
Executive Director

Yanko Karakolev
Chief Financial Officer

Tsvetelinka Koleva
Manager
KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered auditor

Unconsolidated statement of the financial position as at 31 December 2012

in BGN '000

	Note	2012	2011
ASSETS			
Cash and balances with Central Banks	13	1,121,844	913,598
Financial assets held for trading	14	5,998	8,659
Available for sale investments	15	747,535	680,924
Financial assets held to maturity	16	92,351	54,961
Loans and advances to banks and other financial institutions	17	18,290	100,054
Loans and advances to customers	18	4,463,094	4,127,002
Property and equipment	19	115,613	115,942
Intangible assets	20	13,546	14,343
Derivatives held for risk management		1,088	-
Current tax assets		2,117	1,255
Other assets	22	325,861	84,931
TOTAL ASSETS		**6,907,337**	**6,101,669**
LIABILITIES AND CAPITAL			
Due to banks	23	2,597	2,054
Due to other customers	24	6,024,530	5,286,891
Liabilities evidenced by paper	25	77,304	132,443
Subordinated term debt	26	54,988	50,596
Perpetual debt	27	102,927	102,357
Hybrid debt	28	123,901	42,800
Deferred tax liability	21	3,560	3,628
Derivatives held for risk management		1,309	358
Current tax liabilities		178	49
Other liabilities	29	5,311	3,448
TOTAL LIABILITIES		**6,396,605**	**5,624,624**
Issued share capital	31	110,000	110,000
Share premium	31	97,000	97,000
Statutory reserve	31	39,861	39,861
Revaluation reserve on available for sale investments		1,018	746
Revaluation reserve on property		4,500	-
Retained earnings	31	258,353	229,438
SHAREHOLDERS' EQUITY		**510,732**	**477,045**
TOTAL LIABILITIES AND GROUP EQUITY		**6,907,337**	**6,101,669**

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 55.

Vassil Christov
Executive Director

Svetoslav Moldovansky
Executive Director

Yanko Karakolev
Chief Financial Officer

Tsvetelinka Koleva
Manager
KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered auditor

Unconsolidated statement of cash flows for the year ended 31 December 2012

in BGN '000

	2012	2011
Net cash flow from operating activities		
Net profit	28,915	36,503
Adjustment for non-cash items		
Allowance for impairment	36,035	34,370
Depreciation and amortization	20,280	21,160
Income tax expense	3,223	4,107
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	(19)	45
(Profit) from sale of other assets, net	(189)	(72)
	88,245	**96,113**
Change in operating assets		
Decrease in financial instruments held for trading	2,661	7,982
(Increase)/decrease in available for sale investments	(66,226)	63,071
(Increase)/decrease in loans and advances to banks and financial institutions	26,098	(20,432)
(Increase) in loans to customers	(372,127)	(786,210)
(Increase) in other assets	(245,389)	(26,720)
	(654,983)	**(762,309)**
Change in operating liabilities		
Increase/(decrease) in deposits from banks	543	(7,455)
Increase in amounts owed to other depositors	737,639	1,081,871
Net increase/(decrease) in other liabilities	3,533	(2,351)
	741,715	**1,072,065**
Income tax paid	(4,494)	(1,202)
NET CASH FLOW FROM OPERATING ACTIVITIES	**170,483**	**404,667**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(14,186)	(10,291)
Sale of tangible and intangible fixed assets	51	31
Sale of other assets	2,698	3,027
(Increase) of investments	(37,390)	(16,754)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(48,827)**	**(23,987)**
Financing activities		
Increase in borrowings	30,924	45,335
NET CASH FLOW FROM FINANCING ACTIVITIES	**30,924**	**45,335**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**152,580**	**426,015**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**974,904**	**548,889**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33)	**1,127,484**	**974,904**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 55.

Vassil Christov
Executive Director

Svetoslav Moldovansky
Executive Director

Yanko Karakolev
Chief Financial Officer

Tsvetelinka Koleva
Manager
KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered auditor

Fibank
Първа инвестиционна банка

Unconsolidated statement of shareholders' equity for the year ended 31 December 2012

in BGN '000

	Issued share capital	Share premium	Retained earnings	Revaluation reserve on available for sale investments	Revaluation reserve on property	Statutory reserve	Total
Balance as at 1 January 2011	**110,000**	**97,000**	**192,935**	**(32)**	**-**	**39,861**	**439,764**
Total comprehensive income for the period							
Net profit for 2011	-	-	36,503	-	-	-	36,503
Other comprehensive income for the period							
Revaluation reserve on available for sale investments	-	-	-	778	-	-	778
Balance at 31 December 2011	**110,000**	**97,000**	**229,438**	**746**	**-**	**39,861**	**477,045**
Total comprehensive income for the period							
Net profit for the year ended 31 December 2012	-	-	28,915	-	-	-	28,915
Other comprehensive income for the period							
Revaluation reserve on available for sale investments, net	-	-	-	272	-	-	272
Revaluation reserve on property, net	-	-	-	-	4,500	-	4,500
Balance at 31 December 2012	**110,000**	**97,000**	**258,353**	**1,018**	**4,500**	**39,861**	**510,732**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 55.

The financial statements have been approved by the Managing Board on 15 March 2013 and signed on its behalf by:

Vassil Christov
Executive Director

Svetoslav Moldovansky
Executive Director

Yanko Karakolev
Chief Financial Officer

Tsvetelinka Koleva
Manager
KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered auditor

Notes

1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) is incorporated in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

The Bank has a general banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by Bulgarian legislation.

The Bank has foreign operations in Cyprus.

Following the successful Initial Public Offering of new shares at the Bulgarian Stock Exchange – Sofia, on June 13th 2007 the Bank was registered as a public company in the Register of the Financial Supervision Commission pursuant to the provisions of the Law on the Public Offering of Securities.

(b) Statement of compliance

The unconsolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2 (p).

(c) Presentation

The financial statements are presented in Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

The present financial statements of the Bank are not consolidated. These individual financial statements form an integral part of the consolidated financial statements. Information about the basic earnings per share is given in the consolidated financial statements.

(d) Changes in the accounting policy

Subsequent valuation of buildings

In 2012 the Bank changed its accounting policy for subsequent measurement of all items within the separate class "Properties" (buildings) which is part of property, plant and equipment held for use.

As a result of the change, the Bank applies the revaluation model stated in IAS 16 for the purposes of subsequent measurement of buildings. The revalued amount is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses.

Previously, the Bank measured all items of property, plant and equipment at their historical cost less accumulated depreciation and impairment losses.

All tangible non-current assets different from buildings/properties continue to be presented in the statement of financial position at their historical cost less accumulated depreciation and impairment losses.

Notes

1. Basis of preparation, continued

(d) Changes in the accounting policy, continued

Impact of change in accounting policy

As specifically required by IAS 16, the change in accounting policy has been applied prospectively. The following table summarizes the adjustments made to the statement of financial position on implementation of the new accounting policy.

in BGN '000	**Land and Buildings**	**Deferred tax liability**	**Revaluation reserve**
Net book value at 31 December 2012, applying previous policy	8,450	-	-
Impact of change in accounting policy	5,000	(500)	4,500
Restated balances at 31 December 2012	**13,450**	**(500)**	**4,500**

The effects on the statement of comprehensive income were as follows:

in BGN '000	**2012**
Increase in revaluation of property, plant and equipment recognised in OCI	5,000
Tax on other comprehensive income	(500)
Total	**4,500**

2. Significant accounting policies

(a) Income recognition

(i) Interest Income

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Fee and Commission

Fee and commission income arises on financial services provided by the Bank and is recognised in profit or loss when the corresponding service is provided.

(iii) Net trading income

Net gains (losses) on financial assets and liabilities held for trading includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Bank.

2. Significant accounting policies, continued

(a) Income recognition, continued

(iv) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(b) Basis of consolidation of subsidiaries

Investments in subsidiaries are stated at cost.

(c) Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in Bulgarian leva, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. . Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Foreign currency differences arising on translation are difference between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. In determining the functional currency of the foreign operations, the Bank takes into account the fact that they are carried out as an extension of the reporting entity.

2. Significant accounting policies, continued

(d) Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management because its performance is assessed and monitored on the basis of its fair value. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell or re-classify other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(v) Recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the date of the actual delivery of the assets. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

(vi) Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in other comprehensive income is reclassified in profit or loss.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

(vii) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Notes

2. Significant accounting policies, continued

(d) Financial assets, continued

(vii) Fair value measurement principles, continued

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. For netting positions average market prices are used to measure net risk positions and the "buy" or "sell" price is only applied to the respective net open position. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The Bank assesses the fair value of financial instruments using the next methods hierarchy that reflects the significance of the factors used for fair value measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements based on market data either directly (i.e., as prices), or indirectly (i.e., derived from prices); This category includes quoted prices for instruments in an inactive market or instruments assessed by valuation techniques;
- Level 3: fair value measurements using inputs for the asset or liability that are not based on observable market data. In addition this level included capital investments in subsidiaries and other institutions related to the Bank's membership in certain organizations, stated at cost, for which there is no reliable market assessment.

The table below analyses financial instruments at fair value.

in BGN '000 **31 December 2012**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	5,998	-	-	5,998
Available for sale investments	679,475	26,480	41,580	747,535
Derivatives held for risk management	1,088	(1,309)	-	(221)
Total	**686,561**	**25,171**	**41,580**	**753,312**

in BGN '000 **31 December 2011**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	8,659	-	-	8,659
Available for sale investments	611,581	26,934	42,409	680,924
Derivatives held for risk management	-	(358)	-	(358)
Total	**620,240**	**26,576**	**42,409**	**689,225**

(viii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Bank transfers these rights in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to the buyer. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

Notes

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with the central bank and short-term highly liquid accounts and advances to banks with maturity of up to three months.

(f) Investments

Investments that the Bank holds for the purpose of short-term profit taking are classified as financial assets for trading. Debt investments that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments

Notes

2. Significant accounting policies, continued

(g) Securities borrowing and lending business and repurchase transactions, continued

(ii) Repurchase agreements, continued

to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(h) Borrowings

Borrowings are recognised initially at ‘cost’, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment of Assets

The carrying amounts of the Bank’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Loans and advances

Impairment loss on loans and receivables is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. If the interest rate for the loan is a floating interest rate, the loan is discounted at the current effective contractual interest rate. Short-term balances are not discounted. The calculation of the present value of estimated future cash flows reflects not only interest and principal payments, but also cash flows that may result from foreclosure less costs for obtaining and selling the collateral for a given exposure.

Loans and advances are presented net of specific and general allowances for impairment. The carrying amount of the asset is reduced through use of an allowance account. Specific allowance for impairment is accounted for loans for which there is objective evidence of impairment as a result of a past event that occurred after initial recognition of the asset. Objective evidence of impairment includes significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy; observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets.

2. Significant accounting policies, continued

(j) Impairment, continued

(i) Loans and advances, continued

The portfolio allowance is accounted for decreasing the carrying amount of a portfolio of loans with similar credit risk characteristics, which are collectively assessed for impairment. The estimated cash flows for a group of similar assets are determined on the basis of past practice and historical loss experience for portfolios with comparable characteristics. Historical loss experience should be adjusted, on the basis of observable data, to reflect the effects of current conditions. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Increases in the allowance account are recognised in profit or loss. When a loan is identified to be not recoverable, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the allowance reversal is recognised in profit or loss.

(ii) Available for sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. If, in a subsequent period, the fair value of a financial instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Any subsequent increase in the fair value of impaired equity security, available for sale, is recognized directly in the comprehensive income.

(k) Property and equipment

As stated in note 1(d), land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Depreciation is calculated on a straight line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The annual rates of amortisation are as follows:

Assets	**%**
• Buildings	3 - 4
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor vehicles	20
• Leasehold Improvements	2 - 50

Notes

2. Significant accounting policies, continued

(k) Property and equipment, continued

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Intangible assets acquired by the Bank are stated at cost, less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Assets	%
• Licences	10 - 15
• Computer software	8 - 50

(m) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and an reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Acceptances

An acceptance is created when the Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(o) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes

2. Significant accounting policies, continued

(p) Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes

The Bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes

2. Significant accounting policies, continued

(q) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Bank's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the Labour Code. According to these regulations in the LC, when a labour contract of a bank's employee, who has acquired a pension right, is ended, the Bank is obliged to pay him compensations amounted to two gross monthly salaries. Where the employee has been with the same employer for the past 10 years, this employee is entitled to a compensation amounting to six gross monthly salaries. As at balance sheet date, the Management of the Bank estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Bank recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

2. Significant accounting policies, continued

(r) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations endorsed by the European Commission may be applied early for the annual period ending on 31 December 2012, although they are not mandatory. These changes to IFRS have not been applied early in preparing these financial statements. The Bank does not plan to adopt these standards early.

Standards, Interpretations and amendments to published Standards that are not yet effective and have not been early adopted – endorsed by the European Commission

- Amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities are effective for annual periods beginning on or after 1 January 2013. The Bank is in the process of analysing changes but they are not expected to have material impact on the financial statements.
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements (2011) which supersedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011) which supersedes IAS 28 (2008) are effective for annual periods beginning on or after 1 January 2014. The Bank does not consider that amendments to IFRS 27 will have significant impact on the Bank's financial statements because they will not lead to changes in accounting policy.
- IFRS 12 Fair Value Measurement provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Bank does not expect that IFRS will have a significant impact on its financial statements because the Management deems that the methods and assumptions applied in estimating fair values correspond to IFRS 13.
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income are effective for annual periods beginning on or after 1 July 2012. The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application. If the amendments had been applied as of 1 January 2012, the following items of other comprehensive income would have been presented as items which could be reclassified to profit or loss in the future:

    - BGN 1,131 thousand revaluation reserve on available for sale investments;
    - Tax effect amounting to BGN (113) thousand.

The remaining amounts and items in other comprehensive income will never be reclassified to profit or loss.

Notes

2. Significant accounting policies, continued

(r) New standards and interpretations not yet effective, continued

- Amendments to IAS 19 Employee Benefits are effective for annual periods beginning on or after 1 January 2013. The Bank does not consider that the amendments will have significant impact on the financial statements because they will not lead to changes in accounting policy.
- Amendments to IAS 12 *Deferred Tax:* Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2013. The Bank does not consider that the amendments will have significant impact on the financial statements because they will not lead to changes in accounting policy.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities are effective for annual periods beginning on or after 1 January 2013. The Bank is in the process of analysing changes but they are not expected to have material impact on the financial statements.
- IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine are effective for annual periods beginning on or after 1 January 2013. The Bank does not consider that the amendments will have significant impact on the financial statements because the bank has no transactions related to the production phase of a surface mine.
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (issued December 2010) are effective for annual periods beginning on or after 1 January 2013. The Bank does not expect these amendments to have significant impact on the financial statements.

Standards, interpretations and amendments to standards issued by IASB/IFRICs not yet endorsed by the European Commission

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements. . The effective dates for these will depend on the endorsement decision for adoption by the European Commission.

- IFRS 9 *Financial Instruments (issued November 2009)* and *Additions to IFRS 9* (issued October 2010) has an effective date 1 January 2015 and could change the classification and measurement of financial instruments.
- Amendments to IFRS 1 Government Loans are effective as of 1 January 2013.
- Annual Improvements to IFRS 2009-2011 are effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance are effective as of 1 January 2013.
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities are effective as of 1 January 2014.

3. Risk management disclosures

A. Trading activities

The Bank maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Bank’s trading activities are customer driven. In anticipation of customer demand, the Bank carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Bank to provide customers with money market products at competitive prices.

The Bank manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

The risk that counterparts to financial instruments might default on their obligations. Default risk is monitored on an ongoing basis subject to Group's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the counterpart and setting limits on exposure amount. Exposures arising from trading activities are subject to total exposure limits and are authorised by the appropriate person or body as set out in credit risk management procedures.

Settlement risk is the risk of loss due to counterpart failing to deliver value (cash, securities or other assets) under contractually agreed terms. When trades are not cleared through clearing agent settlement risk is limited through simultaneous commencement of the payment and delivery legs.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Bank assumes market risk when taking positions in debt instruments, equities, derivatives and foreign exchange transactions. These risks are managed by enforcing limits on positions taken and their risk sensitivities as measured by value-at-risk, duration or other measures appropriate for particular position in view of its sensitivity to risk factors. The major risk factors that affect Bank's trading activities are changes of interest rates (interest rate risk), changes of exchange rates (foreign exchange risk) and changes of equity prices (equity price risk).

Exposure to market risk is formally managed in accordance with risk limits for buying or selling instruments set by senior management.

The quantitative measurement of interest rate risk is performed by applying VaR (Value at Risk) approach. The Value at Risk estimates the maximum loss that could occur over specified horizon, under normal market conditions, due to adverse changes in market rates if the positions remain unchanged for the specified time interval. Value at risk is calculated using one day horizon and 99 per cent confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. The following table summarises the range of interest VaR for all positions carried at fair value that was experienced in 2012:

3. Risk management disclosures

A. Trading activities

(ii) Market risk, continued

	31 December	**2012**			**31 December**
in BGN '000	**2012**	**average**	**low**	**high**	**2011**
VaR	1,103	679	224	1,385	243

B. Non-trading activities

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

Notes

(i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(i) Liquidity risk, continued

Maturity table as at 31 December 2012

in BGN '000	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	601,948	-	-	-	519,896	**1,121,844**
Financial assets held for trading	5,998	-	-	-	-	**5,998**
Available for sale investments	701,430	-	4,525	-	41,580	**747,535**
Financial assets held to maturity	34,652	13,666	25,302	18,731	-	**92,351**
Loans and advances to banks and other financial institutions	5,640	-	3,989	8,661	-	**18,290**
Loans and advances to	406,271	201,147	1,171,436	2,684,240	-	**4,463,094**
Other trading assets	1,088	-	-	-	-	**1,088**
Total financial assets	**1,757,027**	**214,813**	**1,205,252**	**2,711,632**	**561,476**	**6,450,200**
Liabilities						
Due to banks	2,597	-	-	-	-	**2,597**
Due to other customers	582,828	947,193	2,499,650	1,138,502	856,357	**6,024,530**
Liabilities evidenced by paper	36,164	3,716	4,112	33,312	-	**77,304**
Subordinated term debt	-	-	-	54,988	-	**54,988**
Perpetual debt	-	-	-	-	102,927	**102,927**
Hybrid debt	-	-	-	-	123,901	**123,901**
Other financial liabilities	1,309	-	-	-	-	**1,309**
Total financial liabilities	**622,898**	**950,909**	**2,503,762**	**1,226,802**	**1,083,185**	**6,387,556**
Net liquidity gap	**1,134,129**	**(736,096)**	**(1,298,510)**	**1,484,830**	**(521,709)**	**62,644**

The table shows investments available for sale with a maturity of up to 1 month in order to reflect the management's intent to sell them within a short-term period.

3. **Risk management disclosures, continued**

B. **Non-trading activities, continued**

(i) Liquidity risk, continued

Maturity table as at 31 December 2011

in BGN '000	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	471,800	-	-	-	441,798	**913,598**
Financial assets held for trading	8,659	-	-	-	-	**8,659**
Available for sale investments	632,651	-	5,864	-	42,409	**680,924**
Financial assets held to maturity	-	-	-	54,961	-	**54,961**
Loans and advances to banks and other financial institutions	73,989	-	17,404	8,661	-	**100,054**
Loans and advances to	294,614	296,547	1,008,178	2,527,663	-	**4,127,002**
Total financial assets	**1,481,713**	**296,547**	**1,031,446**	**2,591,285**	**484,207**	**5,885,198**
Liabilities						
Due to banks	2,054	-	-	-	-	**2,054**
Due to other customers	585,627	1,012,606	2,482,489	485,182	720,987	**5,286,891**
Liabilities evidenced by paper	48,206	47,860	4,261	32,116	-	**132,443**
Subordinated term debt	-	-	-	50,596	-	**50,596**
Perpetual debt	-	-	-	-	102,357	**102,357**
Hybrid debt	-	-	-	-	42,800	**42,800**
Other financial liabilities	358	-	-	-	-	**358**
Total financial liabilities	**636,245**	**1,060,466**	**2,486,750**	**567,894**	**866,144**	**5,617,499**
Net liquidity gap	**845,468**	**(763,919)**	**(1,455,304)**	**2,023,391**	**(381,937)**	**267,699**

As at 31 December 2012 the thirty largest non-bank depositors represent 5.14% of total deposits from other customers (31 December 2011: 5.73%).

3. Risk management disclosures, continued

B. Non-trading activities, continued

(i) Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial liabilities of the Bank as at 31 December 2012 based on the contractual undiscounted cash flows.

in BGN '000	**Up to 1 Month**	**From 1 to 3 Months**	**From 3 months to 1 year**	**More than 1 year**	**Total**
Due to banks	2,597	-	-	-	**2,597**
Due to other customers	1,440,433	955,478	2,581,369	1,257,672	**6,234,952**
Liabilities evidenced by paper	36,220	3,740	4,209	37,102	**81,271**
Subordinated term debt	337	330	2,697	69,239	**72,603**
Perpetual debt	-	4,933	6,912	124,738	**136,583**
Hybrid debt	-	-	14,278	164,485	**178,763**
Total financial liabilities	**1,479,587**	**964,481**	**2,609,465**	**1,653,236**	**6,706,769**

(ii) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Bank measures the impact of a change in the market rates both on net interest income and on the Bank's economic value defined as the difference between fair value of assets and fair value of liabilities. The interest rate risk on the economic value of the Bank following a standardised shock of +100bp/-100bp as at 31 December 2012 is BGN +3.7/-3.7 Mio. The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2012 is BGN +4.8/-4.8 Mio.

Notes

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2012 and the periods in which financial liabilities and assets reprice.

			Fixed rate instruments			
in BGN '000	**Total**	**Floating rate Instruments**	**Less than 1 month**	**Between 1 month and 3 months**	**Between 3 months and 1 year**	**More than 1 year**
Assets						
Cash and balances with Central Banks	100,004	83,963	16,041	-	-	-
Financial assets held for trading	3,072	-	3,072	-	-	-
Available for sale investments	705,955	31,587	674,368	-	-	-
Financial assets held to maturity	92,351	-	34,652	13,666	25,302	18,731
Loans and advances to banks and other financial institutions	13,500	405	445	-	3,989	8,661
Loans and advances to customers	4,101,827	3,292,079	78,236	53,747	256,919	420,846
Total interest-bearing assets	**5,016,709**	**3,408,034**	**806,814**	**67,413**	**286,210**	**448,238**
Liabilities						
Due to banks	2,597	2,597	-	-	-	-
Due to other customers	6,018,568	848,891	584,332	947,193	2,499,650	1,138,502
Liabilities evidenced by paper	77,304	4,875	36,164	57	2,896	33,312
Subordinated term debt	54,988	-	-	-	-	54,988
Perpetual debt	102,927	-	-	-	-	102,927
Hybrid debt	123,901	-	-	-	-	123,901
Total interest-bearing liabilities	**6,380,285**	**856,363**	**620,496**	**947,250**	**2,502,546**	**1,453,630**

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2011 and the periods in which financial liabilities and assets reprice.

			Fixed rate instruments			
in BGN '000	**Total**	**Floating rate Instruments**	**Less than 1 month**	**Between 1 month and 3 months**	**Between 3 months and 1 year**	**More than 1 year**
Assets						
Cash and balances with Central Banks	145,059	64,457	80,602	-	-	-
Financial assets held for trading	5,523	-	5,523	-	-	-
Available for sale investments	638,515	32,828	605,687	-	-	-
Financial assets held to maturity	54,961	-	-	-	-	54,961
Loans and advances to banks and other financial institutions	97,428	-	71,363	-	17,404	8,661
Loans and advances to customers	3,924,638	3,390,792	74,159	20,616	124,100	314,971
Total interest-bearing assets	**4,866,124**	**3,488,077**	**837,334**	**20,616**	**141,504**	**378,593**
Liabilities						
Due to banks	2,054	2,054	-	-	-	-
Due to other customers	5,284,091	750,243	553,571	1,012,606	2,482,489	485,182
Liabilities evidenced by paper	132,443	55,237	48,088	-	-	29,118
Subordinated term debt	50,596	-	-	-	-	50,596
Perpetual debt	102,357	-	-	-	-	102,357
Hybrid debt	42,800	-	-	-	-	42,800
Total interest-bearing liabilities	**5,614,341**	**807,534**	**601,659**	**1,012,606**	**2,482,489**	**710,053**

Notes

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank is exposed to currency risk in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents it financial statements is the Bulgarian lev, the Bank's financial statements are effected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the presentation currency of the Bank. These exposures were as follows:

in BGN '000	**2012**	**2011**
Monetary assets		
Euro	4,859,149	4,339,864
US dollar	486,038	421,496
Other	82,016	62,176
Gold bullion	10,728	7,856
Monetary liabilities		
Euro	3,062,103	2,909,370
US dollar	487,620	422,616
Other	81,999	61,577
Gold bullion	-	-
Net position		
Euro	1,797,046	1,430,494
US dollar	(1,582)	(1,120)
Other	17	599
Gold bullion	10,728	7,856

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Bank by failing to discharge an obligation. The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. These exposures are as follows:

Notes

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

31 December 2012		*in BGN '000*
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Collectively impaired		
Standard	3,791,155	3,786,560
Individually impaired		
Watch	238,554	223,957
Nonperforming	317,468	294,346
Loss	282,153	158,231
Total	**4,629,330**	**4,463,094**

31 December 2011		*in BGN '000*
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Collectively impaired		
Standard	3,607,040	3,603,069
Individually impaired		
Watch	404,324	388,558
Nonperforming	29,789	21,151
Loss	216,337	114,224
Total	**4,257,490**	**4,127,002**

In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Group's investments, loans and advances and off-balance sheet commitments.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Total economic sector credit risk concentrations in loans and advances to customers are presented in the table below:

in BGN '000	**2012**	**2011**
Trade	1,169,503	946,338
Industry	1,173,451	1,125,835
Services	451,190	433,874
Finance	90,821	87,849
Transport, logistics	248,475	270,019
Communications	70,015	56,221
Construction	173,417	173,246
Agriculture	84,706	85,353
Tourist services	143,869	117,310
Infrastructure	150,482	161,993
Private individuals	858,224	786,291
Other	15,177	13,161
Allowance for impairment	(166,236)	(130,488)
Total	**4,463,094**	**4,127,002**

The Bank has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2012 with total exposures amounting to BGN 95,634 thousand (2011: BGN 116,335 thousand) – ferrous and non-ferrous metals, BGN 61,015 thousand (2011: 61,015 thousand) – mining and BGN 135,510 thousand (2011: 104,836 thousand) – power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 22 individual clients or groups (2011: 23) with each individual exposure exceeding 10% of the capital base of the Bank. The total amount of these exposures is BGN 1,886,855 thousand which represents 307.15% of the capital base (2011: BGN 1,776,991 thousand which represented 321.11 % of the capital base) of which BGN 1,696,770 thousand (2011: BGN 1,585,693 thousand) represent loans and BGN 190,085 thousand (2011: BGN 191,298 thousand) represent guarantees, letters of credit and other commitments.

Loans extended by the branch in Cyprus amount to BGN 483,331 thousand (gross carrying amount before any allowances) (2011: BGN 290,861 thousand).

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations. The extent of collateral held for guarantees and letters of credit is 100 percent.

Collateral for loans, guarantees, and letters of credit is usually in the form of mortgage, cash, plant and equipment, securities, or other property.

The table below shows a breakdown of total loans and advances extended to customers by the Bank by type of collateral, excluding credit cards in the amount of BGN 201,295 thousand (2011: BGN 193,303 thousand):

in BGN '000	**2012**	**2011**
Mortgage	1,540,821	1,642,857
Pledge of receivables	601,041	201,992
Pledge of commercial enterprise	581,575	789,238
Securities	158,282	80,069
Guarantee	6,308	13,759
Other guaranties	269,780	464,606
Pledge of goods	167,115	185,502
Pledge of machines	258,440	200,925
Money deposit	169,590	45,797
Stake in capital	374,096	144,694
Gold	97	18
Other collateral	250,175	247,465
Unsecured	50,715	47,265
Total	**4,428,035**	**4,064,187**

Other collateral includes insurance policies up to the amount of the insurance cover, future receivables, remuneration transfers, etc.

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to individual customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount excludes any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

in BGN '000	**2012**	**2011**
Loan to value (LTV) ratio		
Less than 50%	170,841	144,140
51% to 70%	80,627	93,524
71% to 90%	80,256	85,441
91% to 100%	15,451	10,106
More than 100%	14,531	11,226
Total	**361,706**	**344,437**

Notes

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Loans to corporate customers

The loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Bank requests corporate borrowers to provide it. The Bank takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Bank routinely analyses collateral for possible changes in value due to market conditions, legal framework or debtor's actions. Where such changes lead to a breach in the requirements for sufficiency of collateral, the Bank requires provision of additional collateral within a certain timeframe.

As at 31 December 2012 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 427,663 thousand (2011: BGN 276,143 thousand) and the value of collateral held against those loans amounts to BGN 927,443 thousand (2011: BGN 999,518 thousand).

(iv) Government debt exposures

In 2011 concerns became apparent of the credit risk related to government debt issued by member states of the Eurozone. The Bank closely manages this risk and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. The Bank does not recognise allowance for impairment against the exposures which are measured at amortised cost as at 31 December 2012 and 31 December 2011 as well as those classified as available for sale.

Notes

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iv) Government debt exposures, continued

in BGN '000

31 December 2012

Portfolio	**Bulgaria**	**Belgium**	**Italy**	**Spain**	**European Financial Stability Facility**
Financial assets held for trading	3,072	-	-	-	-
Available for sale investments	304,026	289,156	-	-	86,293
Financial assets held to maturity	34,652	-	23,409	15,559	-
Total	**341,750**	**289,156**	**23,409**	**15,559**	**86,293**

in BGN '000

31 December 2011

Portfolio	**Bulgaria**	**France**	**Belgium**
Financial assets held for trading	5,523	-	-
Available for sale investments	103,222	371,465	136,894
Financial assets held to maturity	36,054	-	-
Total	**144,799**	**371,465**	**136,894**

Maturity table of government debt securities by country issuer as at 31 December 2012

in BGN '000

Country issuer	**Up to 1 Month**	**From 1 to 3 Months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Bulgaria	191,991	-	-	72,464	77,295	**341,750**
Belgium	-	113,375	175,781	-	-	**289,156**
Italy	-	13,666	9,743	-	-	**23,409**
Spain	-	-	15,559	-	-	**15,559**
European Financial Stability Facility	-	58,895	7,816	19,582	-	**86,293**
Total	**191,991**	**185,936**	**208,899**	**92,046**	**77,295**	**756,167**

Maturity table of government debt securities by country issuer as at 31 December 2011

in BGN '000

Country issuer	**Up to 1 Month**	**From 1 to 3 Months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Bulgaria	-	-	-	120,518	24,281	**144,799**
France	97,782	195,552	78,131	-	-	**371,465**
Belgium	136,894	-	-	-	-	**136,894**
Total	**234,676**	**195,552**	**78,131**	**120,518**	**24,281**	**653,158**

3. Risk management disclosures, continued

C. Solvency ratio (Capital adequacy)

The Bank's lead regulator, the Bulgarian National Bank (BNB) sets and monitors capital requirements both on consolidated and stand-alone basis. BNB issued Ordinance 8 on Capital Adequacy of Credit Institutions effective from 01 January 2007 that is the Bulgarian supervisory implementation of the International Convergence of Capital Measurement and Capital Standards (Revised Framework), known as Basel II and complies with EU Directives 2006/48/EC and 2006/49/EC. In implementing current capital requirements the Bank is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets and a minimum prescribed ratio of 6% of Tier 1 capital to total risk-weighted assets. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. As the Bank holds insignificant trading book, the Bank does not apply capital requirements to its exposures in trading portfolio in respect to market risk and calculates required capital for trading instruments in accordance with the provisions for banking book.

The Bank calculates requirements for credit risk for its exposures in banking and trading portfolios based on standardised approach defined by the BNB. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors (0%, 20%, 50%, 100%), designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%) depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Bank calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

In addition, the Bank is required to hold capital for operational risk. The basic indicator approach is used. Required capital is equal to the average gross annual income over the previous three years multiplied by a fixed percentage (15%). Respective risk weighted assets are calculated by further multiplication by 12.5.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve, other general reserves, current half-year audited profit and hybrid instruments without incentive to redeem after deductions for goodwill and other intangible assets and unrealised loss from available for sale investments.
- Tier 2 capital, which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

Following limits are applied to elements of the capital base: qualifying tier 2 capital cannot exceed tier 1 capital; qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital; and qualifying hybrid debt without incentive to redeem cannot exceed 35 percent of tier 1 capital. Deductions from the Bank's capital base include the balance-sheet value of unconsolidated investments in subsidiaries and specific provisions for credit risk.

The Bank has complied with all externally imposed capital requirements throughout the period.

3. Risk management disclosures, continued
C. Capital adequacy, continued

Capital adequacy level was as follows:

in BGN '000	Balance sheet/notional amount		Risk weighted assets	
	2012	**2011**	**2012**	**2011**
Risk weighted assets for credit risk				
Balance sheet assets				
Exposure class				
Central governments and central banks	1,653,774	1,293,965	2,553	2,956
Institutions	163,449	290,595	52,476	78,140
Corporates	3,095,352	3,135,180	2,903,269	3,079,542
Retail	473,392	468,354	341,187	340,731
Claims secured by residential property	574,903	393,051	201,216	137,568
Overdue items	263,979	121,995	263,979	121,995
Collective investment undertaking	1,933	1,936	1,933	1,936
Other items	562,923	327,252	427,382	193,667
Total	**6,789,705**	**6,032,328**	**4,193,995**	**3,956,535**
Off balance sheet items				
Exposure class				
Central governments and central banks	-	97	-	-
Institutions	11,406	15,266	3,271	3,458
Corporates	494,451	552,625	170,046	179,903
Retail	234,215	231,706	171	1,350
Claims secured by residential property	8,753	3,468	1,523	601
Other items	-	-	24	14
Total	**748,825**	**803,162**	**175,035**	**185,326**
Derivatives				
Exposure class				
Central governments and central banks	-	1,760	-	-
Institutions	1,669	171	334	34
Corporates	547	390	547	390
Other items	1,109	-	1,109	-
Total	**3,325**	**2,321**	**1,990**	**424**
Total risk-weighted assets for credit risk			**4,371,020**	**4,142,285**
Risk-weighted assets for market risk			**12,396**	**5,546**
Risk-weighted assets for operational risk			**357,990**	**344,453**
Total risk-weighted assets			**4,741,406**	**4,492,284**

Capital adequacy ratios	**Capital**		**Capital ratios %**	
	2012	**2011**	**2012**	**2011**
Tier 1 Capital	**548,933**	**461,959**	**11.58%**	**10.28%**
Total capital base	**614,301**	**553,392**	**12.96%**	**12.32%**

Notes

4. Segment Reporting

Segment information is presented in respect of the Bank's geographical segments. The primary format, geographical segments, is based on the Bank's management and internal reporting structure.

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Bank operates principally in Bulgaria, but also has operations in Cyprus.

In presenting information on the basis of geographical segments, revenue and operating income is allocated based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated based on their geographical location.

in BGN '000	**Bulgarian operations**		**Foreign operations**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Interest income	424,242	408,978	30,737	23,632	454,979	432,610
Interest expense and similar charges:	(306,642)	(275,536)	(858)	(645)	(307,500)	(276,181)
Net interest income	**117,600**	**133,442**	**29,879**	**22,987**	**147,479**	**156,429**
Fee and commission income	80,701	78,553	889	394	81,590	78,947
Fee and commission expense	(9,380)	(8,156)	(8)	(10)	(9,388)	(8,166)
Net fee and commission income	**71,321**	**70,397**	**881**	**384**	**72,202**	**70,781**
Net trading income	**8,138**	**11,068**	**60**	**49**	**8,198**	**11,117**
Administrative expenses	**(151,598)**	**(149,861)**	**(854)**	**(500)**	**(152,452)**	**(150,361)**
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Assets	**6,416,281**	**5,805,179**	**491,056**	**296,490**	**6,907,337**	**6,101,669**
Liabilities	**6,365,278**	**5,602,298**	**31,327**	**22,326**	**6,396,605**	**5,624,624**

4. Segment Reporting, continued

The table below shows assets and liabilities and income and expense by business segments as at 30 June 2012.

in BGN '000

Business	Assets	Liabilities	Interest income	Interest expense and similar charges:	Net fee and commission income	Net trading income	Other net operating income
Commercial banking	3,637,992	1,125,337	341,285	(40,151)	42,105	-	-
Retail Banking	825,102	4,899,193	99,584	(234,176)	13,399	-	-
Card business	-	-	-	-	16,116	-	-
Treasury	1,950,735	39,142	14,110	(1,484)	(207)	8,198	2,813
Other	493,508	332,933	-	(31,689)	789	-	-
Total	**6,907,337**	**6,396,605**	**454,979**	**(307,500)**	**72,202**	**8,198**	**2,813**

5. Financial assets and liabilities
Accounting classification and fair values

The table below sets out the classification of each class of financial assets and liabilities, and their fair values as at 31 December 2012.

in BGN '000	**Trading**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other at amortised cost**	**Other**	**Net book value**	**Fair value**
ASSETS								
Cash and balances with Central Banks	-	-	997,650	-	-	124,194	1,121,844	1,121,844
Financial assets held for trading	5,998	-	-	-	-	-	5,998	5,998
Available for sale investments	-	-	-	747,535	-	-	747,535	747,535
Financial assets held to maturity	-	92,351	-	-	-	-	92,351	92,345
Loans and advances to banks and other financial institutions	-	-	18,290	-	-	-	18,290	18,290
Loans and advances to customers	-	-	4,463,094	-	-	-	4,463,094	4,463,094
Other trading assets	-	-	-	-	-	1,088	1,088	1,088
Total	**5,998**	**92,351**	**5,479,034**	**747,535**	**-**	**125,282**	**6,450,200**	**6,450,194**
LIABILITIES								
Due to banks	-	-	-	-	2,597	-	2,597	2,597
Due to other customers	-	-	-	-	6,024,530	-	6,024,530	6,024,530
Liabilities evidenced by paper	-	-	-	-	77,304	-	77,304	77,304
Subordinated term debt	-	-	-	-	54,988	-	54,988	54,988
Perpetual debt	-	-	-	-	102,927	-	102,927	102,927
Hybrid debt	-	-	-	-	123,901	-	123,901	123,901
Other trading assets	-	-	-	-	-	1,309	1,309	1,309
Total	**-**	**-**	**-**	**-**	**6,386,247**	**1,309**	**6,387,556**	**6,387,556**

The fair value of cash, cash equivalents, demand and term deposits is approximately equal to the carrying value given, because of their short-term maturity. The fair value of receivables from clients is approximately equal to their balance-sheet value due to the fact that the interest rate for most of the loan portfolio is floating and reflects changes in market conditions. The fair value of liabilities evidenced by paper is approximately equal to their carrying value due to the fact that the main part of liabilities evidenced by paper are either with short-term maturity or carry floating interest rates which reflect the changes in the market conditions.

5. Financial assets and liabilities, continued

Accounting classification and fair values, continued

The table below sets out the classification of each class of financial assets and liabilities, and their fair values as at 31 December 2011.

in BGN '000	**Trading**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other at amortised cost**	**Other**	**Net book value**	**Fair value**
ASSETS								
Cash and balances with Central Banks	-	-	785,868	-	-	127,730	913,598	913,598
Financial assets held for trading	8,659	-	-	-	-	-	8,659	8,659
Available for sale investments	-	-	-	680,924	-	-	680,924	680,924
Financial assets held to maturity	-	54,961	-	-	-	-	54,961	54,598
Loans and advances to banks and other financial institutions	-	-	100,054	-	-	-	100,054	100,054
Loans and advances to customers	-	-	4,127,002	-	-	-	4,127,002	4,127,002
Total	**8,659**	**54,961**	**5,012,924**	**680,924**	**-**	**127,730**	**5,885,198**	**5,884,835**
LIABILITIES								
Due to banks	-	-	-	-	2,054	-	2,054	2,054
Due to other customers	-	-	-	-	5,286,891	-	5,286,891	5,286,891
Liabilities evidenced by paper	-	-	-	-	132,443	-	132,443	132,443
Subordinated term debt	-	-	-	-	50,596	-	50,596	50,596
Perpetual debt	-	-	-	-	102,357	-	102,357	102,357
Hybrid debt	-	-	-	-	42,800	-	42,800	42,800
Other financial liabilities	-	-	-	-	-	358	358	358
Total	**-**	**-**	**-**	**-**	**5,617,141**	**358**	**5,617,499**	**5,617,499**

6. Net interest income

in BGN '000	**2012**	**2011**
Interest income		
Accounts with and placements to banks and financial institutions	1,869	3,320
Retail Banking	96,474	90,826
Corporate customers	318,065	304,155
Small and medium enterprises	23,220	22,903
Microlending	3,110	3,345
Debt instruments	12,241	8,061
	454,979	**432,610**
Interest expense and similar charges:		
Deposits from banks	(5)	(720)
Deposits from other customers	(274,327)	(247,019)
Liabilities evidenced by paper	(4,143)	(5,469)
Subordinated term debt	(8,340)	(6,867)
Perpetual debt	(12,186)	(12,071)
Hybrid debt	(8,468)	(4,013)
Lease agreements and other	(31)	(22)
	(307,500)	**(276,181)**
Net interest income	**147,479**	**156,429**

For 2012 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 47,665 thousand (2011: BGN 40,276 thousand).

7. Net fee and commission income

in BGN '000

Fee and commission income	**2012**	**2011**
Letters of credit and guarantees	8,182	8,443
Payments transactions	9,630	9,050
Customer accounts	15,405	14,436
Card services	23,671	21,820
Other	24,702	25,198
	81,590	**78,947**
Fee and commission expense		
Letters of credit and guarantees	(680)	(804)
Deposits to banks and other financial institutions	(722)	(668)
Card services	(7,555)	(6,516)
Other	(431)	(178)
	(9,388)	**(8,166)**
Net fee and commission income	**72,202**	**70,781**

8. Net trading income

in BGN '000	**2012**	**2011**
Net trading income/(expense) arises from:		
- Debt instruments	271	3,943
- Equities	(131)	(284)
- Foreign exchange rate fluctuations	8,058	7,458
Net trading income	**8,198**	**11,117**

9. Other net operating income/(expense)

in BGN '000	**2012**	**2011**
Other net operating income/(expense) arising from:		
- Debt instruments	2,303	(2,192)
- Equities	510	-
Other net operating income/(expense)	**2,813**	**(2,192)**

10. Administrative expenses

in BGN '000	**2012**	**2011**
General and administrative expenses comprise:		
- Personnel cost	50,238	48,486
- Depreciation and amortisation	20,280	21,160
- Advertising	7,670	7,576
- Building rent expense	30,778	29,650
-Telecommunication, software and other computer maintenance	13,882	13,226
- Administration, consultancy, audit and other costs	29,604	30,263
Administrative expenses	**152,452**	**150,361**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2012 the total number of employees was 2,691 (31 December 2011: 2,680).

11. Allowance for impairment

in BGN '000	**2012**	**2011**
Write-downs		
Loans and advances to customers	(44,827)	(44,822)
Reversal of write-downs		
Loans and advances to customers	8,792	10,452
Impairment, net	**(36,035)**	**(34,370)**

12. Income tax expense

	2012	**2011**
Current taxes	(3,791)	(3,622)
Deferred taxes (See Note 21)	568	(485)
Income tax expense	**(3,223)**	**(4,107)**

Reconciliation between tax expense and the accounting profit is as follows:

in BGN '000	**2012**	**2011**
Accounting profit before taxation	**32,138**	**40,610**
Corporate tax at applicable tax rate (10% for 2012 and 10% for 2011)	3,214	4,061
Tax effect of permanent tax differences	122	46
Other	(113)	-
Income tax expense	**3,223**	**4,107**
Effective tax rate	10.03%	10.11%

Notes

13. Cash and balances with Central Banks

in BGN '000	**2012**	**2011**
Cash on hand		
- in BGN	87,391	91,315
- in foreign currency	36,803	36,415
Balances with Central Banks	901,305	645,225
Current accounts and amounts with foreign banks	96,345	140,643
Total	**1,121,844**	**913,598**

14. Financial assets held for trading

in BGN '000	**2012**	**2011**
Bonds and notes issued by:		
Bulgarian government, rated BBB:		
- denominated in Bulgarian Leva	3,061	3,518
- denominated in foreign currencies	11	2,005
Other issuers – equity instruments (unrated)	2,926	3,136
Total	**5,998**	**8,659**

15. Available for sale investments

In thousands of BGN	**2012**	**2011**
Bonds and notes issued by:		
Bulgarian Government		
- denominated in Bulgarian Leva	82,794	17,688
- denominated in foreign currencies	221,232	85,534
Foreign governments		
- treasury bills	355,867	508,359
- treasury bonds	19,582	-
Foreign banks	26,480	26,934
Other issuers – equity instruments	5,209	6,038
Investments in subsidiaries	36,371	36,371
Total	**747,535**	**680,924**

15. Available for sale investments, continued

Investments in subsidiaries are as follows:

In thousands of BGN

Entity:	**% held**	**2012**	**2011**
First Investment Finance B.V., Netherlands	100%	3,947	3,947
Diners Club Bulgaria AD	94.79%	5,443	5,443
First Investment Bank – Albania Sh.a.	100%	23,419	23,419
Debita OOD	70%	105	105
Realtor OOD	51%	77	77
Health Insurance Fund Fi Health AD	59.10%	3,315	3,315
Framas Enterprises Limited	100%	15	15
Balkan Financial Services EAD	100%	50	50
Total		**36,371**	**36,371**

16. Financial assets held to maturity

Long-term securities held to maturity represent debt investments that the Bank has the intent and ability to hold to maturity.

in BGN '000	**2012**	**2011**
Securities held to maturity issued by:		
Bulgarian Government	34,652	36,054
Foreign governments	38,968	-
Foreign banks	18,731	18,907
Total	**92,351**	**54,961**

17. Loans and advances to banks and other financial institutions-{}-

(a) Analysis by type

in BGN '000	**2012**	**2011**
Placements with banks	13,486	85,139
Receivables under resale agreements (see Note 30)	-	12,683
Other	4,804	2,232
Total	**18,290**	**100,054**

(b) Geographical analysis

in BGN '000	**2012**	**2011**
Domestic banks and financial institutions	2,197	13,093
Foreign banks and other financial institutions	16,093	86,961
Total	**18,290**	**100,054**

18. Loans and advances to customers

in BGN '000	**2012**	**2011**
Retail Banking		
- Consumer loans	290,477	233,107
- Mortgage loans	361,706	344,437
- Credit cards	201,295	193,303
Small and medium enterprises	251,191	223,990
Microlending	30,075	26,612
Corporate customers	3,494,586	3,236,041
Allowance for impairment	(166,236)	(130,488)
Total	**4,463,094**	**4,127,002**

(a) Movement in impairment allowances

in BGN '000	
Balance as at 1 January 2012	**130,488**
Additional allowances	44,827
Amounts released	(8,792)
Write - offs	(287)
Balance at 31 December 2012	**166,236**

19. Property and equipment

in BGN '000	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
At 1 January 2011	12,639	112,926	5,910	24,668	55,898	212,041
Additions	-	72	-	10,219	-	10,291
Disposals	-	(833)	(298)	(58)	(88)	(1,277)
Transfers	276	4,850	228	(8,438)	2,985	(99)
At 31 December 2011	12,915	117,015	5,840	26,391	58,795	220,956
Additions	-	9	-	14,177	-	14,186
Elimination of amortisation prior to revaluation	(3,360)	-	-	-	-	(3,360)
Revaluation	5,000	-	-	-	-	5,000
Disposals	-	(2,193)	(358)	(7)	(83)	(2,641)
Transfers	-	6,572	536	(10,852)	2,236	(1,508)
At 31 December 2012	**14,555**	**121,403**	**6,018**	**29,709**	**60,948**	**232,633**
Amortisation						
At 1 January 2011	3,579	63,329	4,857	-	15,367	87,132
Accrued through the year	438	14,362	601	-	3,682	19,083
On disposals	-	(825)	(298)	-	(78)	(1,201)
At 31 December 2011	4,017	76,866	5,160	-	18,971	105,014
Charge for the period	448	13,311	373	-	3,843	17,975
Elimination of amortisation prior to revaluation	(3,360)	-	-	-	-	(3,360)
On disposals	-	(2,169)	(358)	-	(82)	(2,609)
At 31 December 2012	**1,105**	**88,008**	**5,175**	**-**	**22,732**	**117,020**
Net book value						
At 1 January 2011	**9,060**	**49,597**	**1,053**	**24,668**	**40,531**	**124,909**
At 31 December 2011	**8,898**	**40,149**	**680**	**26,391**	**39,824**	**115,942**
At 31 December 2012	**13,450**	**33,395**	**843**	**29,709**	**38,216**	**115,613**

20. Intangible assets

in BGN '000	**Software and licences**	**Total**
Cost		
At 1 January 2011	21,694	21,694
Disposals	(4)	(4)
Transfers	99	99
At 31 December 2011	21,789	21,789
Disposals	(168)	(168)
Transfers	1,508	1,508
At 31 December 2012	**23,129**	**23,129**
Amortisation		
At 1 January 2011	5,373	5,373
Accrued through the year	2,077	2,077
On disposals	(4)	(4)
At 31 December 2011	7,446	7,446
Charge for the period	2,305	2,305
On disposals	(168)	(168)
At 31 December 2012	**9,583**	**9,583**
Net book value		
At 1 January 2011	**16,321**	**16,321**
At 31 December 2011	**14,343**	**14,343**
At 31 December 2012	**13,546**	**13,546**

21. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

Deferred income tax balances are attributable to the following items in the statement of financial position:

in BGN '000	**Assets**		**Liabilities**		**Net**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Property, equipment and intangibles	-	-	3,482	3,502	3,482	3,502
Other	(256)	(208)	334	334	78	126
Net tax (assets)/liabilities	**(256)**	**(208)**	**3,816**	**3,836**	**3,560**	**3,628**

Movements in temporary differences in 2012 are recognised, as follows:

in BGN '000

	2011	**Recognised in profit or loss for the period**	**Recognised in capital for the period**	**2012**
Property, equipment and intangibles	3,502	(520)	-	2,982
Other	126	(48)	500	578
Net tax (assets)/liabilities	**3,628**	**(568)**	**500**	**3,560**

22. Other assets

in BGN '000	**2012**	**2011**
Deferred expense	11,121	10,139
Gold bullion	10,728	7,856
Other	304,012	66,936
Total	**325,861**	**84,931**

As at 31 December 2012 "Other" include acquired collateral amounting to BGN 285,506 thousand (31 December 2011: BGN 54,413 thousand) valued at the lower of the acquisition cost or the expected net selling price.

23. Due to banks

in BGN '000	**2012**	**2011**
Payable on demand	2,597	2,054
Total	**2,597**	**2,054**

Notes

24. Due to other customers

in BGN '000	**2012**	**2011**
Retail customers		
- current accounts	479,900	412,152
- term and savings deposits	4,419,293	3,951,600
Businesses and other non-financial institutions		
- current accounts	376,457	308,835
- term and savings deposits	748,880	614,304
Total	**6,024,530**	**5,286,891**

25. Liabilities evidenced by paper

in BGN '000	**2012**	**2011**
Acceptances under letters of credit	2,564	9,217
Liabilities under repurchase agreements (see Note 30)	35,236	48,088
Other term liabilities	39,504	75,138
Total	**77,304**	**132,443**

Other term liabilities comprise mainly financing obtained from financial institutions through extension of loan facilities.

26. Subordinated term debt

As at 31 December 2012 the Bank has entered into six separate subordinated Loan Agreements. All these subordinated Loan Agreements are governed by English Law and the funds raised outside the Republic of Bulgaria.

Subordinated liabilities can be analysed as follows:

in BGN '000

Lender	**Principal amount**	**Final maturity**	**Maturity**	**Amortised cost as at 31 December 2012**
Growth Management Limited	5,867	10 years	27.08.2014	16,993
Growth Management Limited	3,912	10 years	24.02.2015	9,258
Estrado Holding Ltd	9,779	10 years	01.03.2015	9,927
Growth Management Limited	1,956	10 years	17.03.2015	4,536
ING Bank NV/ Atlantic Forfaitierungs AG	9,779	10 years	22.04.2015	10,058
Hypo-Alpe-Adria Bank	3,912	10 years	14.04.2015	4,216
Total	**35,205**			**54,988**

The treatment of subordinated term debt for capital adequacy purposes as Tier 2 capital is in accordance with the requirements of the local legislation. Any prepayment of subordinated debt prior to its final maturity is subject to written approval from the Bulgarian National Bank.

27. Perpetual debt

in BGN '000

	Principal amount	Amortised cost as at 31 December 2012
Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio	52,807	57,364
Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio	41,073	45,563
Total	**93,880**	**102,927**

The issue of the Step-Up Subordinated Bonds by First Investment Finance B.V., a limited liability company registered under the laws of the Netherlands and 100% owned by First Investment Bank AD was fully guaranteed by the Bank. The terms and conditions of the debt capital instruments fully comply with Ordinance 8 on Capital Adequacy of Credit Institutions issued by BNB. The amounts received for the perpetual subordinated bonds are included in Tier 2 capital after respective Permissions by Bulgarian National Bank.

28. Hybrid debt

in BGN '000

	Principal amount	Amortised cost as at 31 December 2012
Hybrid debt with original principal EUR 40 mio	78,233	84,244
Hybrid debt with original principal EUR 20 mio	39,117	39,657
Total	**117,350**	**123,901**

in BGN '000

	Principal amount	Amortised cost as at 31 December 2011
Hybrid debt with original principal EUR 20 mio	39,117	42,800
Total	**39,117**	**42,800**

In March 2011 the Bank issued a hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital pursuant to Art. 3a of Ordinance 8 on Capital Adequacy of Credit Institutions. The Bank placed the bond issue under private subscription with a total nominal and issue value of EUR 20,000 thousand, constituting the first tranche of a bond issue for up to EUR 40,000 thousand. The bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. In June 2012 the Bank issued the second tranche of the instrument, also amounting to EUR 20,000 thousand and following permission from the Bulgarian National Bank included in its Tier 1 capital.

In November 2012 the Bank issued a new hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital pursuant to Art. 3a of Ordinance 8 on Capital Adequacy of Credit Institutions. The Bank placed the bond issue under private subscription with a total nominal value of EUR 20,000 thousand, constituting the first tranche of a bond issue with an envisaged total amount of up to EUR 60,000 thousand.

29. Other liabilities

in BGN '000	**2012**	**2011**
Liabilities to personnel	2,177	1,746
Other payables	3,134	1,702
Total	**5,311**	**3,448**

30. Repurchase and resale agreements

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

At 31 December 2012 assets sold under repurchase agreements were as follows:

in BGN '000	**Fair value of underlying assets**	**Carrying amount of corresponding liabilities**
Foreign government securities	35,285	35,236
Total	**35,285**	**35,236**

At 31 December 2011 assets sold under repurchase agreements were as follows:

in BGN '000	**Fair value of underlying assets**	**Carrying amount of corresponding liabilities**
Bulgarian government securities	23,123	22,740
Other government securities	25,264	25,348
Total	**48,387**	**48,088**

The Bank also purchases financial instrument under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds of customers. At 31 December 2012 there were no assets purchased under repurchase agreements.

At 31 December 2011 assets purchased under repurchase agreements were as follows.

in BGN '000

	Fair value of underlying assets	**Carrying amount of liabilities**
Bulgarian government securities	12,913	12,683
Total	**12,913**	**12,683**

Notes

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2012

As at 31 December 2012 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All shares have been fully paid up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2012 together with the number and percentage of total issued shares.

	Number of shares	**% of issued share capital**
Mr. Ivailo Dimitrov Mutafchiev	31,830,000	28.94
Mr. Tzeko Todorov Minev	31,830,000	28.94
Legnano Enterprise Limited, Cyprus	8,450,000	7.68
Domenico Ventures Limited, British Virgin Islands	10,695,000	9.72
Rafaela Consultants Limited, British Virgin Islands	10,695,000	9.72
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	15.00
Total	**110,000,000**	**100.00**

Notes

31. Capital and reserves, continued

(b) Shareholders, continued

Currently all newly issued shares plus the part of the existing shares held by First Financial Brokerage House Ltd. sold to new investors under the IPO (a total of 16,500,000 shares) are freely traded on the floor of Bulgarian Stock Exchange – Sofia.

(c) Statutory reserve

Statutory reserves include amounts set aside for purposes regulated by local legislation. According to Bulgarian legislation the Bank is obliged to set aside at least 1/10 of its annual profit as statutory reserve until the total amount of reserves reaches 1/10 of the Bank's share capital.

In 2012, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

(a) Contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for contingent liabilities represent the maximum accounting loss that would be recognised in the statement of financial position if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value.

in BGN '000	**2012**	**2011**
Guarantee		
- in BGN	178,464	148,694
- in foreign currency	197,613	199,476
Total guarantees	**376,077**	**348,170**
Unused credit lines	355,995	360,847
Promissory notes	2,448	4,926
Letters of credit	14,305	89,219
Total	**748,825**	**803,162**

These commitments and contingent liabilities have off balance-sheet credit risk and only organization fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at the date of the report there are no other significant contingent liabilities and commitments requiring additional disclosure.

At 31 December 2012 the extent of collateral held for guarantees and letters of credit is 100 percent.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

in BGN '000	**2012**	**2011**
Cash and balances with Central Banks	1,121,844	913,598
Loans and advances to banks and financial institutions with original maturity less than 3 months	5,640	61,306
Total	**1,127,484**	**974,904**

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

in BGN '000	**2012**	**2011**
FINANCIAL ASSETS		
Cash and balances with Central Banks	992,726	732,041
Financial assets held for trading	7,599	18,068
Available for sale investments	776,324	624,541
Financial assets held to maturity	72,132	39,948
Loans and advances to banks and other financial institutions-{}-	88,662	62,468
Loans and advances to customers	4,314,648	3,819,234
FINANCIAL LIABILITIES		
Due to banks	2,598	23,861
Due to other customers	5,702,763	4,696,277
Liabilities evidenced by paper	96,246	139,393
Subordinated term debt	52,222	48,284
Perpetual debt	102,034	101,497
Hybrid debt	69,885	28,457

35. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control with the Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
in BGN '000	**2012**	**2011**	**2012**	**2011**
Loans				
Loans outstanding at beginning of the period	1,674	2,997	34,749	30,758
Loans issued/(repaid) during the period	(325)	(1,323)	6,054	3,991
Loans outstanding at end of the period	1,349	1,674	40,803	34,749
Deposits and loans received:				
At beginning of the period	11,466	7,994	147,633	142,475
Received/(paid) during the period	903	3,472	(131)	5,158
At the end of the period	12,369	11,466	147,502	147,633
Deposits placed				
Deposits at beginning of the period	-	-	3,916	3,922
Deposits placed during the year	-	-	519	(6)
Deposits at end of the period	-	-	4,435	3,916
OFF-BALANCE SHEET COMMITMENTS ISSUED BY THE BANK				
At beginning of the period	1,843	1,204	10,874	9,812
Issued/(expired) during the period	(2)	639	(6,653)	1,062
At the end of the period	1,841	1,843	4,221	10,874

The key management personnel of the Bank received remuneration of BGN 4,460 thousand for 2012.

36. Subsidiaries

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Bank. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Bank. The entity's issued and paid up share capital is EUR 90 thousand divided into 900 ordinary shares, each with nominal value of EUR 100. 180 shares have been issued and paid up.

36. Subsidiaries, continued

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2012 the share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%.

(c) First Investment Bank − Albania Sh.a.

In April 2006 the Bank acquired 99.9998% of the capital of First Investment Bank − Albania Sh.a. upon its incorporation. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 it effectively took over the activities of the former branch FIB – Tirana, assuming all rights and obligations, assets and liabilities.

As at 31 December 2012 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%.

(d) Debita OOD and Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed as follows:

1. Debita OOD - 70%, i.e. 105,000 shares for the Bank and 30%, i.e. 45,000 shares for FFBH OOD.

2. Realtor OOD - 51%, i.e. 76,500 shares for the Bank and 49%, i.e. 73,500 shares for FFBH OOD.

The companies were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services; the main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate.

(e) Health Insurance Fund Fi Health AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. As at 31 December 2012 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(f) Framas Enterprises Limited

In November 2010 the Bank acquired 10,000 shares, representing 100% of the issued share capital of Framas Enterprises Limited, British Virgin Islands, with the view of providing auxiliary services pursuant to Article 2 (4) of the Law on Credit Institutions.

36. Subsidiaries, continued

(g) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. As at 31 December 2012 the share capital of the company is BGN 50 thousand, and the Bank's shareholding is 100%.

37. Post balance sheet events

There are no significant post balance sheet events requiring additional disclosure.