NATIONAL GUARANTEE FUND EAD

ANNUAL MANAGEMENT
REPORT AND ANNUAL
FINANCIAL STATEMENTS

31 December 2015

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NATIONAL GUARANTEE FUND EAD

ANNUAL ACTIVITY REPORT

2015

I. INFORMATION ABOUT THE COMPANY

The National Guarantee Fund EAD is a legal entity established on August 12, 2008 pursuant to the Law on the Bulgarian Development Bank, and entered in the Trade Register on August 22, 2008. The Company is wholly owned by the Bulgarian Development Bank AD. Pursuant to the Credit Institutions Act (CIA) the National Guarantee Fund EAD is a financial institution entered in the Register under Article 3, para. 2 of the Credit Institutions Act (CIA), under number BGF00052, in 2009 by the BNB. The Fund has no branch network.

The National Guarantee Fund's main goal is to provide guarantees in favor of SMEs thus facilitating the access of enterprises to financial resources.

Guarantees issued by the Fund on its own risk may cover up to 50 per cent of the debt. With the amendments to the Law on the Bulgarian Development Bank promulgated in State Gazette No. 102 of December 21, 2012, the guarantees issued by the NGF EAD with regard to guarantee schemes under the Rural Development Program 2007 - 2013 and Operational Program for Development of the Fisheries Sector 2007 - 2013 may cover up to 80 per cent of the debt.

II. ACTIVITY REVIEW

1. Guarantee Programs of the National Guarantee Fund EAD

1.1 Guarantee Scheme 2009-2013

The first guarantee scheme of the NGF was launched in 2009, and loans were available until February 2013. Under the first guarantee scheme agreements were signed with 11 commercial banks. Under this scheme the NGF issues guarantees for loans of SMEs for up to BGN 500 thous. on investment and working capital loans, as well as bank guarantees. The maximum term of guarantees is up to 10 years, and the NGF approves the inclusion of loans in the guaranteed portfolio on a case-by-case basis.

During the term for inclusion of loans in the guaranteed portfolio the NGF has approved guarantees for BGN 168 million on loans amounting to BGN 390 million. The total number of enterprises supported under the scheme is 2325.

According to book value the Fund's commitment as of December 31, 2015 is BGN 12 750 thous. on guaranteed loans, BGN 573 thous. on counter-guarantees on bank guarantees issued.

1.2 Guarantee scheme 2014-2015

In 2013 the procedure for selection of the NGF's partner banks under a new guarantee scheme was launched. Unlike the previous guarantee scheme, under the new programme the banks can include loans in the NGF-guaranteed portfolio subject to compliance with the requirements of the scheme. The guaranteed portfolio may contain only new loans to small and medium sized enterprises, where the maximum NGF guarantee may be up to 50% of the loan amount and shall not exceed BGN 500 thous. The deadline for inclusion of loans in the guaranteed portfolio is September 2015, and the NGF guarantee will be valid through September 2018. Under the new guarantee scheme a ceiling of payments was introduced for each guaranteed portfolio, where the NGF retains the right to exclude loans from the guaranteed portfolio if they don't meet the requirements of the scheme. The banks will pay a guarantee fee based on volumes reached, and the borrowers are exempt from fees under the NGF guarantees.

Interest in the scheme was expressed by 13 commercial banks. On March 25, 2014, and guarantee agreements were signed. On March 25, 2014 contracts were signed with 10 commercial banks, and subsequently agreements with the other three banks were signed.

Within the deadline for inclusion of loans in the guaranteed portfolio the NGF has approved guarantees worth BGN 87,151 thous. on loans amounting to BGN 200,723 thous. The total number of enterprises supported under the scheme is 771.

As of December 31, 2015 the guarantees issued amounted to BGN 71,598 thous. on loans amounting to BGN 177,934 thous.

1.3. Guarantee scheme 2015 – 2017

In 2015 the procedure for selection of the NGF's partner banks under a new guarantee scheme was launched. The new scheme was launched with a call to commercial banks of June 12, 2015. After conducting a selection procedure and analysis of commercial banks, from early October 2015 to early January 2016 guarantee agreements were signed with 10 commercial banks for the total amount of BGN 326 million. As with the previous scheme (item 1.2. above), eligible for inclusion are only newly disbursed loans for investment and operating purposes. Under the scheme the NGF guarantees up to 50% of the loan amount, but not more than BGN 1 million at related parties level. The deadline for inclusion of loans in the guaranteed portfolio is by March 31, 2017. Under the new guarantee scheme a limit of payments of up to 25% was introduced for each guaranteed portfolio, where the NGF retains the right to exclude loans from the guaranteed portfolio if they don't meet the requirements of the scheme. The banks will pay a guarantee fee based on volumes reached, and the borrowers are exempt from fees under the NGF guarantees.

2. Guarantee program to support beneficiaries under Operational Programme Fisheries Sector Development 2007 – 2013 (OPFSD).

The goal of the program is to ensure easier access to funding for enterprises from the sector, at lower interest rate and lower requirements with regard to collateral and own contribution. These preferential conditions are of particular interest for beneficiaries under the OPDFS as currently most enterprises in the sector experience major difficulties to secure funding for implementation of their projects.

The guarantee programme is implemented within Measure 2.7 of OPDFS. Following consultations the Executive Agency for Fisheries and Aquaculture (EAFA) and NGF EAD selected the financial engineering instrument provided for in Regulation (EC) № 498/2007 of the Commission (OJ, 10.05.2007, L 120) laying down detailed rules on the execution of Regulation (EC) № 1198/2006 of the Council, to be implemented through the Fund (Tools) at an account managed by the NGF EAD.

According to requirements of Regulation (EC) № 498/2007 of the Commission (Article 35), the financial engineering instrument was established as a separate financial unit within the NGF EAD.

The guarantee programme is free of charge for the enterprises that benefit from it, and the expenses of NGF EAD for its implementation are defined and paid for in accordance with Article 35 of Regulation (EC) № 498/2007 of the Commission.

The guarantee scheme is a financial engineering instrument and constitutes a process of issuing guarantees to complement the collateral of loans granted by banks to borrowers for implementation of projects approved for support under the following measures of OPDFS:

Measure 1.3: Investment on the board of fishing vessels and selectivity

Measure 2.1: Productive investments in aquaculture

Measure 2.5: Fishing in inland waters

Measure 2.6: Investment in processing and marketing of fisheries and aquaculture products

Measure 3.3: Investment for reconstruction and modernization of fisheries ports, landing sites and boat shelters

As well as under Priority axis №4: Sustainable development of fisheries areas of the projects of some of the beneficiaries under priority axis one, two and three, and all beneficiaries under priority axis four of OPDFS.

On December 21, 2012 a legislative change was made to increase the maximum share of guarantee coverage from 50% to 80%. This change was needed to encourage commercial banks to fund the projects approved under OPDFS.

As a result of these changed conditions in 2013, and also due to the specifics of projects and beneficiaries under the program, the scheme was opened to all commercial banks. In 2013 six new guarantee agreements were signed and as of December 31, 2015 within the OPDFS guarantee scheme, NGF EAD had agreements concluded with 15 partner banks.

In early 2014 the NGF refunded BGN 15 million at the request of the NAFA and the capital under the scheme amounted to BGN 15 million. In October 2015 after cancellation of a guarantee under the programme at the request of NAFA, the available funds in the amount of BGN 3 million were refunded and the capital under the scheme amounted to BGN 12 million as of December 31, 2015.

Within the deadline for inclusion of loans in the guaranteed portfolio, the NGF has approved guarantees worth BGN 21 million on loans amounting to BGN 31 million. The total number of enterprises supported by the scheme is 25.

As of December 31, 2015 the guarantees issued amounted to BGN 17,227 thous. on loans amounting to BGN 23,884 thous. The book value of the Fund's commitment was BGN 9,444 thous. as of December 31, 2015.

3. Guarantee scheme to support beneficiaries under the Rural Development Program 2007 – 2013 (RDP)

The guarantee scheme was established pursuant to Article 50 - 52 of Regulation (EC) № 1974/2006 of the Commission of 15 December 2006 laying doen detailed rules for applying the Regulation (EC) № 1698/2005 of the Council of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) to facilitate the access of beneficiaries to funding and implementation of projects under the PDFS.

The guarantee scheme is a financial engineering instrument approved by the Eighth amendment of PDFS, and is the process of issuing guarantees to complement the collateral of loans granted by banks to borrowers for the implementation of projects approved for support under Measure 121 „Modernization of agricultural holdings", Measure 122 „Improvement of the economic value of forests" and Measure 123 „Adding value to agricultural and forestry products" of PDFS of the Republic of Bulgaria (2007 – 2013).

The total amount of funds under the guarantee scheme is BGN 237 million and the goal is NGF EAD to use this money to issue guarantees for BGN 1 150 million to cover up to 80% of the loans granted by partner banks for implementation of projects of beneficiaries under measures 121, 122 and 123 of PDFS.

Selection of partner banks under the guarantee scheme is made through a public procurement procedure. The first public procurement procedure was launched in September 2012 and in early 2013 guarantee agreements were signed with eight commercial banks. After the second and third call, as of December 31, 2013, the guarantee scheme was already implemented through 14 banks and the guarantee limit of BGN 1 132 500 thous. was allocated.

As of September 2014 guaranteed portfolios to commercial banks were adjusted to BGN 300 million based on a decision of the Advisory Committee under the programme. The capital released under the scheme will be returned to MAF upon notification for amendments to PDFS approved by the EC. The capital released under the scheme amounting to BGN 154,586 thous. (EUR 79 million) was returned to MAF on October 19, 2015 in accordance with a notification for amendments to PDFS approved by the EC. Extension of the term for inclusion of loans in the guaranteed portfolio until November 30, 2015 was agreed in the annex for recovery of funds in view of the extraordinary call under Measure 121. At the end of September 2015 a public procurement procedure was launched for selection of partner banks. Tender documents under the PPL were submitted by 5 banks and the 4 successful banks were allocated a guarantee portfolio of BGN 60 million and guarantee agreements were signed in early October 2015.

Within the deadline for inclusion of loans in the guaranteed portfolio from early 2013 through November 30, 2015 the NGF has approved guarantees for the total amount of BGN 185,606 thous. on loans amounting to BGN 238,111 thous. The total number of enterprises supported is 544. As of December 31, 2015 the guarantees issued amounted to BGN 141,432 thous. on loans amounting to BGN 182,669 thous. The book value of Fund's commitment is BGN 67,675 thous. as of December 31, 2015.

4. Guarantees on microloans issued by the Bulgarian Development Bank and administered by the NGF EAD

The transfer of the Project for the Microcredits Guarantee Fund from the Ministry of Labor and Social Policy to the Bulgarian Development Bank was made on the grounds of §2 of Transitional and Final Provisions of the Law on the Bulgarian Development Bank and Decision № 309 of May 3, 2007 of the Council of Ministers of the Republic of Bulgaria. After the acceptance of the project by the group of BDB the administration of guaranteed loans was assigned to the NGF.

As of December 31, 2015 the portfolio guaranteed by the BDB included 335 microloans with bank's commitment thereon amounting to BGN 3,174 thous.

III. RISK MANAGEMENT

In the course of usual operations NGF EAD is exposed to various financial risks which are subject to identification, measurement and monitoring through different control mechanisms. This allows proper handling of risks and avoidance of unjustified risks. The risk management process is critical for the profitability of the Fund and its existence. The main risks to which the NGF is exposed are the credit risk, concentration risk, liquidity risk and operational risk.

Main units directly responsible for risk management are as follows:

Board of Directors – exercises overall risk management supervision; responsible for the overall risk management approach and approves the strategies, principles and specific methods, technics and procedures to manage risks;

Executive Director – responsible for ongoing operational control for maintenance of and compliance with the limits set for specific types of risks, and development of appropriate procedures and their implementation;

Risk and Monitoring Department – responsible for general monitoring of guaranteed portfolios through checkups (current ones and upon submission of each request for payment) at commercial banks for compliance with terms and conditions set out in the guarantee agreement at the level of individual customers and at portfolio level. Carries out activities for identification, assessment, monitoring and implementation of measures to limit the major risk impact.

The Fund's system for risk monitoring and management includes:

1. Set of rules and procedures to apply to the guarantee activities, liquidity management, policies determining the impairment allowances for uncollectible financial assets, adequate functional characteristics of individual units, methodology for assessment and management of sensitivity to risks;

2. Parameters and limits for execution of transactions and operations relating to credit and liquidity risks;

3. Reliable system for accounting and management information allowing current identification of and control over the individual types of risks;

4. Procedures for reporting, assessment, information and subsequent control of risks associated with specific transactions and operations.

Credit risk

The function of credit risk management ensures implementation of the policy adopted by the Board of Directors of NGF with regard to risk and its compliance with all related procedures and controls for ongoing monitoring of the guaranteed portfolio. The risk exposure of the guaranteed portfolio is managed through regular quality analysis of guaranteed loans and compliance with restrictions introduced under the existing guarantee agreements with partner banks. The credit risk is limited also by setting out a payment cap in each agreement.

For the purposes of financial statements and subject to compliance with requirements of the International Financial Reporting Standards (IFRS), the NGF EAD has adopted and applies the **Policy to Assess the Impairment Allocations for Uncollectible Financial Assets**. This policy defines specific criteria to determine the existence of objective evidence of impairment losses, responsibilities of various units in this process, as well as other factors and events indicating potential impairment of receivables. The receivables portfolio of NGF EAD includes receivables of the Fund after it has made a payment under a guarantee issued in accordance with the respective guarantee agreement.

Decisions for impairment of receivables are made at the Provisions Committee meeting based on a proposal from the Risk and Monitoring Department.

The Fund carries out quarterly review and analysis of all impaired receivables. In order to determine the amount of provisions needed under the off-balance sheet positions, the NGF EAD uses the Model for Provisioning of the Guarantee Portfolio of Loans Granted to SMEs whereby the risk of the guarantee portfolios is assessed on annual basis.

Credit risk exposures are also the deposits of NGF EAD in other commercial banks (other than BDB). Fund's deposits are managed in compliance with internal rules of the BDB's Group on Exposures and Limits. Management of the Fund's resources is coordinated and carried out by the Liquidity Division of BDB in accordance with the rules adopted by the MB of BDB.

Concentration risk

Due to the specific activity of the NGF EAD and the goals set out in the Law on BDB, the Fund forms a risk exposure for concentration of guarantees / counter-guarantees on loans of SMEs.

The credit risk of concentration in individual counterparties (partner banks) is limited to the level of guarantee agreement with the partner bank, and in order to limit the exposures to individual clients and related parties, there are limits set on maximum exposures which are analyzed and assessed from time to time.

Each deviation from the adopted concentration limits is to be approved by the Fund's Board of Directors.

Liquidity risk

The Fund's operations require sustainable cash flow to secure payment of guarantees issued. When managing liquidity the Fund takes into account the level of all types of contingent commitments.

Requirements to liquidity to meet guarantee payments are much lower than the amount of commitment, since the Fund usually does not expect any third party to claim payment of whole amounts under the agreement at the same time.

The cash flow needed for ongoing payment of guarantees is secured through the maximum liquidity maintained in the form of current account and term deposit with BDB, and term deposits with other commercial banks.

Equity management

The main objectives of the Fund in the equity management are to maintain its level and amount sufficient for the development of its activities and achievement of the common goals set out at its establishment, namely to support the economic policy of the country and development of SMEs.

IV. FINANCIAL RESULT

In 2015 the financial result after taxes of the National Guarantee Fund EAD is profit amounting to BGN 1,973 thous.

Based on the results of the guarantee portfolio risk assessment test, at the end of 2015 the management of NGF approved the portfolio's provision coverage to be reduced from 9.25 % in 2014 to 4,92% for 2015 of the NGF's commitment. Based on the risk assessment of the guarantee portfolio, the provisions allocated provide an adequate coverage of estimated future losses.

The Fund's revenue during the year amounts to BGN 2,976 thous. (9,65% decrease compared to 2014) and come from two main sources, namely:

- Income from interest on the Fund's capital invested in deposits and government securities, amounting to BGN 1,642 thous.;
- Income from commissions on guarantees issued, amounting to BGN 1,332 thous.

The main expenses the Fund has made for its operations in 2015 are administrative costs amounting to BGN 1 187 thous.

During the period reintegrated provisions and impairments amounting to BGN 418 thous. are reported.

There are no events occurring after the reporting date and requiring adjustments or additional disclosures in the financial statements as of December 31, 2015.

V. MANAGEMENT OF THE COMPANY

Sole owner of the capital of the Company is the Bulgarian Development Bank AD. The sole owner of the capital of the company has a two-tier management structure. Members of the Supervisory Board are: Atanas Katsarchev (Chairman of the SB), Kiril Ananiev (Deputy Chairman of the SB) and Dimitar Dimitrov (Member of the SB). Members of the Management Board of the Bulgarian Development Bank AD are: Angel Gekov, Executive Director and Chairman of the Management Board, Bilyan Balev, Executive Director and Deputy Chairman of the Management Board, Ilia Kirchev, Executive Director and Member of the Management Board. The BDB is represented jointly by any two of the three Executive Directors.

The Fund has a one-tier management structure, i.e. the Board of Directors which, according to the Statutes, shall consist of three to five members.

In 2015 the Board of Directors consisted of three members.

From the beginning of the year members of the BD were: Dimo Spasov, Chairman of the BD, Michail Sotirov, Member of the MB and Samuil Shiderov, Member of the BD and Executive Director.

On February 3, 2015 by decision of the Management Board of the Bulgarian Development Bank AD the release of Mr. Dimo Spassov as a member of the Board of Directors (BD) of the National Guarantee Fund was approved and the appointment of Mr. Angel Gekov as member of the BD of the NGF. On February 9, 2015 at the meeting of the BD of the NGF Mr. Angel Gekov was elected Chairman of the BD of the company, and Mr. Samuil Shiderov was elected Deputy Chairman and Executive Director.

Changes in the membership of the Board of Directors of the NGF were entered in the Trade Register of the Registry Agency on February 16, 2015.

On March 17, 2015 by decision of the Management Board of the Bulgarian Development Bank AD the release of Mr. Michail Sotirov as Member of the Board of Directors (BD) of the National Guarantee Fund was approved and appointment of Mr. Alexander Georgiev as Member of BD of the NGF. On March 23, 2015 at the meeting of BD of the NGF Mr. Angel Gekov was elected Chairman of the BD of the company, whereas Mr. Samuil Shiderov remained Deputy Chairman of BD and Executive Director.

The change in the membership of the Board of Directors of the NGF were entered in the Trade Register of the Registry Agency on March 27, 2015.

As of December 31, 2015 the composition of the Board of Directors is: Angel Gekov, Chairman of BD, Alexander Georgiev as Member of BD and Samuil Shiderov, Deputy Chairman of BD and Executive Director of the NGF.

Remunerations paid to the members of the Board of Directors and the Executive Director in 2015 amount to BGN 174 thous.

Members of the BD do not possess any shares of the Fund and have no special right for acquisition of any such shares.

There are no contracts concluded within the meaning of Article 240 b) of the Commerce Act between members of the BD or their related parties, on the one hand, and the Company as a party, which are beyond their regular operations or deviating from the market conditions.

Participation, within the meaning of Article 247, paragraph 2, item 4 of the Commerce Act, of members of the BD of the company in trade companies as unlimited liability partners holding more than 25 per cent of the capital of another company or participation in the management of other trade companies or cooperatives as procurators, managers or board members, is as follows:

Members of the BD of the company take part in the capital or management of other companies as follows:

- Samuil Pavlov Shiderov is member of the Board of Directors of the European Association of Mutual Guarantee Societies(AECM), an international non-profit organization with headquarters in Brussels, Belgium, case number 0456773097;
- Alexander Angelov Georgiev takes part in the capital and management of Ka Service EOOD, UIC 114672190, BrandiBG EOOD, UIC 202605174 and ST Alexander Georgiev – AG“, UIC 824083350;
- Angel Kirilov Gekov takes part in the management of the Bulgarian Development Bank AD, UIC 121856059 as Chairman of the MB and Executive Director. Mr. Gekov takes part in the management of PCA with UIC 201477526 and holds 25% of the capital of the company.

As of the date of drafting of this report (14.03.2016), composition of the BD of the NGF is as follows: Angel Gekov, Chairman of BD, Alexander Georgiev, Member of BD and Samuil Shiderov, Deputy Chairman of BD and Executive Director of the NGF.

VI. DEVELOPMENT OF THE NATIONAL GUARANTEE FUND EAD IN 2016

1. Goals and objectives of the main activity

The main tasks of the Fund fir 2016 are as follows:

- Effective implementation of guarantee programs to support enterprises from the agriculture, forestry and fisheries sectors through guarantee schemes under the Program for Development of Rural Areas in the Republic of Bulgaria and Operational Program for Development of Fisheries Sector 2007 – 2013;
- Continue the active work on practical implementation of the guarantee programs to support micro, small and medium-sized enterprises in the Republic of Bulgaria;
- Organizational and technical development of the structure of NGF in the context of new commitments;
- Optimization and improvement of the operating procedures of the Fund.

In order to achieve its goals and objectives the NGF will work actively with partner banks on guarantee agreement, national and European bodies and institutions directly involved in the implementation of financial engineering schemes, will seek to attract new partners and the cooperation of associations of the small and medium-sized businesses at the national and regional level.

VII. TRANSACTIONS WITH MAJOR IMPACT ON THE IMPLEMENTATION OF THE PLAN

As at the date of this report the NGF has expressed interest in the COSME Programme of the EIF.

VIII. REPRESENTATION OF THE MANAGEMENT

Management of the National Guarantee Fund EAD declares that the attached annual financial statements faithfully reflect the assets and financial standing of the Fund as at the end of 2015, and the determination of the financial result for the year in accordance with the applicable law. Appropriate accounting policy has been used and applied consistently. The required judgements have been made in accordance with the prudential approach in the compilation of annual financial statements as at year end. The management applies the appropriated accounting standards and the annual financial statements are prepared in accordance with the going concern principle.

The Fund’s management invests its best efforts to maintain appropriate accounting system that complies with the applicable accounting standards. The annual financial statements show its standing with reasonable degree of accuracy.

All measures have been taken to protect the Fund’s assets, prevent fraud or violation of the local applicable law.

This activity report was adopted on March 14, 2016 by the Board of Directors of the National Guarantee Fund EAD and signed by:

CHAIRMAN OF THE
BOARD OF DIRECTORS:

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Angel Gekov

MEMBER OF THE BOARD OF DIRECTORS:

____

Samuil Shiderov

MEMBER OF THE BOARD OF DIRECTORS:

____

Alexander Georgiev

NATIONAL GUARANTEE FUND EAD

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

In thousands of BGN	***Note***	**As at 31.12.2015**	**As at 31.12.2014**
Assets			
Cash and cash equivalents	13.1	7,983	256,636
Loans and advances to banks	13.2	138,032	66,650
Available-for-sale securities	14	42,788	22,297
Current tax assets		-	90
Property, plant and equipment	15	50	67
Intangible assets	15	15	22
Deferred tax assets	12	569	508
Other assets	16	174	73
Total assets		189,611	346,343
Liabilities			
Other borrowed funds	18	95,796	254,080
Current tax liabilities		165	-
Provisions for guarantees	8	4,685	5,052
Other liabilities	19	130	199
Total liabilities		100,776	259,331
Equity			
Share capital	20	80,000	80,000
Revaluation reserve		989	24
Statutory reserves		5,873	4,924
Retained earnings		1,973	2,064
Total equity		88,835	87,012
Total liabilities and equity		189,611	346,343

The notes on pages 7 to 42 are an integral part of these financial statements.

Angel Gekov	Samuil Shiderov	Alexander Georgiev	Vanya Koseva
Chairman of the Board of Directors	*Executive Director*	*Member of the Board of Directors*	*Chief Accountant*

NATIONAL GUARANTEE FUND EAD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of BGN

	Note	**2015**	**2014**
Interest income	6	1,642	2,117
Interest expense	6	(10)	(73)
Net interest income		1,632	2,044
Fee and commission income	7	1,332	941
Fee and commission expense	7	(5)	(6)
Net fee and commission income		1,327	935
Other operating gains	9	2	25
Operating income		2,961	3,004
General administrative expenses	11	(1,163)	(1,135)
Depreciation and amortization	15	(24)	(23)
Impairment expenses	10.1	51	(972)
Income from reversal of impairment	10.2	367	1,419
Profit before income tax		2,192	2,293
Income tax expense	12	(219)	(229)
Profit for the year		1,973	2,064
Other comprehensive income			
Items that can be reclassified to profit or loss			
Net change in fair value of financial assets available for sale		965	24
Total other comprehensive income for the year		965	24
Total comprehensive income for the year		2,938	2,088

The notes on pages 7 to 42 are an integral part of these financial statements.

Angel Gekov	Samuil Shiderov	Alexander Georgiev	Vanya Koseva
Chairman of the Board of Directors	*Executive Director*	*Member of the Board of Directors*	*Chief Accountant*

SEPARATE STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015

In thousands of BGN	**Share capital**	**Statutory reserves**	**Reserve on financial assets available for sale**	**Retained earnings**	**Total**
Balance at 1 January 2014	80,000	976	-	3,948	84,924
Comprehensive income for the year					
Profit	-	-	-	2,064	2,064
Other comprehensive income			24	-	24
Total comprehensive income for the year			24	2,064	2,088
Transactions with owners, recognised directly in equity					
Transfer between reserves based on shareholders' decision		3,948		(3,948)	
Dividends to equity holders	-	-		-	-
Total transactions with owners	-	3,948		(3,948)	
Balance at 31 December 2015	80,000	4,924	24	2,064	87,012
Comprehensive income for the year					
Profit	-	-		1,973	1,973
Other comprehensive income			965		965
Total comprehensive income for the year			965	1,973	2,938
Transactions with owners, recognised directly in equity					
Transfer between reserves based on shareholders' decision		949		(949)	
Dividends to equity holders				(1,115)	(1,115)
Total transactions with owners		949		(2,064)	(1,115)
Balance at 31 December 2015	80,000	5,873	989	1,973	88,835

The notes on pages 7 to 42 are an integral part of these financial statements.

Angel Gekov *Chairman of the Board of Directors*	Samuil Shiderov *Executive Director*	Alexander Georgiev *Member of the Board of Directors*	Vanya Koseva *Chief Accountant*

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of BGN	***Note***	**2015**	**2014**
Cash flows from operating activities			
Profit for the year		1,973	2,064
Adjustments for:			
Depreciation of property, plant, equipment	15	17	16
Amortisation for intangible assets	15	7	7
Income from reversal of impairment	10.2	(367)	(1,419)
Impairment loss on paid guarantees	10.1	(51)	972
Income tax expense	12	219	229
		1,798	1,869
Changes in:			
- trade and other receivables (from banks)		(71,595)	38,934
- other assets	16	(11)	(38)
- other liabilities	19	(69)	(42)
Cash flows from operating activities		(69,877)	40,723
Income taxes paid		(114)	(181)
Net cash flow generated by operating activities		(69,991)	40,542
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	-	(70)
Purchase of government securities available for sale	14	(19,526)	(22,273)
Net cash generated by investing activities		(19,526)	(22,343)
Cash flows from financing activities			
Proceeds from long-term borrowings	17	-	(17,015)
Proceeds from other borrowings		678	625
Repayments on other borrowings		(158,962)	(15,554)
Dividends paid		(1,115)	-
Net cash used in financing activities		(159,399)	(31,944)
Net increase in cash and cash equivalents		(248,916)	(13,745)
Cash and cash equivalents at 1 January		256,959	270,704
Cash and cash equivalents at 31 December	13.1	8,043	256,959

The notes on pages 7 to 42 are an integral part of these financial statements.

Angel Gekov *Chairman of the Board of Directors*	Samuil Shiderov *Executive Director*	Alexander Georgiev *Member of the Board of Directors*	Vanya Koseva *Chief Accountant*

1. Reporting entity

National Guarantee Fund EAD (Company, Fund, NGF EAD) is a legal entity founded on 12.08.2008 based on the Bulgarian Development Bank Act and entered in the Trade Register on 22.08.2008. The Company is 100% ownership of the Bulgarian Development Bank AD (BBD).

In accordance with the Credit Institutions Act (CIA), the National Guarantee Fund EAD is a financial institution, registered in 2009 by BNB in the Register under Art. 3, para. 2 of the Credit Institutions Act (CIA) under number BGF00052.

The establishment of the National Guarantee Fund has the purpose of issuing guarantees for small and medium-sized enterprises.

The registered office of the Fund is; Sofia, Sredetz district, 1105, Arsenalski Blvd.

The issued share capital of the Fund consists of 800 000 registered dematerialized shares with par value of BGN 100 each, owned by the BDB AD.

The National Guarantee Fund has a one-tier management structure.

The National Guarantee Fund is managed by a Board of Directors (BD) with a mandate to 12.08.2016. In 2015 the Board Members are: Angel Gekov, Chairman, Samuil Shiderov and Alexander Georgiev. By 26.03.2015 the company was managed by Angel Gekov, Chairman, Samuil Shiderov and Michail Sotirov. From 27.03.2015 the company is being managed by Angel Gekov, Samuil Shiderov and Alexander Georgiev. Samuil Shiderov is the Executive Director. The Fund is officially represented by any two members of the Board of Directors, jointly.

The scope of NGF's principal activities is defined by the Bulgarian Development Bank Act (State Gazette 43/29.04.2008). The scope of activities of the NGF EAD is defined in Chapter 10 of the Act. It includes:

a) issue of guarantees to supplement the collaterals for SME loans;

b) provide other guarantee products such as tender bonds, performance bonds;

c) advance payment guarantees and guarantees for payment of exporter loans;

d) other similar services.

The guarantees cover up to 50% of the respective obligation to which they refer. The maximum amount of guarantees issued by the Fund to one entity cannot exceed 10% of the Fund's share capital. By the December 2012 amendments of the Bulgarian Development Bank Act the guarantees issued in relation to guarantee schemes under the Rural Development Program 2007 - 2013 and Operational Programme for Fisheries Development 2007 – 2013, may cover up to 80 per cent of the debt.

At 31.12.2015 the NGF has 14 employees (31.12.2014: 18).
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2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The financial statements were approved for issue by the Board of Directors on March 14, 2016.

These financial statements have been prepared on the historical cost basis except for the following items:

- Trade instruments and other instruments designated at fair value through profit and loss, as long as the fair value can be appropriately measured;
- Available-for-sale instruments designated at fair value through profit and loss, as long as the fair value can be appropriately measured;

Functional and presentation currency

These financial statements are presented in Bulgarian lev (BGN) which is the functional currency of the Company. All financial data presented in BGN are rounded to the nearest thousand, unless otherwise specified.

Comparable data

For more precise presentation of disclosures, the Company's management found it necessary and reviewed the presentation of the previous reporting period on certain balance sheet items and notes. The review regards as follows:

- presentation of provisions for guarantees in a separate line in liabilities. For more details, please see Note 8;
- presentation of cash and cash equivalents from column "With floating interest %" in the column "With fixed interest %" in the table entitled *Price Risk of Shares Quoted On the Stock Exchange*. For more details, please see Note 4.2.

Use of estimates and judgments

The preparation of these financial statements requires from the management to make judgments, estimates and assumptions that affect the application the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. 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 5.

Estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards requires from the management to make its best estimates, accruals and reasonable assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent receivables and payable at the reporting date. These estimates, accruals and assumptions are based on the information available at the date of financial statements, and therefore, the future actual results could be different. Areas requiring a higher degree of judgment or complexity or where the assumptions and estimates are significant to the financial statements are disclosed below.

2. Basis of preparation (continued)

Key estimates and assumptions of high uncertainty

Provisions for guarantees issued

At the end of each reporting period the Fund reviews its contingent liabilities in order to determine whether any events have occurred that would confirm with a high degree of certainty the likelihood of using Fund resources to repay a liability. If such events occur, the Fund is provisioning its liability up to the value of future expenses (losses) related to outflows of payments. These costs (losses) are based on the present value of future net cash flows representing the difference between the payment obligation and any inflows from subsequent recourses to third parties.

In portfolio guarantees issued by the company in 2015 a retrospective analysis was made of actual losses on loans granted (for which guarantees were issued) over a period of five years, by counterpart banks. Percentage of losses for the entire evaluation period are determined by either counterpart banks, or total for the entire portfolio of this type of loans, while using an appropriate statistical method.

As a result of this analysis, the management adopted a Methodology for Provisioning of Portfolio Guarantees 2009-2011, whereby provisions are being allocated in accordance with a mixed principle - part of exposures are provisioned individually, and the rest are allocated a portfolio provision. Individual review and provisioning is carried out for guaranteed exposures meeting at least one of the following conditions: exposure exceeding BGN 200 thousand; exposure classified by partner banks in a group other than "regular"; exposure where there is a restructuring or other early warning signs of deterioration.
As a result of the change of the provisioning methodology, the amount of reallocated provisions changed as follows:

In thousands of BGN	2015	2014
Amount of provisional liabilities and commitments	12,750	26,258
Amount of provision allocated	2,762	4,424
Percentage of provision	21,66%	16,85%

Under the NGF 2009-2011 Program there is an option loans to be excluded from the guaranteed portfolio before maturity of the guarantee. The availability of the exclusion option allows for the so called *cherry picking* where the good loans are excluded in order to not pay fees, while the riskier ones remain in the portfolio. As a result, the amount of provisions set aside are reduced on account of the increase, as a percentage, of the size of the portfolio.

The exposures subject to individual provisioning are grouped into three risk groups as per their profile: "Regular exposures" for which the NGF does not expect to make any payments under the guarantee in the foreseeable future. To these exposures the provisioning rate applicable under the portfolio provisioning approach is applied: 9.50% for 2015 (2014: 9.50%); "Watch exposures" which are expected with roughly the same probability to deteriorate and be claimed for payments or improve and return to regular. To them a provisioning rate equal to the average percentage of "regular" and "non-performing" exposures is applied: 44.75%; "Non-performing exposures" for which the NGF expects to be called for payment in the immediate future. To these exposures a provisioning rate according to the percentage calculated as per historical data of impairment of exposures paid by the NGF guarantees is applied: 80.00%. With regard to provisions for guaranteed exposures included in portfolios for which there is a fixed payment limit (cap), the portfolio provisioning principle is applied where the amount of the portfolio provision is calculated annually by multiplying the amount of the guaranteed portfolio and the percentage of expected loss (EL) under the portfolio.

Fair value of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company discloses information about the fair value of these financial assets and liabilities for which market data is available and whose fair value is materially different than their reported book value.

2. Basis of preparation (continued)

Fair value of financial assets and liabilities (continued)

The fair values of financial assets and financial liabilities traded in active markets and for which market information is available, are based on quoted market prices or closing prices. The use of actual market prices and information reduces the need for management judgment and assumptions, as well as uncertainties related to determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and changes based on specific events and general conditions in the financial markets. For some of the other financial instruments the Company determines fair values by using a valuation technique based on net present value. The net present value is calculated based on market yield curves and credit spreads, where necessary, for the respective instrument. The aim of evaluation techniques is to determine a fair value reflecting the value of financial instrument at the reporting date, which would be determined by direct market participants. For investments in subsidiaries and associates, and equity investments for which no observable market prices are available, the Company assumes that the fair value is the cost of acquisition. The Company has established a control environment with respect to the measurement of fair values.

The fair value of financial instruments not traded in active markets, which are subject to trade between counterparts are determined by using valuation techniques. These valuation techniques adhere to the use of market data, where available, and as little as possible on specific assessments of the company.

Hierarchy of fair value

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by a valuation technique:

- Level 1 – inputs at level 1 are quoted (non-adjusted) prices of instruments in active markets for identical financial instruments;
- Level 2 – inputs at level 2 are the inputs for the asset or liability other than quoted prices included in Level 1 that are, directly or indirectly, available for observation. This category includes instruments valued using: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; other valuation techniques where all significant inputs are directly or indirectly viewable using market data;
- Level 3 - inputs at Level 3 are unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique does not include observable inputs and unobservable inputs have a significant effect on the assessment of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Changes in accounting policies and disclosures

The accounting policies of the Company are consistent with those applied in the previous reporting period.

The following amendments to standards are adopted as of January 1, 2015.:

- Annual Improvements to IFRS - Cycle 2011-2013 covering minor clarifying changes in:
  - IFRS 3 *Business Combinations*
  - IFRS 13 *Fair Value Measurement*
  - IAS 40 *Investment Property*

The adoption of the aforementioned amendments to standards had no effect on these financial statements of the Company.

3. Significant accounting policies

Implementation of new accounting standards and changes in standards.

Published standards that are not yet effective and have not been early adopted

Below there is a summary of published standards that are not yet active or have not been early applied by the Company as of the date of these financial statements. It is announced how the disclosures, financial position and results of operations can be reasonably expected to be influenced when the Company adopts these standards for the first time. This is expected to happen when they become effective.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets (Amendments) - clarification of allowable depreciation methods*
The amendments are effective for annual periods beginning on or after January 1, 2016. They explain the principles of IAS 16 and IAS 38 that earnings reflect the economic benefits resulting from the operation of the business (of which the asset is a part), as a whole, not only the economic benefits from the use of the asset. As a result, determination of depreciation of property, plant and equipment and intangible assets is unacceptable based on revenue generated. These changes are not expected to have an effect on the future financial statements of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendments) - Perennial crops
The amendments are effective for annual periods beginning on or after January 1, 2016. Multiannual crops will be included in the scope of IAS 16 and will be assessed according to IAS 16, i.e. for subsequent valuation a choice will be given between the cost model and the revaluation model. Agricultural production of perennial crops (e.g. fruit of a fruit tree) will remain within the scope of IAS 41. Government grants for perennial crops will be accounted for under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance instead of IAS 41. These changes are not expected to have an effect on the future financial statements of the Company.

IAS 19 *Employee Benefits (Amendment) - Contributions by employees*
The limited scope amendment to IAS 19 is effective for annual periods beginning on or after February 1, 2015. It concerns contributions from employees or third parties in retirement defined benefit plans. Its aim is to simplify the accounting of contributions that do not depend on the length of service, such as contributions from employees which are calculated as a fixed percentage of salary. These changes are not expected to have an effect on the future financial statements of the Company.

IFRS 9 Financial Instruments
IFRS 9 becomes effective for annual periods beginning on or after January 1, 2018, allowing its earlier application. The final version of IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements on classification and measurement, impairment and hedge accounting. The standard has not yet been adopted by the EU. The company is to analyze and assess the impact of this standard on its future financial position and results of operations.

IFRS 11 Joint Arrangements (Amendment) Accounting for investments in the joint venture
The amendment is effective for annual periods beginning on or after January 1, 2016. Instructions have been added for reporting of investments in the joint venture which is a business within the meaning of IFRS. This change is not expected to have an effect on the future financial statements of the Company.

3. Significant accounting policies (continued)

IFRS 10, IFRS 12 and IAS 28: Investment enterprises: Application of exemption from preparing consolidated financial statements (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2016. They clarify that the exemption from presenting consolidated financial statements applies to the parent company, which is a subsidiary of an investment firm which evaluates all subsidiaries at fair value. Also, the amendments specify that only a subsidiary that does not satisfy the definition of an investment company and provides services in support of an investment group entity, is subject to consolidation. All other subsidiaries of the investment firm are measured at fair value. Also, the amendments specify that only subsidiary that does not meet the definition of an investment company and provides services in support of an investment group entity is subject to consolidation. All other subsidiaries of the investment firm are measured at fair value. Amendments to IAS 28 allows investment entity that applies the equity method to preserve fair values with regard to the subsidiaries of its associates or joint ventures. The amendments have not yet been adopted by the EU. These changes are not expected to have an effect on the future financial statements of the Company.

IAS 1 Presentation of Financial Statements: Disclosures (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2016. These are related to encouraging companies to apply professional judgment in the selection of information and disclose also the manner of its presentation and clarify the existing requirements of IAS 1. The amendments concern materiality, consistency of notes, subtotals and breakdowns, accounting policies and presentation of the components of other comprehensive income related to investments, accounted for using the equity method. The Company will analyze the effects of these changes in the presentation of future financial statements.

IFRS 14 Regulatory deferral accounts

Standard is effective for annual periods beginning on or after January 1, 2016. The purpose of this interim standard is to contribute to the comparability of accounts of enterprises engaged in regulated activities and in particular, activities with regulated prices. Such activities could be the supply of gas, electricity, water. IFRS 14 requires the effects of regulated prices to be presented separately and grants exemptions upon initial adoption of IFRS. The standard has not yet been adopted by the EU. As the Company has adopted IFRS and does not carry out regulated activities, this new standard is not expected to have an effect on the future financial statements of the Company.

IFRS 15 Revenue from contracts with customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduces a five-step model applicable to revenue under contracts with customers (with few exceptions), regardless of the type of transaction or activity. The standard will be applied in respect of recognition and measurement of gains and losses from the sale of some non-financial assets arising from irregular activities (e.g. sale of property, plant and equipment and intangible assets). It will require more detailed disclosures, including allocation of the transaction consideration between separate performance obligations, information on individual performance obligations and key judgments and estimates. The standard has not yet been adopted by the EU. The Company will analyze and evaluate the effects of adopting this standard on its financial position or results of operations.

3. Significant accounting policies (continued)

Published standards that are not yet effective and have not been early adopted (continued)

IFRS 16 Leasing
Standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to report most leases in the balance sheet and to apply a single model in accounting for all leases, with some exceptions. Reporting for lessors is not materially changed. The standard has not yet been adopted by the EU. The Company will analyze and evaluate the effects of adopting this standard on its financial position or results of operations. The changes are not expected to have an effect on the future financial statements of the Company.

IAS 27 Separate financial statements (Amendment)
The amendment is effective from January 1, 2016. It allows the use of the equity method when accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements. As the Company does not account for investments in subsidiaries, jointly controlled entities and associates, the change will not have an effect on the future financial position and results of operations.

Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures: Sales or contributions of assets between an investor and its associate/joint venture
The amendments deal with the discrepancy between the requirements of IFRS 10 and IAS 28 in the sales or contributions of assets between an investor and its associate/joint venture. The full profit or loss is recognized when the transaction concerns assets which do not constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Amendment has not yet been adopted by the EU. The Company does not expect the effects of this change to affect the financial standing or results of operations.

Annual Improvements to IFRS - Cycle 2010-2012
In the 2010-2012 cycle of the project for annual improvements to IFRS, the IASB published amendments concerning seven standards that will be effective for annual periods beginning on or after February 1, 2015. Summary of amendments to the relevant standards is presented below:

- IFRS 2 Share-based payment - the definitions of “conditions entitling to exercise” and “market conditions” are changed. Definitions of “condition to meet certain indicators” and “condition for the length of service of a specified period” are added;
- IFRS 3 Business Combinations - give clarification on the reporting of contingent consideration in connection with a business combination;
- IFRS 8 Operating Segments - required additional disclosures of judgments made by the management in respect of the grouping of operating segments and give details of the reconciliation of total segment assets to total assets of the reporting entity;
- IFRS 13 Fair Value Measurement - specifies the interaction with IFRS 9 with respect to short-term receivables and payables;
- IAS 16 Property, plant and equipment – the change requires upon revaluation of a tangible fixed asset, its carrying value to be adjusted appropriately according to the revalued carrying amount, while accumulated depreciation to be calculated as a difference value between the reporting value and the carrying amount of the asset, net of accumulated impairment losses;
- IAS 24 Related Party Disclosures - explains that the management company that provides key management personnel to the reporting entity, is considered to be a related party. Accordingly, it is necessary to disclose the remuneration / outstanding obligation for the provision of management services;
- IAS 38 Intangible Assets - same changes as in IAS 16 above.

The Company will analyze and evaluate the effect of changes on its future financial statements.

3. Significant accounting policies (continued)

Published standards that are not yet effective and have not been early adopted (continued)

Annual Improvements to IFRS - Cycle 2012-2014
In the 2012-2014 cycle of the project for annual improvements to IFRS, the IASB published amendments concerning four standards that will come into effect for financial year 2016. Summary of amendments to the relevant standards is presented below:

- IFRS 5 Non-current assets held for sale and discontinued operations – it is clarified that changes in the manner of asset release (sale or distribution to owners) is not considered a new plan to dispose of the asset and is a continuation of the original plan;
- IFRS 7 Financial instruments: Disclosures - specifies examples of continuing involvement in a financial asset and disclosures required in condensed interim financial statements;
- IAS 19 Employee benefits - provides clarification regarding the parameters determining the discount rate in the calculation of long-term obligations.
- IAS 34 Interim financial reporting – it is clarified that the required disclosures should be included in the interim financial statements or be traceable, with reference, to other intermediate information (e.g. management report), which should be available to users under the same conditions and at the same time.

The Company will analyze and evaluate the effect of these changes on its future financial statements.

Financial instruments

The Company initially recognizes loans and receivables, deposits and securities on the date that they have initially originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company became a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables and financial assets available for sale and deposits.

Receivables from banks
Receivables from banks are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses (Note 3 Impairment of financial assets.

3. Significant accounting policies (continued)

Financial assets (continued)

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available for sale or not classified in any of the preceding categories. Financial assets available for sale are recognized initially at fair value plus directly attributable transaction costs. After initial recognition, they are measured at fair value and changes therein, other than impairment losses (Note 3 Impairment of financial assets) and foreign currency differences on debt securities available for sale are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gains and losses in other comprehensive income are reclassified to profit or loss.

Financial assets available for sale (continued)

An impairment loss in respect of a financial asset available for sale is recognized by reclassification into profit and loss of the losses accumulated in the fair value reserve in equity. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, less any impairment loss previously recognized in profit or loss, and the current fair value. Changes in depreciation due to the application of the effective interest method are reflected as a component of the interest income.

If in a subsequent period the fair value of the impaired debt security available for sale increases, and the increase can be objectively related to an event occurring after the impairment loss in profit or loss, then the impairment loss is reversed and the amount is recognized in profit or loss. Any subsequent recovery in the fair value of an impaired equity security available for sale, is recognized in other comprehensive income.

Financial assets available for sale include equity and debt securities.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is reviewed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has affected the estimated future cash flows of that asset that can be reliably assessed.

Objective evidence that a financial asset is impaired includes default or delay by a debtor, restructuring of obligation to the Company on terms that the Company otherwise would not consider, indications that a debtor or issuer will enter bankruptcy, adverse changes in the status of payments of debtor.

3. Significant accounting policies (continued)

Financial assets measured at amortised cost

The Company considers evidence for impairment of financial assets measured at amortised cost (loans and advances and securities available for sale) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.
Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Those assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses statistical modeling of historical trends of the probability of default, recovery time and the amount of loss incurred, adjusted for the assessment of the management whether the current economic and credit conditions are such that it is probable that the actual losses are larger or smaller than the estimated based on historical trends.

Impairment losses on financial assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When an event occurring after the impairment was recognised causes the amount of impairment losses to decrease, the decrease in impairment loss is reversed through profit or loss.

Property, plant and equipment

In the financial statements property, plant and equipment are measured at historical cost of acquisition less accumulated depreciation and impairment loss.

Initial recognition

Upon their initial acquisition property, plant and equipment are valued at acquisition cost, which comprises the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The directly attributable costs include: costs for site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

Subsequent measurement

The approach chosen by the Company for subsequent measurement of property, plant and equipment, is the cost model under IAS 16 - acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Gains or losses from derecognition of an item of property, plant and equipment (calculated as the difference between the proceeds and the carrying amount of the item) are recognised net within other income/other costs in profit or loss.

Depreciation methods

The Fund applies the straight-line depreciation method for property, plant and equipment. The useful life per group of assets is determined in accordance with: the physical wear and tear, equipment specificity, future intentions for use and the expected obsolescence, and is as follows:

	2015	**2014**
Buildings	50 years	50 years
Equipment and computers	5 years	5 years
Motor vehicles	5 years	5 years
Fixtures and fittings	6.7 years	6.7 years

The useful life set for any equipment is reviewed at each year-end and is adjusted prospectively if any material deviations from future expectations concerning the terms of use are determined.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Subsequent costs

Repair and maintenance costs are recognised as current expenses at the moment they are incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain significant parts or improvements and restructuring, are capitalized in the carrying amount of the respective asset whereas its residual useful life is reviewed at the date of capitalization. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and recognised in the current expenses for the period of the restructuring.

Intangible assets

In the financial statements the intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. They include software programs and license for their use.

The Company applies the straight-line depreciation method for the intangible assets with a determined useful life of 5 years (2104: 5 years).

Intangible assets are written-off from the statement of financial position when they are permanently disposed and no future economic benefits are expected from their use, or when they are sold. The gains or losses arising from the sale of separate assets are determined by comparing the proceeds from sale and the carrying amount of the asset at the date of sale.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. For intangible assets with indefinite useful life or assets not yet brought into use, the recoverable amount is estimated annually at the same time. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) it makes part of exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments, time value of money and risks specific to the asset or CGU. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income on accrual basis for all interest-bearing instruments using the effective interest method at the time of granting the guarantee. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense in the respective period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, through a shorter period, to the amortized cost of the financial asset or financial liability.

Interest income includes interest income from bank deposits, interest on loans and leases to customers, fees and commissions on loans and leases to customers, which are an integral part of the effective yield of the financial instrument.

Fees and commissions

Fees and commissions on guarantees are recognised in the comprehensive income based on accrual basis over the period of existence of the exposure to match the cost of providing the service.

Fee and commission expenses related to servicing nostro accounts with other banks or provision of another bank service are recognised at the time of provision of the underlying service.

Transactions in foreign currency

Foreign currency transactions are transformed into BGN by applying the daily exchange rate as quoted by the Bulgarian National Bank (BNB) as of the day of transaction. The receivables and liabilities in foreign currency are revalued on a daily basis. At the end of the year they are revalued in BGN according to closing official rate of BNB.

Since 1999 the Bulgarian Lev (BGN) is pegged to the Euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.

The net gains or losses from changes in the exchange rates incurred from revaluation of receivables, liabilities and transactions with foreign currencies are included in the statement of comprehensive income for the period in which they have occurred.

Provisions and contingent liabilities

Provisions are recognised when the Fund has a current constructive or legal obligation as a result of a past event and it is probable that an outflow of resources will be required to repay/settle this obligation. The provisions are measured based on the best estimate made by the management at the end of reporting period, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation is long-term. For the assessment of the portfolio provisions statistical methods on the basis of historical experience are applied, as well as data about the behavior and the events in relation to the guarantee commitments.

Contingent liabilities are obligations arising from past events, the existence of which can be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Fund or it is not probable that an outflow of resources will be required to settle the obligation. They are not recognized in the statement of financial position but are subject to special disclosure.

Pensions and other payables to personnel under the social security and labour legislation

According to the Bulgarian legislation, the Fund is obligated to pay contributions to social security and health insurance funds. The employment relations of the employees with the Fund, in its capacity of an employer, are based on the provisions of the Labour Code.

3. Significant accounting policies (continued)

Short-term employee benefits

Short-term income of the employees of the Fund in the form of remunerations, bonuses and social payments and benefits are recognised as an expense in the statement of comprehensive income in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability at their undiscounted amount. The Fund's payables for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the respective benefits they relate to and within the period of their accrual.

At the end of each reporting period the Fund assesses and reports the amount of expected costs on the accumulating paid leaves, which amount is expected to be paid as a result of the unused entitlement to accumulated leave. The assessment includes the estimated expenses on the employee's remunerations and statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

In accordance with the provisions of the Labour Code, the employer is obliged to pay to its personnel upon retirement an indemnity which, depending on the length of service with an entity, varies between two and six gross monthly salaries as at the employment termination date. In their nature these are defined benefit plans.

Termination benefits

In accordance with the provisions of the Labour Code the employer is obligated, upon termination of the employment contracts prior to retirement, to pay indemnities as follows:

- for non-observed preliminary notice: one gross monthly salary;
- due to closing down of the enterprise or part thereof, staff cuts, reduction of the volume of work and work stoppage for more than 15 days, etc.: one gross monthly salary;
- upon termination of the employment contract due to illness: compensation of two gross monthly salaries;
- for unused annual paid leave: for the respective years of the time recognised as service period.

The Fund recognises employee income obligations in the event of employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminate the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

Taxation

The Fund is calculating current income taxes in accordance with the requirements of the Bulgarian legislation. Income tax is calculated based on taxable profit for the period determined in accordance with the rules set out by the tax authorities whereby taxes are payable (recoverable).

The tax effect, related to transactions and other events, reported in the statement of comprehensive income are recognised as well in the statement of comprehensive income and the tax effect related to transactions and other events, reported directly in the equity, is also recognised directly in the equity.

Deferred tax liabilities are reported for all temporary differences, subject to taxation, except in the events when they arise from the initial recognition of assets and liabilities for a transaction, which at the time of being concluded is not reflected in the accounting or the tax income (tax loss).

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets are recognised for all temporary differences, subject to deduction, to the extent that it is probable that there might be an available taxable profit, against which the relevant deductions under the deferred tax receivables can be made. This is not applicable for the cases when they arise from the initial recognition of assets and liabilities for a transaction, which at the time of being concluded is not reflected in the accounting or the tax income (tax loss).

The deferred taxes are recognised as income or expenses and are included in the net profit for the period, except in cases, when these taxes arise from transactions or events, reported for the same or another period directly in the equity. Deferred taxes are charged or deducted directly from the equity, when these taxes refer to positions, which are charged or deducted during the same or a different period directly in the equity.

The nominal tax rate for 2015 is 10% (2014:10%).

Cash and cash equivalents

For the purposes of the cash flow statement cash equivalents comprise cash on hand, cash at current accounts with other banks, demand deposits and placements with other banks – payable at sight and/or with original maturity up to 3 months, including repo deals with original maturity up to 3 months.
They are presented in the statement of financial position at amortised cost.

4. Financial risk management

Assessment and risk management by the National Guarantee Fund EAD is part of the overall system for measuring, control and risk management of the Bulgarian Development Bank AD, which group the Fund is a part of. The risk management system functions to prevent losses and control the amount of losses incurred.

In the course of its usual activities the Company is exposed to different kinds of financial risks. These risks are being identified, measured and monitored by the Company with the help of different mechanisms of control so that these risks can be managed and the concentration of unjustified risk prevented. The risk management process is essential for the Fund's profitability and its existence. The main risks to which the Fund is exposed are credit, market, liquidity and operational.

Structure of risk management

The main bodies responsible for the direct risk management are as follows:

Supervisory Board – Management Board of BDB AD – conducts general supervision over risk management;

Board of Directors – responsible for the general risk management approach and approves the strategies, principles and specific methods, techniques and procedures for risk management;

Provision committee – analyses the guaranteed portfolios from the viewpoint of the credit risk management for the guaranteed portfolio as a whole, as well as at the level of guarantee deals and guarantee recipients.

Risk and Monitoring Department – conducts monitoring in relation to guaranteed portfolios and the loan collaterals.

4. Financial risk management (continued)

Measurement and management of main risks

The management of the Fund has adopted a set of internal rules and methodologies for the measurement of different risks, which are based on either statistical models and best international practices, or historical experience of the Fund itself and the Group.

The control and management of risks is mainly structured based on limits set. These limits affect the strategy of the Fund and its market position, as well as the level of specific risk which may be assumed. Reports on the specific types of risks are prepared from time to time with the purpose of subsequent analysis and possible adjustment of limits set.

4.1. Credit risk

Credit risk is the risk where the customers/counterparties will not be able to fully pay the amounts due to the Fund's partners within the agreed/contractual deadlines.

The source of credit risk for the Fund are the guarantees. The main purpose of financial instruments in the form of guarantees is to provide funds for the client in case such are needed. The guarantees, representing an irrevocable commitment by the Fund to make payments in case that a client cannot fulfill their obligations to third parties, carry the same credit risk as loans.

The management of the specific credit risk is performed by the management of the Fund and is also monitored by the Management Board of BDB AD. The credit risk management function ensures the application of the relevant policy and its compliance with the related procedures and controls for current monitoring of each loan guaranteed by the Fund. The risk exposure of the guaranteed portfolio is managed through the analysis of guarantee transactions, based on the assessment of the counterparties' ability to keep their obligations and through setting appropriate credit limits.

For the purposes of preparation of financial statements and in compliance with the International Financial Reporting Standards (IFRS), the NGF EAD has adopted and applies the Policy for Determining Allowances for Impairment of Financial Assets, according to which at the end of each reporting period a review is made to assess whether the objective impairment indicators are present for a financial asset or a group of financial assets. When such indicators are present, the Fund applies the policy in order to determine the amount of the impairment.

Quality of receivables
The Fund has introduced internal rules for risk assessment of each counterparty. The assessment is based on a methodology encompassing current financial information, estimates, implementation of investment projects and targeted use of funds, manner of servicing of exposures and information about the condition of collaterals accepted. Classification of the risk exposures is made at each reporting date.

4. Financial risk management (continued)

4.1. Credit risk (continued)

Maximum exposure to credit risk
Exposure to credit risk due to financial assets recognized in the statement of financial position is as follows:

In thousands of BGN	***2015***	***2014***
Financial asset	7,983	256,636
Cash and cash equivalent	138,032	66,650
Receivables from banks	42,788	22,297
Securities available for sale	188,303	345,583

Exposure to credit risk resulting from contingent commitments reported off-balance sheet, is as follows:

In thousands of BGN	***2015***	***2014***
Contingent liabilities and commitments	90,466	49,566
	90,466	49,566
Maximum exposure to credit risk	279,269	395,149

The following two tables shows the distribution of guarantees issued under the NCEA. In 2015, 72% of the guarantees issued are concentrated in three sectors, namely Trade; Repair of motor vehicles and motorcycles - 37%; Agriculture, forestry and fishing - 21% and Manufacturing 14% (2014 - Trade, Repair of cars and motorcycles - 42%; Agriculture, forestry and fishing - 13% and Manufacturing 17%).

4. Financial risk management (continued)

4.1. Credit risk (continued)

Guarantee schemes on its own risk

In thousands of BGN	2015				2014		
	Authorized guarantee amount				Authorized guarantee amount		
Sector in accordance with NCEA	NGF 2009-2011	NGF 2014	NGF 2015	Total	NGF 2009-2011	NGF 2014	Total
Administrative and support service activities	18	951	15	984	18	196	214
Mining and quarrying	163	399	-	563	221	28	248
Water supply, sewerage, waste management and remediation	-	107	-	107	-	75	75
Other activities	733	110	113	957	1 688	22	1 710
Culture; Sports and recreation	160	94	-	254	252	-	252
Transactions in real property	-	1 116	-	1 116	22	196	218
Manufacturing	1 847	11 709	-	13 556	5 339	4 050	9 389
Production and distribution of electricity, heat and gaseous fuels	-	155	-	155	-	15	15
Professional activities and scientific research	247	1 224	-	1 471	920	386	1 306
Agriculture, forestry and fishing	1 763	7 713	10 188	19 663	3 311	3 654	6 965
Civil engineering	325	8 022	116	8 463	933	2 628	3 561
Creating and distributing information and creative products; Telecommunications	511	1 302	-	1 813	778	567	1 345
Transportation, storage and postal services	792	5 763	-	6 555	1 643	1 561	3 204
Trade; Repair of motor vehicles and motorcycles	5 083	29 941	444	35 467	9 357	13 485	22 842
Financial and insurance activities	7	-	-	7	13	-	13
Hotels and restaurants	638	2 905	-	3 543	1 197	1 441	2 638
Human health and social work	412	87	20	518	497	57	554
Education	52	-	-	52	69	-	69
Total	12 750	71 598	10 895	95 243	26 258	28 360	54 618

4. Financial risk management (continued)

4.1. Credit risk (continued)

Internal programs						
In thousands of BGN		**2015**			**2014**	
	Authorized guarantee amount			Authorized guarantee amount		
Sector in accordance with NCEA	NAFA	RDP	Total	NAFA	RDP	Total
Other activities	55	2 873	2 928	55	3 680	3 735
Manufacturing	-	18 919	18 919		24 338	24 338
Agriculture, forestry and fishing	16 685	115 806	132 491	11 077	95 904	106 981
Trade; Repair of motor vehicles and motorcycles	532	3 833	4 365	532	3 984	4 516
Total	17 272	141 432	158 704	11 664	127 907	139 571

Nature of instruments and credit risk

These contingent commitments bear an off-balance sheet credit risk because only fees are recognized in the statements until the fulfillment or expiration of commitments. The duration of many of contingent liabilities will expire without them being advanced fully or partially. Collaterals in partner banks for the issuance of usual guarantees are over 100% and are basically mortgaged real estate and insurance policies issued in favor of the partner bank.

In the event of activation of a component of a guarantee issued by the Fund, the payment made by it is not evaluated as a final loss as the partner bank has an obligation to take all necessary steps for the sale of collateral of the problem loan and repay the respective amount to the Fund.

4.2. Market risk

Market risk is the risk of adverse movements in interest rates, exchange rates between currencies and market price of securities and other financial instruments. These movements affect the Fund’s profitability.

Currency risk

The currency risk is a risk caused by the negative influence from the fluctuations of the prevailing currency exchange rates on the financial performance and cash flows of the Fund as a result of open currency positions. The policy of the Fund is that the main part of the assets and liabilities, and respectively, the operations of the Company to be denominated in EUR or BGN. As the BGN is fixed to the EUR, no significant currency risk exists for the Fund.

4. Financial risk management (continued)

4.2. Market risk (continued)

The following table represents the currency risk exposure of the Fund. It includes the financial instruments and contingent obligations and commitments of the Company at a book value, represented in types of currencies.

In thousands of BGN

December 31, 2015	**In EUR**	**In BGN**	**Total**
Financial assets			
Cash and cash equivalents	585	7,398	7,983
Loans and advances to banks	5,272	132,760	138,032
Securities available for sale	-	42,788	42,788
Total financial assets	**5,857**	**182,946**	**188,803**
Financial liabilities			
Other borrowed funds	-	95,796	95,796
Total financial liabilities	-	95,796	95,796
Book currency position	**5,857**	**87,150**	**93,007**
Contingent liabilities and commitments	-	90,466	90,466

In thousands of BGN

December 31, 2014	**In EUR**	**In BGN**	**Total**
Financial assets			
Cash and cash equivalents	496	256,140	256,636
Loans and advances to banks	17,985	48,665	66,650
Securities available for sale	-	22,297	22,297
Total financial assets	18,481	327,102	345,583
Financial liabilities			
Other borrowed funds	-	254,080	254,080
Total financial liabilities	-	254,080	254,080
Net book currency position	18,481	73,022	91,503
Contingent liabilities and commitments	-	49,566	49,566

Interest rate risk

The Fund is always exposed to movements in market interest rates, which affects its financial position and cash flows.

Interest rate risk is the likelihood of a potential change in net interest income and net interest margin due to changes in general market interest rates.

4. Financial risk management (continued)

4.2. Market risk (continued)

Interest rates on assets and liabilities denominated in Bulgarian lev normally are determined based on the movements of the basic interest rate set by the BNB. Interest rates on assets and liabilities denominated in Euro are based on quotations of the European Central Bank.

The Company is exposed to various market risks. Market risk is associated with the likelihood of future changes in the prevailing market conditions which could materially affect the financial position of the Company.

Price risk of quoted securities

Currently due to the economic and financial crisis the Fund has reduced its operations in stock markets.

The table below summarizes the interest exposure and risk of the company. It includes the Fund's assets and liabilities at their book value in accordance with interest-related clauses set out in the contracts, their maturity structure and sensitivity to the behavior of interest rates.

In thousands of BGN	***With floating interest rate***	***With fixed interest rate***	***Non-interest bearing***	***Total***
December 31, 2015				
Financial assets				
Cash and cash equivalents		7,983	-	7,983
Loans and advances to banks		137,712	320	138,032
Securities available for sale		42,788	-	42,788
Total financial assets		188,483	320	188,803
Financial liabilities				
Other borrowed funds		-	95,796	95,796
Total financial liabilities		-	95,796	95,796
Total interest rate exposure		**188,483**	**(95,476)**	**93,007**

In thousands of BGN	***With floating interest rate***	***With fixed interest rate***	***Non-interest bearing***	***Total***
December 31, 2014				
Financial assets				
Cash and cash equivalents	-	256,636	-	256,636
Loans and advances to banks	-	66,595	55	66,650
Securities available for sale		22,297	-	22,297
Total financial assets	-	345,528	55	345,583
Financial liabilities				
Other borrowed funds	-	-	254,080	254,080
Total financial liabilities	**-**		254,080	254,080
Total interest rate exposure		**345,228**	**(254,025)**	**91,503**

4. Financial risk management (continued)

4.2. Market risk (continued)

The table below includes the financial assets of the Fund at book value categorized by the earlier of interest rate change in the contract or maturity dates.

In thousands of BGN	***Up to1 month***	***1-3 months***	***3-6 months***	***6-12 months***	***1-5 years***	***Over 5 years***	***Non-interest bearing***	***Total***
December 31, 2015								
Financial assets								
Cash and cash equivalents	7,983							7,983
Loans and advances to banks	5	12,554		35,147	90,006		320	138,032
Securities available for sale						42,788		42,788
Total financial assets	**7,988**	**12,554**		**35,147**	**90,006**	**42,788**	**320**	**188,803**
Financial liabilities								
Other borrowed funds	-	-	-		95,796			90,796
Total financial liabilities	-	-	-		95,796			90,796
Total exposure to interest rate sensitivity	**7,988**	**12,554**		**35,147**	**(5,790)**	**42,788**	**320**	**98,007**

In thousands of BGN	***Up to1 month***	***1-3 months***	***3-6 months***	***6-12 months***	***1-5 years***	***Over 5 years***	***Non-interest bearing***	***Total***
December 31, 2014								
Financial assets								
Cash and cash equivalents	256,636	-	-	-	-		-	256,636
Loans and advances to banks	5	13,416	10,247	13,016	29,911		55	66,650
Securities available for sale	-	-	-	-	-	22,297	-	22,297
Total financial assets	**256,641**	**13,416**	**10,247**	**13,016**	**29,911**	**22,297**	**55**	**345,583**
Financial liabilities								
Other borrowings				254,080				254,080
Total financial liabilities				254,080				254,080
Total exposure to interest rate sensitivity	**256,641**	**13,416**	**10,247**	**(241,064)**	**29,911**	**22,297**	**55**	**91,503**

The requirements to liquidity to fulfill the guarantees payments are significantly lower than the amount of commitment, as the Fund usually does not expect third party claims for payment of the entire amount under the agreement.

4. Financial risk management (continued)

4.2. Market risk (continued)

In the table below analysis is made of the financial assets and liabilities of the Fund, grouped by maturity dates.

In thousands of BGN ***As at 31 December 2015***	***Up to1 month***	***1-3 months***	***3-12 months***	***1-5 years***	***Over 5 years***	***Unstated maturity***	***Total***
Financial assets							
Cash and cash equivalents	7,983	-	-		-	-	7,983
Loans and advances to banks	5	12,554	35,147	90,006		320	138,032
Securities available for sale					42,788		42,788
Total financial assets	7,988	12,554	35,147	90,006	42,788	320	188,803
Financial liabilities							
Other borrowed funds				95,796			95,795
Total financial liabilities				95,796			95,795
Difference in maturity thresholds of assets and liabilities	7,988	12,554	35,147	(5,790)	42,788	320	93,007
Contingent liabilities and commitments						90,466	90,466

In thousands of BGN ***As at 31 December 2014***	***Up to1 month***	***1-3 months***	***3-12 months***	***1-5 years***	***Over 5 years***	***Unstated maturity***	***Total***
Financial assets							
Cash and cash equivalents	256,636						256,636
Loans and advances to banks	5	13,416	23,263	29,911		55	66,650
Securities available for sale					22,297		22,297
Total financial assets	256,641	13,416	23,263	29,911	22,297	55	345,583
Financial liabilities							
Other borrowed funds			254,080				254,080
Total financial liabilities			254,080				254,080
Difference in maturity thresholds of assets and liabilities	256,641	13,416	(230,817)	29,911	22,297	55	91,503
Contingent liabilities and commitments						49,566	49,566

4. Financial risk management (continued)

4.3. Liquidity risk

Liquidity risk is the risk of the Fund's inability to meet its current and potential payment obligations as and when they fall due without unacceptable losses.

The activities of the Fund require a stable cash flow to serve for payments under guarantees issued. When managing the liquidity of the Fund the all contingent commitments are taken into account.

Financial liabilities of the Company grouped by residual time to maturity at carrying value.

In thousands BGN ***As of 31 December 2015***	***Up to 1 month***	***1-3 months***	***3 - 12 months***	***1-5 years***	***Over 5 years***	***Total***
Financial liabilities						
Other borrowed funds	-	-	-	95,796	-	95,796
Total financial liabilities	-	-	-	95,796	-	95,796

In thousands BGN ***As of 31 December 2014***	***Up to 1 month***	***1-3 months***	***3 - 12 months***	***1-5 years***	***Over 5 years***	***Total***
Financial liabilities						
Other borrowed funds	-	-	254,080	-	-	254,080
Total financial liabilities	-	-	254,080	-	-	254,080

As of December 31, 2015 and as of December 31, 2014 financial liabilities are with maturity of up to 1 month from the date of the settlement of financial position, and their undiscounted value is equal to the carrying value.

4.4. Capital management

The main objectives of the Fund's capital management is to maintain its level at amounts sufficient for activities developing and achieving the general objectives set out at its establishment – support of the economic policy of the country and the development of small-and medium-sized business.

5. Use of accounting estimates

Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As at 31.12.2015			**Carrying amount**		**Fair value**		
In thousands of BGN	***Note***		**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Securities available for sale	**14**	-	42,788	42,788	-	-	42,788
Financial assets not measured at fair value							
Cash and cash equivalent	13.1.		7,983	-	7,983		7,983
Loans and advances to banks	13.2		48,471	-	48,471		48,471
Long-term deposits in BDB	13.2		90,006	-	89,561		89,561
		-		-	-	-	
Financial liabilities not measured at fair value							
Other borrowed funds	18		95,796		95,796		95,796
					95,796		
Contingent liabilities and commitments			95,796				95,796

As at 31.12.2014			**Carrying amount**		**Fair value**		
In thousands of BGN	***Note***		**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Securities available for sale	**14**	-	22,297	22,297	-	-	22,297
Financial assets not measured at fair value							
Cash and cash equivalent	13.1.		256,636	-	256,636		256,636
Loans and advances to banks	13.2		36,770	-	36,770		36,770
Long-term deposits in BDB	13.2		29,911	-	29,880		29,880
		-	323,317	-	323,286	-	323,286
Financial liabilities not measured at fair value							
Other borrowed funds	18		254,080		254,080		254,080
			254,080		254,080		254,080
Contingent liabilities and commitments	21		49,566		57		49,623

5. Use of accounting estimates (continued)

Fair value of financial assets and liabilities (continued)

As of 31.12.2015

Fair value of financial assets and financial liabilities **which are not measured at fair value, but fair value disclosures are required**.

Financial instrument	Fair value as at 31.12.2015	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable key inputs to fair value
Long-term deposits with BDB	89,561	Level 2	Discounted cash flows Future cash flows are estimated based on the officially published by Bulgarian National Bank yield of government bonds (unadjusted) for December 2015.	N/A	N/A

As of 31.12.2014

Fair value of financial assets and financial liabilities **which are not measured at fair value, but fair value disclosures are required**.

Financial instrument	Fair value as at 31.12.2014	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable key inputs to fair value
Long-term deposits with BDB	29,880	Level 2	Discounted cash flows Future cash flows are estimated based on the officially published by Bulgarian National Bank yield of government bonds (unadjusted) for December 2015.	N/A	N/A

6. Net interest income

In thousands of BGN	2015		2014
Interest income			
Current accounts with banks	6		-
Deposits with banks	828		1,861
Securities available for sale	808		256
	1,642	2,117	2,117
Interest expense	(10)	(73)	(73)
Net interest income	1,632	2,044	2,044

7. Net fee and commission income

In thousands of BGN	2015	2014
Fee and commission income		
Guarantees	654	316
Other fees and commissions - Executive Agency of Fisheries and Aquaculture; Ministry of Agriculture and Food	678	625
	1,332	941
Fee and commission expense	(5)	(6)
Servicing of account with other banks	(5)	(6)
Net fee and commission income	1,327	935

8. Provisions for guarantees

In thousands of BGN	2015	2014
Portfolio guarantee scheme 2009-2013	2,762	4,423
Portfolio guarantee scheme 2014	1,835	629
Portfolio guarantee scheme 2015	88	-
Total provisions on portfolio guarantees	4,685	5,052

The table below shows the movements of provisions on portfolio guarantees:

In thousands BGN	2015	2014
Balance as of 1 January	5,052	6,472
Accrued for the year	2,065	628
Reversed for the year	(2,432)	(2,048)
Balance as of 31 December	4,685	5,052

Portfolio guarantee provisions is the amount which the Fund expects with a significant probability to pay to third parties on portfolio guarantees issued by it, for which as of December 31 the assessment of the risk of loss of each guaranteed portfolio of a partner bank is reported.

Individual provisions – with regard to them there is already sufficiently clear evidence that they will be enforced and their beneficiaries have undisputed right and have claimed payment.

9. Other operating income

In thousands of BGN	**2015**	**2016**
Legal fees and expenses, net	2	9
Gains from sale of services	-	16
	2	25

10.1. Impairment loss

In thousands of BGN	**2015**	**2014**
Impairment loss on paid guarantees	(51)	972
	(51)	972

10.2. Income from reversal of provisions

In thousands of BGN	**2015**	**2014**
Income from reversal of guarantee provisions	(367)	(1,419)
	(367)	(1,419)

11. General administrative expenses

In thousands of BGN	**2015**	**2014**
Personnel costs and social security contributions	620	588
Remuneration of members of the Board of Directors	174	218
Communications and IT services	16	16
Office maintenance and office equipment	19	20
Government taxes and charges	3	-
Audit, legal and consulting services	14	17
Advertising and entertainment expenses	78	15
Hired services	165	170
Business trips	16	10
Rentals	58	81
	1,163	1,135

In thousands of BGN	**2015**	**2014**
Personnel costs and social security contributions include:		
Salaries	519	505
Social security contributions	90	81
Social benefits	11	2
	620	588

The average number of the personnel for 2015 is 14(2014: 18).

12. Income tax expense

In thousands of BGN	**2015**	**2014**
Current tax expense	280	90
Deferred tax expense/(income) as a result of temporary differences	(61)	139
Total income tax expense	219	229

In thousands of BGN	**2015**	**2014**
Accounting profit (loss)	2,192	2,293
Income tax, calculated on standard tax rate (10% for 2015, 10% for 2014)	219	229
Total income tax expense	219	229
Effective tax rate	9,99%	9,99%

Outstanding amounts of deferred income taxes on income relate to the following items from the statement of financial position:

	Assets		**Liabilities**	
In thousands of BGN	**2015**	**2014**	**2015**	**2014**
Provisions for guarantees	(470)	(505)		
Staff remuneration payables	(2)	(1)		
Unrealized gains from revaluations	(97)	(2)		
Tax (assets)/liabilities	(569)	(508)	-	-

In recognising deferred tax assets, the probability of reversal of individual differences and the abilities of the Fund to generate sufficient taxable profit in the future, have been taken into account.

13.1 Cash and cash equivalents

In thousands of BGN	**2015**	**2014**
Current accounts		
In BGN	7,398	256,140
In foreign currency	585	496
	7,983	256,636
Cash and cash equivalents	7,983	256,636
Deposits in banks with original maturity less than 3 months	60	323
Cash and cash equivalents in the statement of cash flows	8,043	256,959

13.2 Loans and advances to banks

In thousands of BGN	**2015**	**2014**
Tern deposits in local banks > 90 days	137,652	66,272
Tern deposits in local banks < 90 days	60	323
Receivables on paid guarantees	320	55
	138,032	66,650

Receivables on paid guarantees	**2015**	**2014**
Gross amount of the receivables on paid guarantees	2,173	1,958
Impairment	(1,853)	(1,903)
Net amount of the receivables on paid guarantees	320	55

Impairment on paid guarantees receivables movement	**2015**	**2014**
Impairment at the beginning of the period	1,903	931
Impairment expense during the period	177	1,010
Reversal of impairment	(227)	(38)
Impairment at period end	1,853	1,903

As at 31.12.2015 the Fund has term deposits in three local banks denominated in BGN and EUR.
The average interest rates on the term deposits in BGN are 0,87% (from 0,15% to 2,20%). For 2014 they are 1,61% (from 0,5% to 3,80%).
Court receivables are receivables arising from payments on guarantees due to permanent financial insolvency or bankruptcy of the debtor, for whom the beneficiary bank has met the requirements for payment of the guarantee, the bank has claimed payment and the Fund has made the payment.
A receivables or a group of receivables are impaired if there is an objective evidence that impairment has occurred as a result of one or more events (loss events) which happened after the initial recognition of the asset (assets) and these events have influence on the future cash flows from the asset (assets) and this influence can be reasonably estimated.

14. Securities available for sale

In thousands of BGN

Issuer	ISIN	Maturity	Nominal value in BGN	Interest coupon	**2015**	**2014**
Republic of Bulgaria	BG2040013216	09.07.2023	100	4%	12,434	9,827
Republic of Bulgaria	BG2040014214	15.07.2024	100	4%	21,759	4,307
Republic of Bulgaria	BG2040012218	11.07.2022	100	5%	8,595	8,163
					42,788	22,297

15. Property, plant and equipment, intangible assets

In thousands of BGN	**Equipment and computers**	**Fixtures and fittings**	**Motor vehicles**	**Licenses and software**	**Total**
Book value					
As at 1 January 2014	67	5	34	58	164
Additions	65	5	-	-	70
Disposals	-	-	-	-	-
As at 31 December 2014	**132**	**10**	**34**	**58**	**234**
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 December 2015	**132**	**10**	**34**	**58**	**234**
Accumulated depreciation					
As at 1 January 2014	57	3	33	29	122
Charge for the year	14	1	1	7	23
Written off	-	-	-	-	-
As at 31 December 2014	71	4	34	36	145
Charge for the year	16	1	-	7	24
Written off	-	-	-	-	-
As at 31 December 2015	**87**	**5**	**34**	**43**	**169**
Carrying amount					
As at 31 December 2015	**45**	**5**	**-**	**15**	**65**
As at 31 December 2014	**61**	**6**	**-**	**22**	**89**

As at 31.12.2015 the book value of the fully depreciated property, plant and equipment which are used in the activities of the Fund is BGN 106 thousand (as at 31.12.2014: BGN 41 thousand).

16. Other assets

In thousands of BGN	**2015**	**2014**
Prepayments and advances	5	16
Accrued guarantee fees	169	57
	174	73

17. Borrowings from banks

In December 2012, in order to obtain additional liquidity buffer, the National Guarantee Fund EAD signed a long-term loan - credit facility with the Bulgarian Development Bank AD. As a result of low market interest rates, in 2014 the interest rate was renegotiated from 3,75% to 2,66%. In 2013 the credit facility was fully utilized. At the end of 2014 it was partly repaid. In 2015 the company used the credit line for a short period of time. At the end of 2015 it was fully repaid.

18. Other borrowed funds

In thousands of BGN	**2015**	**2014**
Long-term agreement with Executive Agency of Fisheries and Aquaculture	12,132	15,414
Long-term agreement with Ministry of Agriculture and Food	83,664	238,666
	95,796	254,080

On 07.12.2010 the National Guarantee Fund EAD and Executive Agency of Fisheries and Aquaculture (EAFA) with the Ministry of Agriculture and Foods of Republic of Bulgaria signed a Financial agreement for providing funds for execution of guarantee activities under the Operational Programme for Development of "Fisheries" 2007-2013. The purpose of the programme is to provide easier access to funding for the entities from the sector, with lower interest rates and lower collateral requirements and own contribution.

The guarantee programme is implemented in the framework of Measure 2.7 of Operational Programme for Development of Fisheries. After consultations, the Executive Agency of Fisheries and Aquaculture and the National Guarantee Fund EAD have chosen the financial engineering instrument provided under Regulation (EC) № 498/2007 of the Commission (OB 10.05.2007, L 120) for laying down detailed rules for Regulation (EC) № 1198/2006 of the Council, to be implemented through a funds (financing) at an account managed by the National Guarantee Fund EAD.

According to the requirements of Regulation (EC) № 498/2007 of the Commission (Article 35), the financial engineering instrument is established in the form of a separate financial unit within the framework of the National Guarantee Fund EAD.

According to Article 1 of the Financial Agreement between the National Guarantee Fund EAD and the Executive Agency of Fisheries and Aquaculture in 2010 the Fund received financial resource in the amount of BGN 6,000 thousand. An additional contribution was made under the Annex № 2 of 28.12.2011 amounting to BGN 9,168 thousand. On 19.12.2012 the National Guarantee Fund EAD and the Executive Agency of Fisheries and Aquaculture signed Annex № 4 under the Financial Agreement for providing funds for execution of guarantee activities under the Operational Programme for Development of "Fisheries" 2007-2013, according to which the Agency committed to transfer to the Fund an additional contribution accounting to BGN 15,050 thousand for implementation of the guarantee scheme. According to Annex № 5 of 16.01.2014 between the National Guarantee Fund EAD and the Executive Agency of Fisheries and Aquaculture, the Agency withdrew the last contribution amounting to BGN 15,050 thousand. According to Annex №7 of 06.10.2015 between the parties, the Fund refunded to the Agency the amount of BGN 3 000 thousand from the additional funds paid.

18. Other borrowed funds (continued)

In 2015, in order to achieve higher yield, the funds under the programme were invested in a current account with preferential interest rate with the Bulgarian Development Bank AD. At the end of 2015 the funds were deposited in a two-year deposit with the same bank.
The guarantee program is free-of charge for enterprises benefiting from it and the costs of the NGF EAD for its implementation are defined and paid in accordance with Article 35 of Regulation (EC) № 498/2007 of the Commission.
As at 31.12.2015 within the framework of the guarantee scheme under the Operational Programme for Fisheries Development, the National Guarantee Fund EAD had agreements signed with the following banks: Raiffeisen Bank (Bulgaria) EAD, First Investment Bank AD, CIBANK EAD, UniCredit Bulbank AD, Central Cooperative Bank AD, DSK Bank EAD, TBI Bank EAD, International Asset Bank AD, Bulgarian-American Credit Bank AD and the Bulgarian Development Bank.
The deadline for inclusion of new loans and bank guarantees (as provided for within the framework of the Programme) was 31.12.2015.

On 20.12.2011 the National Guarantee Fund EAD and the Ministry of Agriculture and Food signed a Financial Agreement for provision of funds for issuing guarantees within the guarantee scheme under the Rural Development Programme for the period 2007-2013. The guarantee scheme is established pursuant to Article 51-52 of the Regulation (EC) № 1974/2006 of the Commission of 15 December 2006 for laying down detailed rules for the implementation of Regulation (EC) № 1698/2005 of the Council of 20 September 2005 on support of rural development by the European Agricultural Fund for Rural Development, in order to facilitate the access to funding by beneficiaries and implementation of projects under the Rural Development Programme.
The Ministry of Agriculture and Food provides the Fund with funding in the amount of BGN equivalent of EUR 121,000 thousand (BGN 242 200 thousand) in order to improve the access to financing, support competiveness, accelerate the investments that are co-financed with funds under the Rural Development Programme of the Republic of Bulgaria (2007-2013), which will be used by the Fund for issuance of guarantees and counter guarantees. By Annex №2 of 14.10.2015 between the parties, the Fund refunded to the Ministry the amount of BGN 154 586 thousand of the funds so provided.

With the aim of higher yield, in 2015 the funds under the programme were invested in a current account with preferential interest rate with the Bulgarian Development Bank AD. At the end of 2015 the funds were deposited in a two-year deposit with the same bank.
As at 31.12.2015 within the framework of the guarantee scheme under the Rural Development Programme, the National Guarantee Fund EAD had agreements signed with the following banks: Bulgarian-American Credit Bank AD, DSK Bank EAD, United Bulgarian Bank AD, Piraeus Bank Bulgaria AD, First Investment Bank AD, Raiffeisen Bank (Bulgaria) EAD, CIBANK EAD, Central Cooperative Bank AD, Eurobank Bulgaria AD, UniCredit Bulbank AD and TBI Bank EAD, Allianz Bank Bulgaria AD.

19. Other liabilities

In thousands of BGN	**2015**	**2014**
Accruals for expenses	4	10
Payables to personnel and for social securities	30	28
Tax payables	8	12
Other liabilities, incl. prepaid commissions	88	149
	130	199

The *payables to personnel* include: accruals for compensated leave of absence and social security contributions.

20. Share capital

In thousands of BGN	**2015**	**2014**
Share capital		
Ordinary shares issued for cash fully paid	80,000	80,000
	80,000	80,000
Movement in the share capital		
As at 1 January	80,000	80,000
As at 31 December	80,000	80,000

The capital of the Fund consists of 800 000 ordinary registered voting shares with par value of BGN 100 each.

The Fund’s shares may not be pledged and the rights thereon may not be subject to transfer deals.

21. Contingent liabilities and commitments

In thousands of BGN	**2015**	**2014**
Contingent liabilities		
Portfolio guarantees	95,151	54,618
Recognised in the statement of financial position (provisioned)	(4,685)	(5,052)
	90,466	49,566
Issued risk-free portfolio guarantees	77,119	96,943

21.1. Guarantee scheme 2009 – 2013

In 2015 there are active agreements for portfolio guarantees with 11 banks under the guarantee scheme 2009- 2013, to which the Fund is a party. The maximum term of guarantees is up to 10 years. The total limit of funds provided to banks for including loans in the portfolio amounts to BGN 146,500 thousand (2014: BGN 146,500 thousand). As at 31.12.2015 the approved amount of the guarantees included in the partner-banks’ portfolio of amounted to BGN 26,613 thousand (in 2014: BGN 43,396 thousand), and the amount of the guaranteed debt is BGN 12,750 thousand (in 2014: BGN 26,258 thousand).

In thousands BGN	**2015**	**2014**
Contingent liabilities		
Portfolio guarantees	12,750	26,258
Recognized in the statement of financial position (provisioned)	(2,762)	(4,423)
	9,988	21,835

21. Contingent liabilities and commitments (continued)

21.2. Guarantee scheme 2014-2015

In 2014 the Fund launched a new guarantee scheme. Under this scheme there are active agreements for portfolio guarantees with 13 banks. Unlike the previous guarantee scheme, under this program the banks have the option to independently include loans in the NGF's guaranteed portfolio, subject to requirements of the scheme. The deadline for inclusion of loans in the guaranteed portfolio is September 2015 and the NGF guarantee is valid until September 2018. In the guaranteed portfolio only new loans to SMEs are to be included and the maximum amount of the NGF's guarantee is up to 50% of the loan, but not more than BGN 500 thousand. Under the 2014 guarantee scheme a cap of payments was introduced for each guaranteed portfolio. Banks pay a guarantee fee based on volumes achieved, whereas borrowers are exempt from fees on the NGF guarantees. The total limit of funds made available to banks to include loans in the portfolio amounted to BGN 192.000 thousand (2014: BGN 192,000 thousand) As of 31.12.2015 the approved amount of guarantees included in the portfolio of partner banks amounted to BGN 77,855 thousand (2014: BGN 28,733 thousand), and the amount of guaranteed debt was BGN 71,598 thousand (2014: BGN 28,360 thousand).

In thousands BGN	**2015**	**2014**
Contingent liabilities		
Portfolio guarantees	71,598	28,360
Recognized in the statement of financial position (provisioned)	(1,835)	(629)
	69,763	27,731

21.3. Guarantee scheme 2015-2017

In 2015 the procedure for selection of NGF partner banks under a new guarantee scheme was launched. After the completion of selection procedure and analysis of commercial banks, from early October 2015 to early January 2016 guarantee agreements were signed with 10 commercial banks totaling BGN 326,000 thousand. Same as under the previous scheme, eligible for inclusion are only new loans for investment and working capital purposes. Under the scheme NGF guarantees up to 50% of the loan amount, but not more than BGN 1 million in case of related parties. The deadline for inclusion of loans in the guaranteed loan portfolio is March 31, 2017. The guarantee scheme was introduced a maximum limit on payments for each guaranteed portfolio in the amount of up to 25%, where the NGF reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the scheme requirements. Banks pay a guarantee fee based on volumes achieved, whereas the borrowers are exempt from fees for the NGF guarantees. The total funds made available to banks to include loans in the portfolio amount to BGN 326,000 thousand. As of 31.12.2015 the approved amount of guarantees included in the portfolios of partner banks is BGN 11,195 thousand, and the amount of the guaranteed debt is BGN 10,803 thousand.

In thousands BGN	**2015**	**2014**
Contingent liabilities		
Portfolio guarantees	10,803	
Recognized in the statement of financial position (provisioned)	(88)	
	10,715	

21.4. Warranty program to support beneficiaries under the Operational Programme for Fisheries Development 2007 - 2013 (OPFD)

As of 31.12.2015, by applying the maximum warranty coverage of 80%, the NGF EAD issued risk-free for the company guarantees and counter guarantees on loans issued to partner banks to fund projects approved under the Operational Programme for Fisheries Development 2007 - 2013 in the amount of BGN 20,780 thousand, with a total value of loans / bank guarantees of BGN 30,551 thousand (2014: guarantees – BGN 14,910 thousand; total value of loans / bank guarantees – BGN 21,755 thousand).

As of December 31, 2015 the amount of guaranteed debt at book value is BGN 9,444 thousand (2014: BGN 7,894 thousand).

21. Contingent liabilities and commitments (continued)

21.5. Guarantee scheme to support beneficiaries under the Rural Development Programme 2007 – 2013 (RDP)

As of 31.12.2015, by applying the maximum warranty coverage of 80%, NGF EAD issued risk-free for the company guarantees and counter-guarantees on loans issued to the partner banks to finance projects approved under the Rural Development Programme 2007-2013 of the Republic Bulgaria in the amount of BGN 185,606 thousand (2014: BGN 138,822 thousand) where the total value of loans is BGN 238,112 thousand (2014: BGN 178,555 thousand). The total guarantee limit under the program is BGN 300,000 thousand (2014: BGN 1 132,500 thousand).
The amount of the guaranteed debt at book value as at 31.12.2015 was BGN 67,675 thousand (2014: BGN 89.049 thousand)

22. Transactions with related parties

Balances with related parties in the statement of financial position are:

Assets

In thousands of BGN

Entity	***Type of balance***	**2015**	**2014**
Bulgarian Development Bank AD	Cash in current accounts	7,516	256,134
Bulgarian Development Bank AD	Term deposits	120,504	30,437

Liabilities

In thousands of BGN

Entity	***Type of balance***	**2015**	**2014**
Bulgarian Development Bank AD	Liabilities to banks	-	-
Bulgarian Development Bank AD	Other liabilities	2	2

Transactions with related parties are as follows:

In thousands of BGN

Entity	***Type***	**2015**	**2014**
Bulgarian Development Bank AD	Income from fees and commissions	-	10
	Interest income	226	34
	Exchange losses	-	-
	Expenses from fees and commissions	(2)	(3)
	Interest expenses	(10)	(73)
	Expenses for rent and office maintenance	(68)	(89)

Contingent commitments – financial guarantees issued:

Entity	***Type***	**2015**	**2014**
Bulgarian Development Bank AD	Guarantees issued	3,012	-

23. Relationships with key management personnel

People representing key management personnel are disclosed in Note 1.

In thousands of BGN	**2015**	**2014**
Balances with key management personnel		
Other liabilities	10	9
Remunerations payable	-	-
(Note 19)	10	9
Transactions with key management personnel		
Remunerations	174	218
(Note 11)	174	218

24. Subsequent events

No events have occurred after the reporting period that require adjustments or additional disclosures in the financial statements as at December 31, 2015 and as of December 31, 2014.