

EUROINS INSURANCE GROUP AD

REVIEW REPORT AND

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Translation from the original in Bulgarian)

*This document is a translation of the original in Bulgarian text,
in case of divergence the Bulgarian text shall prevail.*

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**To the shareholders of
Euroins Insurance Group AD**

Introduction

1. We have reviewed the accompanying interim consolidated statement of financial position of Euroins Insurance Group AD (the “Parent company”) and its subsidiaries (together referred to as “the Group”) as of June 30, 2016 and the related interim consolidated statements of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial statements based on our review.

Scope of Review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Basis for qualified conclusion

3. As disclosed in note 25 to the accompanying interim consolidated financial statements, as of June 30, 2016 the Group reports goodwill on acquisition of subsidiaries at total amount of BGN 164,664 thousand, BGN 154,296 thousand of which are related to the acquisition of companies under common control in prior reporting periods. Business combinations of entities under common control fall outside the scope of IFRS, and consequently we were not able to determine if the treatment of the transactions and the reporting of goodwill comply with IFRS. As a result of these circumstances, we were not able to confirm and we do not confirm as to whether the reported goodwill is fairly presented and valued in these interim consolidated financial statements.
4. As of June 30, 2016 the Group has changed its methodology for valuation of the outstanding claims reserve using the methods and assumptions described in note 1.5.1 and has determined gross amount of outstanding claims reserve of BGN 299,238 thousand. During our review we identified that the specific assumptions in the methodology are not supported by the historical information. As a result of that we were not able to assess whether the recorded outstanding claims reserve as of June 30, 2016 is adequate to cover the future liabilities of the Group and the related effects.
5. As disclosed in note 18 to the accompanying interim consolidated financial statements, as of June 30, 2016, the Group owns more than 50% of the share capital of one company and there are indications that the Group may exercise control over that company. The management of the Group considers that regardless of the ownership percentage, the Group does not control the company as the ownership percentage was decreased below 50% as of August 31, 2016. The company is not consolidated in the interim consolidated financial statements. Due to restrictions in the available information we could not determine the impact of this deviation on the interim consolidated financial statements.

Qualified conclusion

6. Based on our review, except for the matters discussed in paragraphs 3 to 5 above, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not present fairly, in all material respects, the financial position of the Group as of June 30, 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

7. We draw attention to the following:
 - (a) We draw attention to note 28 of the interim consolidated financial statements, which discloses that the financial assets, reported at fair value through profit and loss, owned by the Group, represent mainly securities that are traded on the Bulgarian stock exchange (BSE) and as of the end of the reporting period are valued on the basis of market quotations of BSE. Because of limitation in the trading volume and the specifics of the trade of these securities, there is uncertainty if the securities fair value established on the basis of market quotations would be supported by the market in future transactions. Our conclusion is not qualified with respect to this matter.

- (b) We draw attention to note 1.5.5 of the interim consolidated financial statements, which discloses that the Group has adopted accounting policy for reporting of quota share reinsurance contracts, according to which the Group recognizes reinsurance share in the technical reserves as an asset and the respective change in the reinsurer's share in the technical reserves in the statement of comprehensive income at the date of inception of the contract and payables to reinsurers under these contracts are reported during the subsequent periods in which the contracts are effective. Our conclusion is not qualified with respect to this matter.
- (c) We draw attention to note 29, which discloses that a subsidiary of the Group is under financial recovery plan imposed by a regulator. As of June 30, 2016, the subsidiary has amended partially the breached regulatory financial requirements and the financial recovery plan requires the breach to be fully rectified by November 20, 2016 through the application of various financial and operational measures, including capital increase of the subsidiary. The subsidiary's ability to continue its operations depends on the implementation of the financial recovery plan. Our conclusion is not qualified with respect to this matter.

Other matters

8. We did not audit or review the comparative consolidated interim financial information which includes consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period ended June 30, 2015, and all related disclosures as at June 30, 2015 and for the six month period then ended.

Deloitte Audit

Deloitte Audit OOD



Sylvia Peneva
Statutory Manager

October 12, 2016
Sofia

EUROINS INSURANCE GROUP AD
CONSOLIDATED INTERIM FINANCIAL STATEMENT OF PROFIT AND LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD, ENDED 30.06.2016
All amounts are in thousand Bulgarian leva, unless otherwise states

	Notes	Six-month period ended	
		30.06.2016	30.06.2015 (unaudited)
Gross written premiums	4	234,992	228,613
Premiums ceded to reinsurers	4	(94,590)	(76,717)
Net written premiums		140,402	151,896
Change in the gross unearned premium reserve and unexpired risk reserve	4	2,218	(22,079)
Reinsurers' share in changes in the unearned premium reserve	4	(766)	26,819
Net earned premiums		141,854	156,636
Fees and commission income	5	29,996	4,197
Finance income	6	6,151	6,790
Other operating income	7	30,128	4,729
Net income		208,129	172,352
Claims incurred, net of reinsurance	8	(76,283)	(87,268)
Acquisition costs	9	(59,074)	(56,126)
Administrative expenses	10	(9,770)	(9,822)
Finance costs	11	(5,024)	(5,232)
Other operating expenses	12	(51,773)	(14,229)
Operating loss		6,205	(325)
Other net income	13	431	2
Profit/(Loss) for the period		6,636	(323)
Income tax expense		13	-
Net profit/(loss) for the period		6,649	(323)
Other comprehensive income			
<i>Other comprehensive income subject to reclassification to profit or loss in subsequent periods</i>			
Exchange differences on translating foreign operations		(794)	116
Change in fair value reserve (assets available for sale)		(181)	13
Other comprehensive income subject to reclassification to profit or loss in subsequent periods		(975)	129
Total comprehensive income for the period		5,674	(194)

EUROINS INSURANCE GROUP AD
CONSOLIDATED INTERIM FINANCIAL STATEMENT OF PROFIT AND LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD, ENDED 30.06.2016
All amounts are in thousand Bulgarian leva, unless otherwise states

Notes	Six-month period ended	
	30.06.2016	30.06.2016 (unaudited)
Net profit/(loss), attributable to:		
Owners of the Parent company	5,955	(243)
Non-controlling interest	694	(80)
Net profit/(loss) for the period	6,649	(323)
Total comprehensive income, attributable to:		
Owners of the Parent company	5,037	(115)
Non-controlling interest	637	(79)
Total comprehensive income for the period	5,674	(194)

These interim consolidated financial statements have been approved for issuance by the Board of Directors of Euroins Insurance Group AD on September 2, 2016.

Kiril Boshov
Executive Director



Katrin Petkova
Chief Accountant

The interim consolidated financial statements are to be read together with the accompanying notes, which are an integral part of these interim consolidated financial statements.

EUROINS INSURANCE GROUP AD
CONSOLIDATED INTERIM FINANCIAL STATEMENT OF FINANCIAL POSITION
AS OF 30.06.2016

All amounts are in thousand Bulgarian leva, unless otherwise states

	Notes	30.06.2016	31.12.2015
Assets			
Goodwill	25	164,664	164,664
Intangible assets	14	1,691	1,775
Property, plant and equipment	15	3,241	3,468
Investment properties	16	14,445	14,435
Financial assets	17	152,040	114,605
Reinsurers' share in technical reserves	20	247,306	265,337
Deferred tax assets		17,072	16,809
Receivables and other assets	18	114,157	121,463
Cash and cash equivalents	19	95,780	58,805
Total assets		810,396	761,361
Liabilities			
Insurance reserves	20	439,782	474,318
Reinsurance and other payables	21	102,679	93,844
Loans	22	33,667	26,033
Deferred tax liabilities		83	72
Total liabilities		576,211	594,267
Equity			
Share capital	23	380,456	287,863
Revaluation and other reserves		10,668	41,465
Foreign currency translation reserve		(5,990)	(5,216)
Accumulated loss		(154,521)	(160,414)
Total equity attributable to the owners of the Parent company		230,613	163,698
Non-controlling interest	25	3,572	3,396
Total liabilities and equity		234,185	167,094
Total equity and liabilities		810,396	761,361

These interim consolidated financial statements have been approved for issuance by the Board of Directors of Euroins Insurance Group AD on September 2, 2016.

Kiril Boshov
Executive Director



Katrin Petkova
Chief Accountant

The interim consolidated financial statements are to be read together with the accompanying notes, which are an integral part of these interim consolidated financial statements.

EUROINS INSURANCE GROUP AD
CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CASH FLOWS
AS OF 30.06.2016

All amounts are in thousand Bulgarian leva, unless otherwise states

	Notes	Six-month period ended	
		30.06.2016	30.06.2015 (unaudited)
Operating activities			
Loss before tax		6,636	(323)
Change in insurance reserves, net of reinsurance		(16,666)	(6,521)
Increase in impairment loss on receivables		7,960	5,192
Depreciation, amortization charged for the period		728	725
Revaluation of investments, incl. investment properties		(1,437)	(2,213)
Profit on sale of investments		(389)	(499)
Profit on transfer of property, plant and equipment		(15)	(11)
Other non-cash effects		(1,900)	(2,688)
Net investment income		(799)	1,020
Net cash flows (used in) from operating activities before changes in assets and liabilities		(5,882)	(5,318)
(Increase)/decrease in receivables		(654)	(27,989)
Increase/(decrease) in payables		10,357	11,957
Net cash flows used in operating activities		3,821	(21,350)
Investing activities			
(Increase)/decrease in financial assets		(35,910)	(30,434)
Acquisition of property, plant and equipment		(412)	(24)
Net cash flow from the sale of shares		-	-
Net cash flow from the acquisition of shares		-	-
Investment income received		-	1,257
Net cash flows from/(used in) investing activities		(36,322)	(29,201)
Financing activities			
Increase in share capital		52,440	17,515
Increase in share premium		9,500	2,085
Received financing		7,636	-
Repayment of principle and interest on received financing		-	-
Payments on finance lease		(87)	(79)
Net cash flows from financing activities		69,489	19,521
Net increase in cash and cash equivalents		36,988	(31,030)
Effect of fluctuations in exchange rates		(13)	60
Cash and cash equivalents as of the beginning of the period	20	58,805	59,867
Cash and cash equivalents as of the end of the period	20	95,780	28,897

These interim consolidated financial statements have been approved for issuance by the Board of Directors of Euroins Insurance Group AD on September 2, 2016.

Kiril Boshov
Executive Director



Katrin Petkova
Chief Accountant

The interim consolidated financial statements are to be read together with the accompanying notes, which are an integral part of these interim consolidated financial statements.

EUROINS INSURANCE GROUP AD
CONSOLIDATED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY
AS OF 30.06.2016

All amounts are in thousand Bulgarian leva, unless otherwise stated

	Share capital	Revaluation and other reserves	Foreign currency translation reserve	Accumulated loss	Total equity attributable to the Group	Non-controlling interest	Total equity
Balance as of January 1, 2015	268,263	1,246	(4,671)	(64,332)	200,506	7,373	207,879
Financial result for the period	-	-	-	(243)	(243)	(80)	(323)
Other comprehensive income							
Revaluation reserve from foreign currency translation of foreign activities	-	-	116	-	116	-	116
Change in fair value of assets available for sale	-	12	-	-	12	1	13
Total other comprehensive income	-	12	116	(243)	128	1	129
Total comprehensive income	-	12	116	(243)	(115)	(79)	(194)
Transactions with owners, recorded directly in equity							
Share capital increase	17,515	-	-	-	17,515	-	17,515
Change in share premium	-	2,085	-	-	2,085	-	2,085
Sale of subsidiaries	-	-	-	-	-	-	-
Change in non-controlling interest in acquisition of subsidiaries	-	-	-	-	-	-	-
Changes in non-controlling interest without change in control	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	17,515	2,085	-	-	19,600	-	19,600
Balance as of June 30, 2015 (unaudited)	285,778	3,343	(4,555)	(64,575)	219,991	7,249	227,285

EUROINS INSURANCE GROUP AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
AS OF 30.06.2016

All amounts are in thousand Bulgarian levs, unless otherwise states

	Share capital	Revaluation and other reserves	Foreign currency translation reserve	Accumulated loss	Total equity attributable to owner of the parent company	Non-controlling interest	Total equity
Balance as of January 1, 2016	287,863	41,465	(5,216)	(160,414)	163,698	3,396	167,094
Current period financial result	-	-	-	5,955	5,955	694	6,649
Other comprehensive income							
Revaluation reserve from translations of the currency of presentation of foreign activities	-	-	(774)	-	(774)	(20)	(794)
Change in fair value of assets available for sale and revaluation of tangible assets	-	(144)	-	-	(144)	(37)	(181)
Total other comprehensive income	-	(144)	(774)	-	(918)	(57)	(975)
Total comprehensive income	-	(144)	(774)	5,955	5,037	637	5,674
Contributions and distributions to the owners							
Increase of capital	92,593	(40,153)	-	-	52,440	-	52,440
Capital reserves	-	9,500	-	-	9,500	-	9,500
Sale of subsidiary	-	-	-	-	-	-	-
Change in non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-
Change in non-controlling interest due to transactions without change in control	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity	-	-	-	(62)	(62)	(461)	(523)
Balance as of June 30, 2016	92,593	(30,653)	(5,990)	(62)	61,878	(461)	61,417
	380,456	10,668	(5,990)	(154,521)	230,613	3,572	234,185

These interim consolidated financial statements have been approved for issuance by the Board of Directors of Euroins Insurance Group AD on September 2, 2016.


Kiril Boshov
Executive Director


Katrin Petkova
Chief Accountant

The interim consolidated financial statements are to be read together with the accompanying notes, which are an integral part of these interim consolidated financial statements.

1. Basis for preparation of the consolidated financial statements

1.1. Information about the economic Group

Euroins Insurance Group AD (the Parent company, the Group or EIG) is a joint-stock company, registered under company file No. 1302/2007 in Sofia City Court, Identification number 175394058, with seat and management address 1797 Sofia, Izgrev district, 16, G. M. Dimitrov Blvd.

Scope of activities of the Group include: Consulting, commercial representation and factoring, and any other activity not expressly prohibited by law.

The Parent company of the Group is Eurohold Bulgaria AD with a seat and management address 1592 Sofia, 43, Christopher Columbus Blvd.

The Parent company is managed by a Board of Directors and is represented by Kiril Ivanov Boshov.

1.2. Economic group structure

Euroins Insurance Group AD is a holding joint-stock company.

Subsidiaries

As of June 30, 2016 Euroins Insurance Group AD owns controlling interest in the following subsidiaries:

Investments in subsidiaries	Country	Share	
		As of 30.06.2016	As of 31.12.2015
Euroins Romania Insurance-Reinsurance AD	Romania	96.54%	96.54%
ZD Euroins AD – Bulgaria	Bulgaria	80.92%	79.82%
Euroins Osiguruvanje Skopje AD, Republic of Macedonia	Macedonia	93.36%	93.36%
Euroins – Health assurance EAD	Bulgaria	100%	100%
ZD Euroins Life EAD	Bulgaria	100%	100%
ZD EIG Re AD (former name HDI Insurance AD)	Bulgaria	100%	94%

ZD Euroins AD

Seat and management address: Sofia, 43, Christopher Columbus Blvd.

Main activity: Insurance services

Registration: The company is registered under company file No. 9078/1998 in Sofia City Court and has an insurance license No. 8/15.06.1998.

Euroins Insurance Group AD directly owns 13,246,837 (thirteen million two hundred and twenty-six thousand eight hundred thirty-seven) or 80.92% of the Company's share capital.

Euroins Romania Insurance-Reinsurance AD

Main activity: Insurance services

Registration: Registered in the Trade register of Bucharest under No. J40/2241/February 9, 1994, insurance license No. 13/October 23, 2001, registered in the insurance register under No.RA-010/04.10.2003.

Seat and management address: Bucuresti-Nord, nr.10, Global City Business P, Bucharest, Romania.

Euroins Insurance Group AD directly owns 96.54% of the share capital of Euroins Romania or 222,557,541 (two hundred twenty-two million five hundred and fifty-seven thousand five hundred forty-one) shares.

1. Basis for preparation of the consolidated financial statements (continued)

1.1 Economic group structure (continued)

Euroins Osiguruvanje Skopje AD, Republic of Macedonia

Main activity: Insurance services

Registration: Registered in the Ministry of Finance of the Republic of Macedonia under company file No.9126/20.07.1995 and has an insurance license by the Ministry of Finance No.18-25799/15-02 dated April 29, 2003.

Seat and management address: Skopje, Macedonia, TC Soravia, 5 kat

Euroins Insurance Group AD directly owns 93.36% of the share capital of Euroins Osiguruvanje AD, Macedonia, or 7,095,360 (seven million ninety-five thousand three hundred and sixty) shares.

Euroins – Health assurance EAD

Seat and management address: Sofia, 43, Christopher Columbus Blvd.

Registration: The company is registered under company file No.12203/2004 in Sofia City Court and has a voluntary health assurance license by the Financial Supervision Commission No.7-ZOD/03.11.2004.

Main activity: voluntary health assurance

Euroins Insurance Group AD directly owns 100% of the share capital of Euroins – Health Assurance EAD, or 3,805,002 (three million eight hundred and five thousand and two) shares.

In 2013, United Health Assurance EAD, owned by EIG, registered under company file № 13 629/1997, and licensed by the Financial Supervision Commission № 07-ZOD/03.11.2004 for the performance of voluntary health assurance has merged into Euroins - Health assurance EAD.

ZD Euroins Life EAD (former name Interamerican Bulgaria Life Insurance EAD)

Seat and management address: 1592 Sofia, 43, Christopher Columbus Blvd.

Registration: The company is registered under company file № 13 629/1997 and owns an insurance license by the Financial Supervision Commission No.1601 GZ /12.12.2007.

Main activity: Life insurance and annuity, Marriage and children's insurance, Life insurance linked to an investment fund, supplementary insurance.

Euroins Insurance Group AD directly owns 100% of the share capital of ZD Euroins Life EAD, or 1,012,507 (one million twelve thousand five hundred and seven) shares.

Insurance Company EIG Re AD (former name HDI Insurance AD)

Seat and management address: 1592 Sofia, 43, Christopher Columbus Blvd.

Registration: The company is registered under company file № 14023/2000 and owns an insurance license by the Financial Supervision Commission No. 100/20.11.2000.

At the beginning of 2015 "Euroins Insurance Group" Ltd. acquired 9.40% of the capital of HDI Insurance AD through the purchase of shares of Talanx International AG. On December 29, 2015, after authorization by the Financial Supervision Commission, Euroins Insurance Group AD acquired the remaining shares of Talanx International AG in the capital of HDI Insurance AD. On March 31, 2016, the name of the company was changed to Insurance Company EIG Re AD.

As of December 31, 2015 Euroins Insurance Group AD directly owns 94% of the share capital of EIG Re Insurance company AD, or 7,732,440 (seven million seven hundred and thirty-two thousand four hundred and forty) shares.

1. Basis for preparation of the consolidated financial statements (continued)

1.2. Foreign currency transactions

The consolidated financial statements are presented in Bulgarian leva (BGN), which is the functional and presentation currency of the Group. Foreign currency transactions are initially reported in the functional currency at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currency are translated in the functional currency at the closing foreign exchange rate of the European Central Bank at the end of reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value are reported in the functional currency at the foreign exchange rate at the date at which the fair value is determined.

Foreign exchange differences arising from retranslation to the functional currency are recognized in the statement of comprehensive income, except for differences arising from retranslation to the functional currency of equity instruments classified as available for sale. Since 1999 the exchange rate of the Bulgarian lev (BGN) is pegged to the Euro (EUR).

Exchange rates of the major foreign currencies as of June 30, 2016 and December, 2015 are, as follows:

Currency	30 June 2016	31 December 2015
EUR	1.95583	1.95583
USD		1.79007
ROM	2,31278	0.43179
MKD	31,4396	31.49340

1.3. Principles for preparation of the consolidated financial statements and applicable standards

The Group prepares and presents its interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union (the "EU").

These consolidated financial statements are general purpose financial statements, prepared on a going concern assumption and under the historical cost convention, except for the following assets and liabilities designed to be measured at fair value: investment properties and assets held for trading and assets available for sale.

1. Basis for preparation of the consolidated financial statements (continued)

1.5. Accounting estimates and assumptions

The preparation of the consolidated financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Accounting estimates adjustments are made in the period in which the estimate is revised if the adjustment affects only that period; or in the period of the adjustment and in future periods if the adjustment affects both current and future periods. Accounting estimates that have material effect on the financial statements and accounting assumptions with significant risk of material adjustments in the following period are presented below.

1.5.1 Valuation of outstanding claims reserve

The ultimate amount of liabilities is difficult to estimate having in mind the uncertainty related to: the exact time of the claim being reported; the frequency of the insurance events; the average amount of the expected losses; the occurrence of catastrophic events; the influence of the numerous circumstances, which determine the ultimate amount of the payments and the claims-handling costs. The uncertainty when estimating the amount of the reserves is different for the different lines of business depending on the covered risks, complexity and volume of the claims, and the delay in their reporting.

The estimation of liabilities is based on the assumption that the experience in the development of the claims from previous years could be used for estimations of the future development of the claims and the final amounts payable related to them. An additional qualitative valuation is performed to evaluate the degree up to which previous years trends might not be applicable for the future, keeping in mind any changes in the applicable laws, the structure of the portfolio and the risk profile of the Group, and/or changes in the claims-handling process.

In regard to a change in the regulatory framework and the application of the new regime for determining capital requirements- Solvency II, as of year-end 2015, the Group has changed the methodology used for determining the technical reserves by applying a new method for estimation of their amount. The new method for determining the technical reserves aims at setting a unified approach for valuation of the reserve for incurred but not reported claims (IBNR) related to Motor Third Party Liability (MTPL) insurance for all entities in the Group. The methodology is based on an estimation of the expected number of incurred but not reported claims by means of a chain-ladder method and the expected average claim amount.

The liabilities for reported but not settled claims are valued for the different types of insurance and based on homogeneous risk groups. Motor Third Party Liability (MTPL) claims are split into property damages and bodily injuries as well as domestic and foreign when being evaluated because of the different frequency and average amount of such claims as well as the different time delay in their reporting and payment. The expected amount of the liabilities is estimated based on the development of the number and amount of claims from previous periods by examining the average amount paid depending on the date of occurrence of the insurance event and the delay of the claim payment. The actual average amount of claims paid is compared to the average amount estimated as the ratio of the expected amount and the expected number of claims for each period of occurrence of the insurance events.

1. Basis for preparation of the consolidated financial statements (continued)

1.5. Accounting estimates and assumptions (continued)

1.5.1 Valuation of outstanding claims reserve (continued)

The nature of the bodily injuries MTPL claims makes the accurate estimation of the probable outcome and the ultimate amount of the claim payment difficult because of the fact that in most cases the amount claimed is claimed by a court claim and it is significantly larger than the actual amount of the ultimate claim payment sentenced by the court. Furthermore, the court cases last for years, because of which claim payments related to such court claims are significantly delayed from the date of occurrence of the insurance event. Therefore, the reported but not settled claims related to bodily injury MTPL claims are valued based on historical data for the average amount of claim paid for such claims.

In order to determine and retain adequate technical reserves, which correspond to future liabilities, the amount of technical reserves is verified by applying alternative calculation methods, assumptions and grouping of the data.

1.5.2 Fair value of financial instruments

Determination of fair value of financial instruments for reporting and disclosure purposes requires management to make estimate for appropriate assessment methods and inputs for models that are not based on available financial information. Upon determination of fair value management makes assumptions that market participants would make based on their best economic interest.

The Group applies valuation methods that are based to a maximum degree on appropriate observable market data and the use of non-observable inputs is minimized. However, uncertainty exists in regards to the future fair value levels of financial instruments and whether the fair value of securities, determined based on market quotes will be supported by the market upon future transactions.

1. Basis for preparation of the consolidated financial statements (continued)

1.5. Accounting estimates and assumptions (continued)

1.5.3 Fair value of investment property

The Company owns an investment property with net book value of BGN 14,435 thousand (2015: BGN 14,435 thousand), which is measured at fair value in the statement of financial position. The fair value is measured by licensed appraisers as of 31.12.2015. The investment property represents:

1. A showroom with a warehouse and administrative part, which is rented to a related party. The property is located in Plovdiv.
2. Administrative and technical complex – one storey building-garage, and yard. The property is located in Sofia.
3. Shop for industrial goods, warehouse and office. The property is located in Stara Zagora.

1.5.4 Recourse receivables

Recourse receivables from insurance companies and other parties (physical and legal) are recognized as asset and income upon submission of recourse invitation. They are not recognized in full in the statement of financial position, but at the amount to which future economic benefits are expected by the Company. The receivables are reviewed for impairment on individual basis after their recognition.

The Company has the practice to settle recourse receivables from insurance companies by offsetting its payables on recourse claims.

1.5.5 Reinsurers' share in technical reserves

As disclosed in note 2.6 the insurances companies in the Group, are parties to quota share reinsurance contracts which stipulate quota share transfer of existing technical reserves when the contract becomes effective. IFRS does not includes specific requirements for accounting for such types of contracts. Due to their specific nature the Group has made an analysis of the risk transfer and the results indicate that risk transfer exists. Stochastic model is used for the analysis, applying the common limit of 1% for reinsurer's risk transfer.

The Group has adopted accounting policy for reporting of quota share reinsurance contracts, according to which the Group recognizes reinsurance share in the technical reserves as an asset and the respective change in the reinsurer's share in the technical reserves in the statement of comprehensive income at the date of inception of the contract and payables to reinsurers under these contracts are reported during the subsequent periods in which the contracts are effective.

During the effective time of contracts during the subsequent periods the Group will cede to the reinsurers the respective percentage of its premiums and claims for Motor third party liability insurance. When the reinsurance contacts expire or are terminated the reinsurers' share in the technical reserves will be released or transferred to other reinsurer. The terms of the contract are with indefinite period of validity. Due to the contingencies related to the future development of contracts and cash flows the Group's management considers that the adopted accounting policy is appropriate.

1. Basis for preparation of the consolidated financial statements (continued)

1.6. Basis for consolidation

Subsidiaries

Subsidiaries are the companies, controlled by the Parent company. Control exists when the Parent company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Financial statements of the subsidiaries are included in the consolidated financial statements from the date when control commences until the date of termination.

All receivables and payables, income and expenses, as well as intragroup profits as a result of intercompany transactions within the Group are eliminated, except when they are immaterial. The part of income/expenses of the subsidiaries of the Parent company that correspond to the proportional share of the non-controlling shareholders is presented separately from equity in line „Non-controlling interest”.

With respect to business combinations including companies under common control, the Group has chosen to apply the purchase method according to IFRS 3 – Business Combinations. The Group has chosen this accounting policy regarding these transactions, because at the end of reporting period they are outside the scope of IFRS 3 and there are no instructions about them in the existing IFRSs. As per IAS 8 in the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management must use its judgment in developing and applying an accounting policy

2. Significant accounting policies

2.1. Recognition and measurement of contracts

2.1.1. Premiums written on insurance contracts

Gross written premiums comprise premiums on direct insurance or co-insurance contracts signed during the year, regardless of the fact that such premiums may relate wholly or partially to a later reporting period. Premiums are reported gross of commission payable to intermediaries. The portion earned on written premiums, including unexpired insurance contracts, is recognized as revenue. Written premiums are recognized as of the date of signing of the insurance contract. Outward reinsurance premiums are recognized as an expense in accordance with the contracts for the reinsurance service received.

2.1.2. Premiums written on health insurance contracts

Premiums written on health insurance contracts are recognized as income based on the annual premium due by the insured persons for the premium period starting during the financial year, or one-off premium due for the entire covered period for annual health insurance contracts that are written during the financial year. Gross premiums written from health insurance business are not recognized when future revenue from them is not probable. Premiums written from health assurance are stated gross of commissions due to intermediaries.

2. Significant accounting policies (continued)

2.1. Recognition and measurement of contracts (continued)

2.1.3. Premiums written on life insurance contracts

Premiums written on life insurance contracts are recognized as income based on the annual premium of the insured persons for the premium period beginning in the financial year or a single premium payable for the entire period of coverage for policies issued during the financial year. Gross written premiums are not recognized when estimated future cash receipts thereof are not probable. Premiums written are recorded gross of commissions due to intermediaries.

2.2. Unearned premium reserve

The unearned premiums reserve comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial reporting periods. The unearned premium reserve comprises premiums accrued and recognized as revenue in the current period, adjusted with the ceded premiums to reinsurers, which must be recognized in the next financial year or in subsequent financial reporting periods. The unearned premium reserve is calculated on a case by case basis using the daily pro rata method. The unearned premium reserve is calculated net of commissions to intermediaries, advertising and other acquisition costs.

2.3. Unexpired risk reserve

The reserve is formed to cover the risks for the time between the end of the reporting period and the end date of insurance/health insurance contract, in order to cover payments and expenses that are expected to exceed the unearned premium reserve formed.

2.4. Deferred acquisition costs

Deferred acquisition costs represent the amount of acquisition costs deducted in the calculation of unearned premium reserve. They are defined as the part of the acquisition costs under the contracts in force at the end of the period determined as a percentage in the insurance-technical plan and relating to the time between the end of the reporting period and the date of expiry of the insurance/health insurance contract. Current acquisition costs are recognized in full as an expense during the reporting period.

2.5. Claims incurred on general insurance, life assurance and health insurance activities and outstanding claims reserves

Claims incurred on general insurance, life insurance and health insurance activities consist of claims and claims handling expenses payable during the financial year adjusted for the movement in outstanding claims reserve.

The Management believes that the gross outstanding claims reserve and the related share of the reinsurance reserve are fairly stated on the basis of the information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of outstanding claims reserve established in prior years are reflected in the financial statements for the period in which the adjustments are made, and are disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

2. Significant accounting policies (continued)

2.6. Reinsurance

The insurance companies within the Group cede insurance risk in the normal course of their business for the purpose of limiting their net loss potential through the diversification of their risks. Reinsurance arrangements do not relieve the corresponding company from its direct obligations to its policyholders. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policies.

Premiums and claims on assumed reinsurance contracts are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct activity, taking into account the product classification of the reinsured business.

Premiums ceded (or accepted) and benefits reimbursed (or paid claims) are presented in the statement of comprehensive income and statement of financial position of the respective company on a gross basis. Contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognized in the same year as the related claim.

The premiums of long-term contracts are accounted over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Receivables recoverable from reinsurance contracts are reviewed for impairment at the end of each reporting date. Such assets are deemed impaired if there is objective evidence result of an event that occurred subsequent the initial recognition, that the Group may not recover all amounts due and the effect of events on the amount receivable by the Group from the reinsurer can be reliably measured.

2.7. Acquisition costs

Acquisition costs include intermediary commissions expenses, profit participation expenses, which are paid to the insured/health insured persons in case of low claims ratio, as pay back. Indirect acquisition expenses include advertising expenses and costs arising from the writing or renewing of insurance/health insurance contracts. Acquisition costs are recognized when incurred.

2.8. Administrative expenses

Administrative expenses consist of personnel remuneration expenses, depreciation charges for property, plant and equipment, intangible assets and other administrative expenses.

2. Significant accounting policies (continued)

2.9. Finance income and costs

Finance income and costs consist of investment and other finance income and costs.

Investment income and costs comprise gains or losses realized from trading of financial assets, unrealized gains or losses on revaluation of financial assets, as well as rentals received from investment properties, interest income on investments in debt securities and time deposits and dividends Interest income on deposits and financial instruments is recognized when earned proportionally to the time basis and effective interest rate.

Dividends from equity investments are recognized when received.

2.10. Other operating income and expenses

Other operating income represents income from certificates. Other operating expenses represent expenses for guarantee fund in accordance with the local insurance legislation, as well as written-off receivables.

2.11. Income tax

The companies within the Group calculate current and deferred taxes in accordance with the local legislation. Current tax is calculated on the basis of the financial result.

The deferred tax is calculated by applying the liability method over all deferred temporary differences, calculated for tax purposes. The amount of the deferred tax provision is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities and uses the tax requirements effective as of the reporting date. Effect of tax rate changes on the deferred tax is accounted in the statement of comprehensive income except in cases when it relates to amounts accrued in advance or accounted directly in equity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which tax losses carried forward and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is legal ground the current tax assets to compensate with current tax liabilities and they are related to current tax charge to the same tax authority taxable persons.

2. Significant accounting policies (continued)

2.12. Goodwill

Goodwill represents the amount that exceeds the price paid for the acquired company over the fair value of identified net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is reported in the statement of financial position as an intangible asset.

Upon acquisition of an additional share in a subsidiary, including non-controlling interest, goodwill, as the difference between the value of the additional investment and the carrying amount of the additional share of the net assets of the subsidiary acquired at the date of exchange, is recognized.

Goodwill on acquisition of associate is recognized in the statement of financial position as part of the investment in the associate.

Goodwill is tested annually for impairment and is carried at carrying amount, less any accumulated impairment losses. Profit or loss on sale of subsidiary/associate includes the carrying amount of goodwill on the company sold.

Goodwill is measured at cost less any expenses for impairment.

2.13. Property, plant and equipment

Land, buildings, machinery and equipment

Land and buildings are carried at fair value determined by using a valuation prepared by an external independent licensed valuation expert at the date of the statement of financial position. Items of property, plant and equipment are stated at cost less accumulated depreciation.

In cases where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenses

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized only if it is probable that the future economic benefits will flow to the Group and its value can be measured reliably. All other expenditure is recognized in the statement of comprehensive income as an expenses as incurred.

2. Significant accounting policies (continued)

2.14. Intangible assets

Intangible assets, acquired by the Group, are presented at acquisition cost less any amortization accrued and allowances for impairment.

2.15. Depreciation/amortization

Depreciation/amortization is reported in the income statement and it is accrued on the basis of the straight line method during the expected useful life. Land is not depreciated. The expected useful lives are as follows:

Buildings	25-46 years
Computers	2-4 years
Vehicles	4-5 years
Fixtures and fittings	7-19 years
Software	4-5 years
Licenses	5 years
Other	7 years

2.16. Investment properties

Investment properties represent land and buildings, kept with the intention to receive rental income or capital profit, or both, but not to be sold under the normal activities of the Group, or to be used for rendering of services or administrative needs. Investment properties are initially recognized at acquisition cost. After their initial recognition they are measured at fair value and every change is reflected as a profit or loss in the statement of comprehensive income.

The investment properties of the Group are valuated every year by two external independent appraisers, who have professional qualifications and experience in the valuation of properties of such a type and location. The fair value represents the actual condition of the investment property as of the end of the reporting period. The current fair value is based on a market value, which is the amount at which the property could be exchanged at the date of the valuation between a buyer and a seller in a sales transaction between knowing and reliably informed counterparties.

2. Significant accounting policies (continued)

2.17. Financial instruments

Financial assets are classified as financial assets reported at fair value, financial assets available-for-sale, financial assets held-to-maturity, loans and receivables, other investments in equity instruments.

2.17.1. Recognition and measurement of financial assets

The Group recognizes a financial asset, when it becomes a party under its contractual arrangements. All purchases and sales of financial assets are recognized at the date of the trade, i.e. the date on which the Group commits to purchase or sell an asset.

(i). *Financial assets reported at fair value*

Financial assets reported at fair value are financial assets, which the Group keeps mainly with the intention to gain short-term profit as a result from fluctuations in the fair value of the asset. In this group of assets are included acquired interest-bearing government securities and corporate bonds, as well as investments in equity instruments of entities in which the Group does not have control or significant participation. Upon their initial recognition they are measured at fair value which is equal to the acquisition cost of the asset.

The Group reports as financial assets at fair value through profit or loss investments in equity instruments of companies listed for trading on a stock exchange held by the subsidiaries as part of their investment program related to insurance activities, unless the Group controls these companies.

The subsequent measurement of financial assets, reported at fair value through profit and loss is also at fair value, determined as of the date, as of which the financial statements are prepared. Gains and losses, incurred from the difference in the fair values of these assets are recognized in the income statement.

Any interest received over the period of ownership of the asset is recognized in the income statement as interest income.

2. Significant accounting policies (continued)

2.17. Financial instruments (continued)

2.17.1. Recognition and measurement of financial assets (continued)

(ii). *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and receivables are recognized at the actual disbursement of the funds or when the right to claim the receivable has occurred. They are initially recognized at fair value. Subsequently, they are measured at amortized cost. The amortized cost is the cost at which the financial assets are initially measured less principal payments, plus or less any amortization of the difference between the acquisition cost and the value at maturity, using the effective interest rate method and less any decrease resulting from impairment and uncollectibility. Gains and losses, incurred at writing-off, impairment and amortization of loans and receivables are recognized in the income statement in the period of their occurrence.

The Group assesses at each reporting date whether there is an objective evidence for impairment. The allowance for impairment is determined as the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted with the initial effective interest rate for the financial asset. The allowance for impairment is recognized in the statement of comprehensive income. If in a subsequent period the allowance for impairment decreases and the decrease may objectively be connected to an event, occurred after the impairment recognition, the prior impairment losses are recovered. Every recovery of impairment is recognized in the income statement to the extent to which the carrying amount of the asset does not exceed its amortized cost, which would have had at the date of the recovery, if impairment loss had not been recognized.

(iii). *Financial assets held-to-maturity*

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

These assets are recognized initially at fair value, including directly attributable transaction costs. Their subsequent measurement is at amortized cost. Profit and loss, arising upon their derecognition, impairment and amortization, is recognized in the statement of comprehensive income in the period of its occurrence.

The Group assesses at each reporting date whether there is objective evidence for impairment. If the evidence exists, the impairment is recognized in the income statement. The allowance for impairment is determined as the difference between the carrying amount of the financial assets held-to-maturity and the present value of the expected future cash flows, discounted with the initial effective interest rate for the financial asset. If in a subsequent period the allowance for impairment decreases and the decrease may objectively be connected to an event, occurred after the impairment recognition, the prior impairment losses are recovered. Every recovery of impairment is recognized in the statement of comprehensive income to the extent to which the carrying amount of the asset does not exceed its amortized cost, which would have had at the date of the recovery, if impairment lost had not been recognized.

2. Significant accounting policies (continued)

2.17. Financial instruments (continued)

2.17.1. Recognition and measurement of financial assets (continued)

(iv). *Financial assets available-for-sale*

Financial assets available-for-sale are non-derivative financial assets, which are not classified as loans and receivables, investments held to maturity, or financial assets stated at fair value. These assets include interest-bearing government and corporate securities, as well as investments in equity instruments of entities, in which the Group does not have control or significant participation.

Upon initial recognition, they are measured at fair value, which includes the acquisition cost of the asset, including directly attributable transaction costs. After initial recognition, financial assets available-for-sale are measured at fair value based on market prices. Gains and losses, arising as a result of a change in the fair values of these assets are recognized as a separate item in other comprehensive income, with exception of impairment losses, which are recognized in the income statement. Upon writing off or impairment of the investment, the accumulated gain or loss, initially recognized in the equity, is recognized in the statement of comprehensive income.

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. When there is objective evidence of impairment and the financial asset is impaired, all impairment gains and losses, accrued up to the time of impairment in equity, are recognized in the income statement. The amount of the accumulated profit or loss, which is subtracted from the equity and recognized in the income statement, is the difference between the acquisition cost (net of principal payments and depreciation) and the current fair value less allowance for impairment of the financial asset, recognized prior in profit or loss. Impairment losses, initially recognized in the income statement as financial assets available-for-sale, are recovered in different ways depending whether the investment is in equity or debt instruments. If in a subsequent period the fair values of these assets are increased and the increase may objectively be connected to an event, occurred after the impairment loss recognition, the impairment loss on equity instruments is recovered in other comprehensive income, and on debt instruments – in the statement of comprehensive income.

(v). *Other investments in equity instruments*

As other investments in equity instruments, the Group classifies investments in equity instruments, which do not have quoted price on an active market. Investments in financial instruments, which fair value cannot be reliably measured, are initially and subsequently measured at acquisition cost, less recognized impairment loss.

2. Significant accounting policies (continued)

2.17. Financial instruments (continued)

2.17.2. Principles of fair value measurement

Fair value is 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 (i.e. an exit price) under current market conditions. Fair value is the sale price regardless of whether the information is received directly from a market transaction or by applying other evaluation technique. Fair value of the asset or liability is measured by making assumptions which the market participants would make upon determining the price by accepting that they act in their best economic interest.

Fair value measurement is based on the assumption that the transaction for the sale of an asset or transfer of a liability is performed on the main market of the respective asset or liability or, in the absence of a main market, the most profitable market for the respective asset or liability, considering that the respective market is available to the Group.

For the measurement of a non-financial asset is taken into consideration the ability of a market participant to generate economic benefits from using the asset according to the most effective and best use or from sale of the asset to another market participant which will use the asset according to its most efficient and best use.

The Group uses evaluation methods reasonable at the circumstances for which there is sufficient data for fair value measurement by using the maximum observable input data and decreasing to minimum the use of unobservable data.

The fair value of financial instruments which are registered for trading on the stock exchange is determined on the basis of price market quotations as of the date of the statement of financial position excluding transaction costs. In case such quotations do not exist, the fair value of financial instruments is determined through pricing models or cash flow discount techniques.

All assets and liabilities measured at fair value in the statement of financial position or for which it is required disclosure of fair value in the financial statements are grouped in categories according to the following fair value hierarchy:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities to which the company has access as of the measurement date;
- Level 2: Other than the quoted process in level 1 for an asset or liability which are directly or indirectly observable;
- Level 3: Unobservable inputs for an asset or liability.

Each financial assets is qualified in one of the above levels according to the lowest level of input data used which have significant effect on measuring the fair value in general.

For financial instruments reported regularly at fair value the Group reviews the distribution at fair value levels as of the end of the reporting period and decides whether there is necessity to transfer from one to another level.

The allocation of financial assets and liabilities by levels is presented in note 28.

2. Significant accounting policies (continued)

2.17. Financial instruments (continued)

2.17.3. Derecognition of financial assets

The Group derecognizes financial assets (or part of financial asset, when this is applicable), when:

- The contractual rights on receiving cash flows of the financial asset have expired;
- The Group has retained the contractual rights on receiving cash flows from the asset, but has also undertaken contractual obligation to pay these cash flows, without significant delay, to a third party under a transfer agreement;
- The Group has transferred the contractual rights on receiving cash flows from the asset, and also:
 - The Group has transferred substantially all risks and rewards, deriving from the ownership of the financial asset; or
 - The Group has neither transferred, nor retained substantially all risks and rewards, deriving from the ownership of the financial asset and has not retained control over it.

When derecognizing financial asset available for sale, the accumulated revaluation reserve is subtracted from the equity and recognized in the statement of comprehensive income.

2.17.4. Presentation on a net basis

Financial assets and liabilities can be presented net in the statement of comprehensive income then and only then, when the Company has the legal ground to net the amounts and has the intention either to settle them on a net basis, or to realize the asset and to settle the liability simultaneously.

Gains and losses can be presented on a net basis, only if it is allowed by the accounting standards or if they emerge from similar transactions.

2.18. Equity and Non-controlling interest

Share capital is presented at its nominal value in accordance with the court decisions for its registration.

Equity that does not belong to the economic group - non-controlling interest, represents part of the Group net assets, including the annual net result of subsidiaries, which relates to shares that are not directly or indirectly owned by the Parent company.

2.19. Insurance / health insurance and other receivables

Insurance / health insurance and other receivables are stated at their cost less impairment losses. When under the insurance contract the premiums are payable in installments, each pending receivable amount at the date of statement of financial position and recognized as income is reflected as receivables on direct insurance. After initial recognition, receivables are reviewed for impairment and impairment loss is recognized in the statement of comprehensive income.

The Group's right to recover from the insured person or third party responsible for the incurred damage the performed by the Group payment on the insurance contract is recognized as regression receivable on the date on which is established the receivable right. The recourse receivables are recognized to the amount of the expected future cash flows as of the recognition date.

2. Significant accounting policies (continued)

2.20. Cash and cash equivalents

Cash and cash equivalents include cash at hand, cash in current bank accounts and deposits with maturity up to 90 days.

Deposits with original maturity over 90 days are reported as financial assets.

2.21 Impairment of non-financial assets

The carrying amount of the group's non-financial assets, including goodwill, originating as a result of the investments in subsidiaries, is reviewed for impairment at each reporting date. If there are such indications, the recoverable amount of the assets is calculated. Goodwill and other intangible assets with indefinite useful life, or other assets that are not ready to use are tested for impairment on annual basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and the fair value, reduced with costs to sell. When determining value in use, the future cash flows are discounted to their current value by using discount rate, which reflects the current value of money in time and the risks specific to the asset. For the purpose of test of goodwill impairment, the cash generating units where the goodwill is included, are grouped in a way that the level of test for impairment will reflect the lowest level at which the goodwill is observed for internal reporting purposes (it may not be greater than an operative segment). Goodwill arising from business combination is allocated to objects that generate cash flows that are expected to benefit from synergies resulting from business combinations. To perform test for impairment the assets that may not be tested separately, are divided into the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other assets or group of assets (cash generating units). Goodwill arising from business combination is allocated to objects that generate cash flows (subsidiaries) that are expected to benefit from synergies resulting from business combinations.

Impairment is recognized if the carrying amount of an asset or cash generating unit exceeds the expected recoverable amount. Impairment expenses are recognized in the statement of comprehensive income. Impairment expenses of cash generating units firstly reduce the goodwill of the units and then proportionally the carrying amount of other assets in the group.

Impairment losses related to goodwill are not recoverable in future periods. For other assets the impairment recognized in prior periods is reviewed whether it has decreased or does not exist as of the end of each period. Impairment expenses are recovered in subsequent period only when a change in the estimates used for establishing the recoverable amount of the asset has occurred after recognizing the impairment loss. The impairment loss is recovered only to the extent to which the carrying amount of the asset should not exceed the carrying amount (less depreciation) the asset has had before being impaired.

2. Significant accounting policies (continued)

2.22. Provisions

The Group recognizes provisions when it has present legal or constructive obligation, which has arisen as a result of a past event and it is probable that an outflow of resources will be required to settle that obligation. If the effect is significant, provisions are estimated using discounted future cash flows with a before taxation discount rate, which represents the current market value of the amount of money over time and the specific risk for the respective liability.

2.23. Trade and other payables

Trade and other payables are initially recognized at the date of their origination and measured at cost, which the Group considers that most accurately reflects their fair value.

2.24. Employee benefits

2.24.1. *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognized in profit and loss on a current basis.

2.24.2. *Defined benefit plans*

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

The Group has obligation to pay certain amounts to each employee who retires with the Group in accordance with Art. 222, § 3 of the Labour Code (LC) in Bulgaria. According to these regulations in the LC, when a labour contract of a company's employee, who has acquired a pension right, is ended, the employer is obliged to pay him compensations amounting to two gross monthly salaries.

In case the employee's length of service in the company equals to or is greater than 10, as at retirement date, then the compensation amounts to six gross monthly salaries. As at the statement of financial position date the Management of the Group estimates the approximate amount of the potential expenditures for every employee based on a calculation performed by a qualified actuary using the projected unit credit method. The Group recognizes actuarial gains and losses, arising from the Defined benefit plans in Personnel expenses in profit and loss.

2. Significant accounting policies (continued)

2.24. Employee benefits (continued)

2.24.3. *Termination benefits*

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

2.24.4. *Short term employee benefits*

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

2.25. Accounting for finance lease agreements

A lease is considered to be a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. All other agreements are considered as operating lease.

Assets, acquired under finance lease agreements, are recognized at the lower value of their fair value as of the date of the acquisition or the present value of the minimum lease payments. An existing liability of the lessor is stated in the statement of financial position of the Group in other liabilities. After initial recognition, the asset is accounted for in accordance with the accounting policy, applicable for this asset.

3. Risk management

3.1. Risk management objectives and policies for mitigating insurance / health insurance risk

The main insurance activity carried out by the Group is assuming the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, health damage, financial or other risks that may arise from an insurance event. The Group is exposed to the uncertainty associated with the timing and severity of claims under the contract. The Group is also exposed to market risk through its insurance and investment activities. The Group manages its insurance and health insurance risk through underwriting insurance limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and general risks. The probability theory is applied to the pricing and provisioning of insurance contracts portfolio. The principal risk is that the frequency and severity of claims exceed the expected. Insurance/health insurance events are random by nature and the actual number and size of events during a year could vary from those estimated using established statistical techniques.

3.2. Underwriting strategy

Group's underwriting strategy aims to achieve diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks for several consecutive years, and as such is expected to reduce the variations in the outcome.

The underwriting strategy is set out in an annual business plan which includes classes of business to be insured which are offered by the subsidiaries of the Group. This strategy is applied to individual underwriters through detailed underwriting instructions that include limits set out for each underwriter by the class and size of business, territory and industry sector, in order to achieve an appropriate level of risk within the portfolio. General insurance contracts and health insurance contracts are annual in their majority and the underwriters have the right to refuse renewal or to change the terms and conditions of contract renewal.

3. Risk management (continued)

3.3. Reinsurance strategy

The general insurance subsidiaries in Euroins Insurance Group (Health Insurance company Euroins Bulgaria, Euroins Romania Insurance and Reinsurance, Euroins Insurance Skopje) separately or through ZD Euroins Bulgaria, reinsure a portion of the risks they underwrite in order to control their exposures to losses and protect capital resources. The companies enter into proportional reinsurance contracts for the main business lines and non-proportional reinsurance contracts for large liabilities and catastrophic risks to reduce the net exposure. Further, underwriters are allowed to enter into facultative reinsurance in certain specified circumstances. All contracts for facultative reinsurance are subject to pre-approval and the total amount of facultative reinsurance is monitored by the management.

The Life insurance subsidiary of the Group uses two types of reinsurance contracts: excess-loss reinsurance, covering traditional saving and mixed type products and proportional reinsurance including quota and excess-loss covering the portfolio "Life Insurance of the borrower".

Outward reinsurance contains credit risk and reinsurance assets are accounted for by subtracting the allowance for impairment as a result of insolvencies and bad debts. The Companies enter into insurance contracts with non-affiliated reinsurers to control their exposure to potential losses resulting from a single event.

3.4. Terms and conditions of insurance contracts

Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are disclosed below.

The Group operates with authorized insurances set out in list approved by the Financial Supervision Commission, which are grouped into 18 groups. Assessment of the main products of the Group and the insurance products related risks management methods are presented below:

3.4.1. General insurance – Motor hull / Casco

The Group underwrites Casco insurance of motor vehicles. Casco insurance indemnifies the policyholder against damage to their own vehicle from traffic event, natural disaster, malicious third party act and theft. The return on capital under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group.

3. Risk management (continued)

3.4. Terms and conditions of insurance contracts (continued)

3.4.1. General insurance – Motor hull / Casco (continued)

The event giving rise to a claim for damage to a vehicle usually occurs suddenly (as crash, natural disaster, theft etc.) and the cause is easily determined. The Group is promptly notified and the claim is settled without delay. Casco business is therefore classified as „short-tailed“, meaning that expense deterioration and investment return will be of negligible importance. This contrasts with the „long-tailed“ classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more material.

Risk management – *Casco*

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of influence of ability of driver and other players in the traffic). The insurance companies within the Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the companies do not charge premiums appropriate for the different vehicles it insures. The risk on a policy will vary according to many factors such as – brand of the vehicle, region where used, driver's skills. For Casco insurance it is expected that there will be large numbers of insured objects with similar risk profiles. Calculating a premium corresponding to the risk for these policies will be subjective, and hence risky.

The insurance companies are exposed to the risk that the insured person may make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a Casco portfolio.

Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the general economic and commercial environment in which they operate.

3.4.2. General insurance contracts – General third party liability

The general insurance companies, part of Euroins Insurance Group underwrites General third party liability insurance. Under these contracts monetary compensation awards are paid for bodily injury suffered by employees or members of the public.

General third party liability is generally considered a long tail line of business, as it takes a relatively long period of time to finalize and settle claims for a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided, the jurisdiction and specific policy provisions such as self-insured retentions. There are numerous components underlying the general liability product line.

3. Risk management (continued)

3.4. Conditions of insurance contracts (continued)

3.4.2. General insurance contracts – General third party liability (continued)

This line is typically the largest source of uncertainty regarding claim provisions. Major contributors to this provision estimate uncertainty include the reporting lag (i.e. the length of time between the event triggering coverage and the actual reporting of the claim), the number of parties involved in the underlying tort action, whether the "event" triggering coverage is confined to only one time period or is spread over multiple time periods, the potential amounts involved (in the individual claim actions), whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written (i.e., coverage dispute potential), and the potential for mass claim actions. Claims that have longer reporting lags result in greater inherent risk. This is especially true for alleged claims with a latency feature, particularly where courts have ruled that coverage is spread over multiple policy years, hence involving multiple defendants (and their insurers and reinsurers) and multiple policies (thereby increasing the potential amounts involved and the underlying settlement complexity). Claims with long latencies also increase the potential recognition lag, i.e., the lag between writing a type of policy in a certain market and the recognition that such policies have potential mass tort and/or latent claim exposure.

Risk management - General third party liability

The key risks related to this product are underwriting risk, competitive risk and claims experience risk (including the variable incidence of risk claims). The companies are also exposed to the risk of dishonest actions by policyholders.

Insurance risk is managed primarily through reasonable pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The companies therefore monitor and react to changes in the overall economic and business environment in which they operate.

3.4.3. General insurance contracts – Property

Insurance companies underwrite property insurance on a countrywide basis. Property insurance indemnifies, subject to any limits or excesses cover, the policyholder against loss or damage to their own material property and business interruption arising from this damage.

The return to shareholders under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the respective company.

The event giving rise to a claim for damage of buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easy to determine. The claim will thus be reported promptly and can be settled without delay. Property business is therefore classified as „short-tailed“, meaning that expense deterioration and investment return will be of negligible importance. This contrasts to the „long-tailed“ classes where the ultimate claim cost takes longer to determine, making expenses and investment return considerably more important.

3. Risk management (continued)

3.4. Terms and conditions of insurance contracts (continued)

3.4.3. General insurance contracts – Property (continued)

The key risks associated with this product are underwriting risk, competitive risk, and claims risk (including the variable incidence of natural disasters). The Company will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums attributable to different properties it insures. The risk under a policy will vary in accordance with many factors such as location, safety measures in place, age of property etc. For domestic property insurance it is expected that there will be large number of properties with similar risk profiles. For commercial business, however, this will not be the case.

Many commercial property proposals comprise of a unique combination of location, type of business, and safety measures in place. Calculating a premium which corresponds to the risk of these policies will be subjective, and hence risky. Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed when a loss is incurred. This, to some extent, explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. Each company therefore monitors and reacts to changes in general economic and commercial environment where it operates.

3.4.4. Health insurance contracts – Health insurance

The health insurance company insures compensation of preventive activities, activities for outpatient and hospital treatment of ill insured persons, rehabilitation and sanatorium treatment after hospital treatment, public services during hospital treatment, recovery of expenses for purchased medicines and outpatient dental treatment of assured persons.

Health insurance risk management

An analysis of main risks that are inherent in the terms of the health insurance contracts is performed annually. The main risk is illness and its compensation.

3.5 Concentration of insurance risks

Management considers that as of June 30, 2016 there are no significant concentrations of insurance risk in the Group's portfolio.

Property is subject to multitude of risks including theft, fire, business discontinuation and meteorological conditions. Compensations for events such as storms, floods, collapses, fire, explosion and increasing criminal rate originate in a regional scale which means that the Company manages the distribution of geographic risk very carefully. In the event of an earthquake, each company expects the property portfolio to see high claims for structural damage to properties, and high claims for business interruption while transport links are inoperable and business properties are closed for repair. Each company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes.

3. Risk management (continued)

3.5 Concentration of insurance risks (continued)

The current aggregate position is monitored at the time of underwriting the risk, and monthly reports are produced which show the key aggregations to which each company is exposed. Each company uses a number of modeling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure to which the Company is exposed. A number of stress and scenario tests are run using these models during the year.

The greatest likelihood of significant losses to each company arise from catastrophe events, such as flood damage, storm or earthquake damage. Each company manages these risks through obtaining reinsurance coverage.

With respect to concentration of risk the management of the Group believes that appropriate efforts have been made in order to split, uniformly and territorially, insured properties. Risk assessment is performed periodically by Reinsurance manager to each company and insured sums accumulation is observed by regions. The management does not believe that at the end of the reporting period, there are significant concentrations of insurance risk in the portfolio of each insurance company, part of the Euroins Insurance Group AD.

Note 29 presents the Group's geographical segmentation.

3.6. Reinsurance risk

The companies of the Group cede insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined lines of business, on co-insurance, on yearly renewable term. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on Company's assessment of specific risk, which under certain circumstances reaches limits based on characteristics of coverage. In terms of reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in case claim is paid.

Each company, however, remains liable to its policyholders in respect to ceded insurance in case reinsurer fails to meet the obligations he assumes. In non-life business, the predominant use of reinsurance is intended to manage exposure to weather-related events, natural catastrophes, events involving multiple casualties, catastrophic fires and general and motor third party liability. When selecting a reinsurer each company of the Group considers its relative reliability. Assessment of reinsurer's reliability is based on public rating information and internal researches.

3. Risk management (continued)

3.7. Financial risk management

The Group is exposed to the following risks upon performing operations with financial instruments:

- Market risk, including interest risk, currency risk, price risk
- Credit risk
- Liquidity risk

Market risk can be described as the risk of change in the fair value of a financial instrument due to the change in interest rates, prices of equity instruments or exchange rates. It includes three types of risks which are reviewed separately.

Asset/ liability matching

Each company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimize risk-adjusted investment income, ensuring that assets and liabilities are managed on cash flow and duration basis.

Each company manages cash flow and investments by determining approximately the amounts and time of proceeds from the insured/health assured persons and payments of insurance/health assurance liabilities. The process is subjective and may influence the respective company's ability to achieve the assets and liability management.

3.7.1 Interest rate risk

The Group's exposure to market risk for changes in interest rate is concentrated in its investment portfolio, and to a lesser extent, its debt obligations. Changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of insurance reserves and debt obligations. The Group monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as impact of interest rate fluctuations relating to investment portfolio and insurance reserves, are modelled and reviewed semi-annually. Overall objective of these strategies is to limit net changes in assets and liabilities value arising from interest rate fluctuations. Although it is more difficult to evaluate interest rate sensitivity of insurance liabilities than that of related assets to extent, in which such sensitivity is assessed, fluctuations in interest rate will lead to changes in value of assets, which will compensate changes in liabilities values, related to general products. The Group is also exposed to risk of future changes in cash flows from fixed income securities arising from changes in market interest rates.

3. Risk management (continued)

3.7. Financial risk management (continued)

3.7.2 Currency risk

The Group is exposed to currency risk through its payments in foreign currency and its assets and liabilities denominated in foreign currency. Gains and losses reported in the statement of comprehensive income arise as a result of the Group's exposures in foreign currency. These exposures comprise Group's cash assets which are not denominated in currency used in the financial statements of the local companies.

The Group has no significant investments in countries other than the countries in which it operates - Bulgaria, Romania, Macedonia and Turkey. Where local currency is exposed to significant currency risk, the risk is managed through investments in assets denominated in Euro.

3.7.3 Price risks

The Company's exposure to price risk is related to the financial assets reported at fair value which include shares and bonds traded on the BSE.

For these instruments there is a risk that the fair value of future cash flows for certain financial instrument will fluctuate due to changes in the market prices (different from those related to interest and currency risk) regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer or factors which affect the market.

Price risk is managed by analyzing the companies in which is invested based on their operating activity.

3. Risk management (continued)

3.7. Financial risk management (continued)

3.7.4 Credit risk

The maximum exposure to credit risk represents the carrying amount of financial assets.

The Group holds assets in the trade portfolio to manage the credit risk.

Credit risk is the risk that one of the party on the financial instrument will cause a financial loss for the other party because it will fail to perform specific obligation. The Group has introduced policies and procedures for reducing the Group exposure to credit risk.

The Group investment policy requires strict application of the rules for diversification regarding the limits of exposure for each type of financial instrument and each contracting party as determined by the insurance legislation of each country. The Group does not perform derivative transactions.

The Group invests its insurance reserves and own funds mainly in bank deposits, government securities of countries members of the European Union, corporate bonds of financial or other institutions with high credit rating. To implement its investment policy the Group uses the professional services of investment intermediaries licensed to operate in the country and abroad.

Reinsurance contracts are signed with counterparties with high credit rating. Management reviews the reinsurance policy on regular basis.

The Company has adopted a policy to write off overdue receivables from insured persons /direct insurance/ due to the early termination of the insurance policy. The policy is terminated unilaterally due to default of the insurance payment in the term agreed in the insurance policy. The company applies its right to terminate the contract at the event of default of payment after certain number of days after the payment maturity. Uncollected receivables under insurance policies are written off after the policy termination. This practice is not applied to the Company's key customers and customers who have long-term commercial relations with the Company.

Other receivables include receivables with deferred payment from Bulgarian companies. These receivables are not secured, not overdue and have no recorded impairment as of the end of the reporting period. The Group's management considers that there is no significant credit risk related to these receivables as they are from long-term commercial partners of the Group and the financial position of the counterparties is monitored.

3.7.5 Liquidity risk

The Group should meet its day-to-day needs of cash, especially for payments of claims on insurance policies. Consequently, a risk exists that the Group would not be able to meet its obligations when they come due. The Group manages this risk by imposing minimum restrictions over assets approaching maturity which are to be available to settle these liabilities, as well as by setting minimum level of borrowing funds which may be used to cover claims and maturities

3. Risk management (continued)

3.7. Financial risk management (continued)

3.7.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The definition of the operational risk accepted at Group level is the following: the operational risk is the risk of recording losses or failure in obtaining of the estimated profits, which is determined by the inadequate or failed internal processes, people and systems or by external factors (economic conditions, changes in the banking environment, technical progress, etc.). Legal risk is a component of the operational risk, which emerges as a consequence of the bad application or incompliance with the legal or contractual requirements, which tend to produce a negative impact on the operations. The definition does not include the strategic and reputational risk

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

3.8 Capital management

The regulators of the various entities within the Group set the rules for and monitor the level of solvency margin and the amount of own funds. According to the regulators, the own funds of the insurance undertaking should be at least equal to the required level of solvency margin. The policy of the entities within the Group is to maintain stable level of capital adequacy and the balance between high return and risk.

In 2016 there are a number of regulatory changes coming in force, which have significant impact on the insurance market and, in particular, on the Group, including new Insurance code, Directive 2009/138/EC regarding the starting and performing of reinsurance activities (Solvency II), and others. The Group relies on the support of the shareholders, if additional capital is needed as a result of the new regulatory framework.

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4. Gross written premiums

	30.06.2016	30.06.2015 (unaudited)
Motor hull	13,183	12,143
Motor TPL and Green card	193,519	191,791
Property insurance	8,641	5,616
Agricultural insurance	1,876	2,769
Accidents and health	5,283	5,568
Cargo	3,701	3,702
Liabilities	2,824	1,183
Other	5,966	5,841
Gross written premiums	234,992	228,613
Change in the gross provision for unearned premium reserve	2,218	(22,079)
Gross earned premiums	237,210	206,534
Less: written premiums ceded to reinsurers	(94,590)	(76,717)
Change in the provision for unearned premiums reinsurer's share	(766)	26,819
Earned premiums ceded to reinsurers	(95,356)	(49,898)
Net earned premiums	141,854	156,636

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5. Fees and commission income

	30.06.2016	30.06.2015 (unaudited)
Commissions received from reinsurers	29,799	3,962
Other income from reinsurers	197	235
Total fees and commission income	29,996	4,197

6. Financial income

	30.06.2016	30.06.2015 (unaudited)
Interest income from investments in securities and deposits	517	1,088
Dividend income from investments in equities	118	-
Rental income from investments in properties	170	169
Income from revaluation of assets at fair value	1,992	4,030
Income from sale of financial assets	1,172	750
Other financial income	2,182	753
Total financial income	6,151	6,790

7. Other operating income

Other operating income includes income from issuance of vehicle valuation certificates and income from fees for intermediary services on Green Card and other.

8. Claims incurred, net of reinsurance

	30.06.2016	30.06.2015 (unaudited)
Current year claims paid, claims handling and prevention expenses	(148,337)	(159,331)
Change in the outstanding claims provision	41,889	(53,395)
Change in other technical reserves	77	(182)
Received recoveries from reinsurers	55,813	67,126
Change in the reinsurers' share in the outstanding claims reserve	(26,757)	55,279
Recourse receivables	1,032	3,235
Total incurred claims, net of reinsurance	(76,283)	(87,268)

Claims handling expenses include part of administrative expenses that are directly attributable to claims handling.

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9. Acquisition expenses

	30.06.2016	30.06.2015 (unaudited)
Commissions and profit share	(46,425)	(45,613)
Other acquisition costs (indirect)	(11,839)	(10,062)
Bonuses expenses	(76)	(71)
Advertising, marketing and sales expenses	(734)	(380)
Total acquisition expenses	(59,074)	(56,126)

Other acquisition costs include part of administrative expenses that are directly related to sales department operations of the Group.

10. Administrative expenses

	30.06.2016	30.06.2015 (unaudited)
Materials expenses	(179)	(193)
Expenses for hired services	(2,219)	(4,104)
Depreciation and amortization expenses	(728)	(725)
Personnel expenses	(4,960)	(3,603)
Other	(1,684)	(1,197)
Total administrative expenses	(9,770)	(9,822)

11. Financial expenses

	30.06.2016	30.06.2015 (unaudited)
Interest expense	(1,198)	(2 088)
Loss on revaluation of financial assets	(555)	(1,817)
Loss on sale of financial assets	(1,175)	(251)
Expenses for investment management	(404)	(189)
Other finance cost	(1,692)	(887)
Total finance expenses	(5,024)	(5,232)

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12. Other operating expenses

	30.06.2016	30.06.2015 (unaudited)
Expenses for Guarantee fund	(13,156)	(1,328)
Other statutory expenses and license fees	(238)	(6,818)
Bad debt provision	(6,000)	226
Receivables on insurance policies written-off	(1,960)	(5,418)
Receivables on subrogation written-off	(28,272)	
Other	(2,147)	(891)
Total other operating expenses	(51,773)	(14,229)

13. Other net income

	30.06.2016	30.06.2015 (unaudited)
Net income from sale of assets	15	11
Other non-operating income	464	27
Other non-operating expenses	(48)	(36)
Total other net income	431	2

14. Taxes

The deferred tax asset for the amount of 17,072 thousands of BGN (2015: 16,809 thousands of BGN) related to previous reporting periods is recognized up to the amount of the expected future taxable profits against which this taxable loss could be deducted.

The deadline for utilization of tax losses is 5 years in Bulgaria and 7 years in Romania. The realized tax loss for which deferred tax asset is recognized is mainly due to the Group's operations in Romania. Management has performed an analysis of the expected future tax profits for the companies in the group and recognized a deferred tax asset to the extent of expected future profits.

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15. Intangible assets

	Software	Other	Total
Cost			
Balance as of January 1, 2015	3,779	40	3,819
Acquisitions	499	283	782
Disposals	-	-	-
Exchange rate differences	4	-	4
Balance as of December 31, 2014	4,282	323	4,605
Depreciation and impairment losses			
Balance as of January 1, 2015	(2,353)	(40)	(2,393)
Depreciation charged for the year	(431)	-	(431)
Written-off depreciation on disposals	-	-	-
Exchange rate differences	(6)	-	(6)
Balance as of December 31, 2015	(2,790)	(40)	(2,830)
Net book value			
Balance as of January 1, 2015	1,426	-	1,426
Balance as of December 31, 2015	1,492	283	1,775
Cost			
Balance as of January 1, 2016	4,282	323	4,605
Acquisitions	132	9	141
Assets acquired from business combination	(1)	(79)	(80)
Exchange rate differences	(192)	-	(192)
Balance as of June 30, 2016	4 605	253	4 858
Depreciation and impairment losses			
Balance as of January 1, 2016	(2,790)	(40)	(2,830)
Depreciation charged for the period	(225)	-	(225)
Exchange rate differences	(112)	-	(112)
Balance as of June 30, 2016	(3 127)	(40)	(3 167)
Net book value			
Balance as of January 1, 2016	1,492	283	1,775
Balance as of June 30, 2016	1,478	213	1,691

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16. **Property, plant and equipment**

	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Total
Cost					
As of January 1, 2015	1,397	3,611	7,072	1,672	13,752
Additions	37	463	594	10	1,104
Disposals	-	(306)	(228)	(78)	(612)
Revaluation	30	-	-	-	30
Exchange differences	(16)	(10)	(25)	(3)	(54)
Balance as of December 31, 2015	1,448	3,758	7,413	1,601	14,220
Depreciation					
As of January 1, 2015	(251)	(3,095)	(5,585)	(1,306)	(10,237)
Depreciation charged for the year	(78)	(281)	(600)	(77)	(1,036)
Written-off depreciation on disposals	7	286	194	-	480
Exchange differences	4	7	21	2	34
Balance as of December 31, 2015	(318)	(3,083)	(5,970)	(1,381)	(10,752)
Carrying amount					
Balance as of January 1, 2015	1,146	516	1,487	366	3,515
Balance as of December 31, 2015	1,130	675	1,443	220	3,468
Cost					
As of January 1, 2016	1,448	3,758	7,413	1,601	14,220
Additions	60	36	101	135	332
Disposals	-	(22)	(56)	(51)	(129)
Revaluation	-	-	-	-	-
Exchange differences	52	(46)	(44)	-	(38)
Balance as of June 30, 2016	1 560	3 726	7 414	1 685	14 385
Depreciation					
As of January 1, 2016	(318)	(3,083)	(5,970)	(1,381)	(10,752)
Depreciation charged	(53)	(100)	(280)	(70)	(503)
Written-off depreciation on disposals	-	-	109	44	153
Written-off depreciation on revaluated assets	-	-	-	-	-
Exchange differences	(67)	76	(36)	(15)	(42)
Balance as of June 30, 2016	(438)	(3 107)	(6 177)	(1 422)	(11 144)
Нетна балансова стойност					
Balance as of January 1, 2016	1,130	675	1,443	220	3,468
Balance as of June 30, 2016	1 122	619	1 237	263	3,241

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17. Investment properties

	As of 30.06.2016	As of 31.12.2015
Balance as of January 1	14,435	15,624
Revaluation	-	(1,123)
Exchange differences	10	(66)
Balance as of June 30	<u>14,445</u>	<u>14,435</u>

18. Financial assets

As of 30.06.2016	Held to maturity	Available for sale	For trading	Loans and receivables	Total
Registered for trading on stock exchange	-	-	68,784	-	68,784
Not registered for trading on stock exchange	-	934	77	-	1,011
Equity securities	-	<u>934</u>	<u>68,861</u>	-	<u>69,795</u>
Government bonds	2,508	2,861	15,770	-	21,139
Corporate bonds	-	-	30,216	-	30,216
Debt securities	<u>2,508</u>	<u>2,861</u>	<u>45,986</u>	-	<u>51,355</u>
Open investment funds	-	-	2,662	-	2,662
Investment funds	-	-	<u>2,662</u>	-	<u>2,662</u>
Deposits in banks	-	-	-	23,073	23,073
Restricted deposits	-	-	-	570	570
Other receivables	-	-	-	4,585	4,585
Deposits and other receivables	-	-	-	<u>28,228</u>	<u>28,228</u>
Total financial assets	<u>2,508</u>	<u>3,795</u>	<u>117,509</u>	<u>28,228</u>	<u>152,040</u>

Equity securities held for trading include shareholdings of different companies from the Group in one company, whose shares are traded on the Bulgarian Stock Exchange and the total shareholdings of the Group exceed 50% of the share capital of the company as of June 30, 2016. The management of the Group considers that regardless of the ownership percentage, the Group does not control the company as the ownership percentage was decreased below 50% as of August 31, 2016. The carrying amount of this investment is BGN 27,648 thousand as of June 30, 2016.

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18. Financial assets (continued)

As of 31.12.2015	Held to maturity	Available for sale	For trading	Loans and receivables	Total
Registered for trading on stock exchange	-	-	63,742	-	63,742
Not registered for trading on stock exchange	-	933	82	-	1,015
Equity securities	-	933	63,824	-	64,757
Government bonds	2,600	2,794	6,441	-	11,835
Corporate bonds	-	-	14,902	-	14,902
Debt securities	2,600	2,794	21,343	-	26,737
Open investment funds	-	-	2,203	-	2,203
Investment funds	-	-	2,203	-	2,203
Deposits in banks	322	-	7,235	8,125	15,682
Restricted deposits	-	-	-	569	569
Other receivables	-	-	-	4,657	4,657
Deposits and other receivables	322	-	7,235	13,351	20,908
Total financial assets	2,922	3,727	94,605	13,351	114,605

Restricted deposits comprise the deposit of Euroins Macedonia in the National Insurance Bureau under the provisions of Macedonian Law on Insurance Supervision. Members' deposits are kept in separate bank account. The Bureau is not allowed to invest the assets and is obliged to return the deposits if the members cease providing Motor vehicle insurances.

19. Receivables and other assets

	As of 30.06.2016	As of 31.12.2015
Receivables from direct insurance	59,219	56,167
Receivables from reinsurers or cedants	24,014	20,915
Recourse receivables	11,871	11,701
Other receivables	18,693	32,282
Current assets	360	398
Total receivables and other assets	114,157	121,463

Other receivables include receivables on court proceedings, receivables from clients, not insured individuals and receivables from Guarantee fund.

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20. Cash and cash equivalents

	As of 30.06.2016	As of 31.12.2015
Cash on hand	2,247	2,133
Current accounts	29,692	7,238
Deposits up to 90 days	63,841	49,434
Total cash and cash equivalents	95,780	58,805

21. Insurance reserves

Insurance reserves, including health and life insurance reserves:

	As of June 30, 2016		As of December 31, 2015			
	Gross amount	Reinsurance	Gross amount	Reinsurance	Gross amount	Reinsurance
Unearned premium reserve	123,389	(71,303)	52,086	120,308	(69,190)	51,118
Unexpired risk reserve	9,429	(4,838)	4,591	14,764	(7,787)	6,977
Claims reserves, incl.:	299,238	(168,155)	131,083	332,855	(186,517)	146,338
<i>Reserves for incurred, but not reported claims</i>	127,328	(76,367)	50,961	144,441	(83,399)	61,042
<i>Reserves for reported, but not settled claims</i>	171,910	(91,788)	80,122	188,414	(103,118)	85 296
Other technical reserves, incl.:	7,726	(3,010)	4,716	6,391	(1,843)	4,548
<i>Mathematical reserves</i>	3,129	-	3,129	2,921	-	2,921
Total insurance reserves	439,782	(247,306)	192,476	474,318	(265,337)	208,981

22. Payables to reinsurers and other payables

	As of 30.06.2016	As of 31.12.2015
Payables from direct insurance	9,303	7,210
Payables to reinsurers	70,451	67,097
Payables under lease contracts	859	954
Payables to suppliers	6,372	5,412
Payables to personnel	2,376	2,019
Payables to Guarantee fund	3,479	2,954
Other payables	9,839	8,198
Total payables	102 679	93,844

23. Payables on loans

	As of 30.06.2016	As of 31.12.2015
Payable on bond loan	19,558	19,558
Payable on loan from the owner Eurohold AD	373	373
Payable on loan from Global Investment	5,999	5,999
Payable on loan from Sintetica, subordinated debt	4,000	-
Other payables on loans	3,737	103
Total payables on loans	33,667	26,033

23. Payables on loans (continued)

As of June 30, 2016, obligations of the Group's borrowings are formed mainly from the following contracts:

Loan from Global Insurance

Loan Agreement relax on June 5, 2014 amounted to EUR 2,900 thousand (BGN 5,672 thousand) maturing no earlier than two years from the date of the contract and a fixed interest rate. The loan is unsecured. The entire amount of the loan and accrued interest due at maturity.

Bond loan

From December 18, 2014. The bond loan is issued in the form of 100 materialized, unsecured as of the emission date bonds with nominal value of EUR 100 thousand each. The loan has contracted amount of EUR 10,000 thousand (BGN 19,958 thousand) and maturity date 18.12.2021. The interest rate consists of floating and fixed interest component – 13% plus 3M Euribor, due at the end of each quarter.

Under the terms of the bond loan, there is a possibility the interest rate to be reduced to 9.75% plus Euribor if a guarantee by Eurohold Bulgaria is issued. Such guarantee was issued on March 18, 2015, which reduced the interest rate.

Subordinated debt granted by Sintetika AD

The agreement was signed on 27.06.2016 for the amount of 4 million BGN with maturity date 28.06.2026 with no early repayment of the principal possible. The interest rate is 8.9% and the interest due is repaid on quarterly periods for the term of the agreement. The debt is unsecured.

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24. Equity

	As of 30.06.2016	As of 31.12.2015
Share capital	380,456	287,863
Revaluation and other reserves	10,668	41,465
Revaluation reserve from recalculations in the presentation currency in the consolidated financial statements	(5,990)	(5,216)
	385,134	324,112
Accumulated loss	(154,521)	(160,414)
Total equity and reserves	230 613	163,698

As of December 31, 2015 the registered capital of the Parent company is BGN 287,863 thousand. The registered capital of the Parent Company is fully paid and consists of 287,862,791 shares, of which 76,981,791 number available, registered preferred shares and 210,881,000 number available, registered, underprivileged, each with a nominal value of BGN 1.

On January 26, 2015 a decision to increase the shared capital of the Parent company was taken. It was registered in the Commercial Register in February 2015. The capital was increased by BGN 19,600 thousand. On November 19, 2015 the General meeting of the shareholders of the Parent company decided to increase the capital of the Parent company to BGN 483,445,791 by issuing 195,583,000 new materialized registered shares bearing voting rights with nominal value of BGN 1. As of December 31, 2015 the amount of BGN 40,153 thousand has been put in by the majority shareholder.

The capital accumulation continued in 2016 and as of the date of the consolidated financial statements approval, the registered capital amounts to BGN 483,445,791, as it consists of 483,445,791 shares with a nominal value of BGN 1 per share as follows:

1. Materialized, registered, privileged – 76,981,791 shares, with a nominal value of BGN 1, each.
2. Materialized, registered, unprivileged – 406,464,000 shares, with a nominal value of BGN 1, each.

As of the date of these financial statements, the paid capital is BGN 380,455,645.

Shareholders' structure

	As of June 2016		As of December 31, 2015	
	Share capital	Percentage	Share capital	Percentage
„Eurohold Bulgaria” АД	328,995,145	86,47	236,402,291	82.12
„Basildon Holding” ООД	51,460,500	13,53	51,460,500	17.88
	380,455,645	100.00	287,862,791	100.00

The ultimate Parent company is Starcom Holding AD.

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25. Business combinations

25.1 Goodwill

	As of 30.06.2016	As of 31.12.2015
„ZD Euroins” AD	101,395	101,395
„Euroins – Health Insurance” AD	186	186
„Euroins Romania Insurance – Reinsurance” AD	52,715	52,715
„Euroins Osiguruvanje Skopje” AD	10,368	10,368
Total	164,664	164,664

Business combinations

In accordance with the chosen accounting policy, the Group recognized positive goodwill resulting from business combinations that cover the following subsidiaries under common control in 2007 and 2008: ZD Euroins AD and Euroins – Health Insurance AD in 2007 and Euroins Romania Insurance Reinsurance AD in 2008. The control over these companies was acquired through in-kind contribution of shares at fair value by parent company against increase in the equity. The goodwill formed by these transactions amounts to BGN 154,296 thousand as of June 30, 2016 and December 31, 2015.

26. Non-controlling interest

Subsidiary	As of 30.06.2016	As of 31.12.2015
„ZD Euroins” AD	4,638	4,382
„Euroins – Health Insurance” AD	-	-
„Euroins Romania Insurance – Reinsurance” AD	(1,585)	(1,742)
„Euroins Osiguruvanje Skopje” AD	519	503
EIG Re /HDI/	-	253
Total non-controlling interest	3,572	3,396

27. Related parties

Parties are considered related when one of them is able to control the other or to exercise significant influence over decision making related to the Group’s activity.

All significant inter-company transactions with related parties and directors are classified as related parties transactions. The related parties transactions as of and for the period ended 30 June 2016 may be classified in the following groups:

- Payments to management personnel
- Companies under common control and associated to the Group companies
- Parent company – Eurohold Bulgaria AD
- Ultimate parent company – Starcom Holding AD

Information about transactions and balances about each group of related parties is stated below.

27. **Related parties (continued)**

	Six-month period ended 30.06.2016	Six-month period ended 30.06.2015
26.1. Directors transactions		
Payments to directors and executive directors	323	372
Total	323	372

The directors of the Group are as follows:

Asen Milkov Hristov	Chairman of the Board of Directors	„Euroins Insurance Group” AD
Dominic Viktor Fransoa	Deputy Chairman of the Board of Directors	„Euroins Life” EAD
Joseph Boduen		
Kiril Ivanov Boshov	Executive Director	„Euroins Insurance Group” AD
Violeta Vasileva Darakova	Chairman of the Supervisory Board	„ZD Euroins” AD
Dominic Viktor Fransoa	Member of the Supervisory Board	„ZD Euroins” AD
Joseph Boduen		
Radi Georgiev Georgiev	Member of the Supervisory Board	„ZD Euroins” AD
Joanna Tzvetanova Tzoneva	Executive Director	„ZD Euroins” AD
Anton Yotov Pironski	Executive Director	„ZD Euroins” AD
Rumyana Gesheva Betova	Executive Director	„ZD Euroins” AD
Dimitar Stoyanov Dimitrov	Procureur	„ZD Euroins” AD
Kiril Ivanov Boshov	Chairman of BoD	„Euroins – Health Insurance” ZEAD
Joanna Tzvetanova Tzoneva	Deputy Chairman of BoD	„Euroins – Health Insurance” ZEAD
Kalin Orlinov Kostov	Executive Director	„Euroins – Health Insurance” ZEAD
Dominic Viktor Fransoa	Chairman of BoD and Executive Director	„Euroins Life” EAD
Joseph Boduen		
Minko Hristov Gerdjikov	Deputy Chairman of the BoD	„Euroins Life” EAD
Kalin Orlinov Kostov	Executive Director	„Euroins Life” EAD
Violeta Vasileva Darakova	Member of Supervisory Board	„Insurance Company EIG Re” AD
Radi Georgiev Georgiev	Member of the Supervisory Board	„Insurance Company EIG Re” AD
Velislav Milkov Hristov	Member of the Supervisory Board	„Insurance Company EIG Re” AD
Petar Veselinov Avramov	Executive Director	„Insurance Company EIG Re” AD
Joanna Tzvetanova Tzoneva	Executive Director	„Insurance Company EIG Re” AD
Rumyana Geshova Betova	Member of BoD	„Insurance Company EIG Re” AD
		„Euroins Romania Insurance Reinsurance” AD
Milena Milchova Gencheva	Executive Member of BoD	„Euroins Romania Insurance Reinsurance” AD
Assen Milkov Hristov	Chairman of BoD	„Euroins Romania Insurance Reinsurance” AD
Kiril Ivanov Boshov	Member of BoD	„Euroins Romania Insurance Reinsurance” AD
		„Euroins Romania Insurance Reinsurance” AD
Kristiana-Viorela Basgan	Member of BoD	„Euroins Romania Insurance Reinsurance” AD
Mihnya Trayan- Stephan Tobescu	General Director	„Euroins Romania Insurance Reinsurance” AD
Assen Milkov Hristov	Chairman of BoD	„Euroins ”Osiguruvanje Skopje” AD
Ralitsa Guberova	Executive Director	„Euroins ”Osiguruvanje Skopje” AD
Kiril Ivanov Boshov	Member of BoD	„Euroins ”Osiguruvanje Skopje” AD
Vladimir Treneski	Member of BoD	„Euroins ”Osiguruvanje Skopje” AD
Yanko Georgiev Nikolov	Member of BoD	„Euroins ”Osiguruvanje Skopje” AD
Dominic Viktor Fransoa	Member of BoD	„Euroins ”Osiguruvanje Skopje” AD
Joseph Boduen		

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27. Related parties (continued)

27.2. Related parties transactions

<i>BGN '000</i>	Six-month period ended 30.06.2016	Six-month period ended 30.06.2015
Transactions with companies under common control and associated to the Group companies:		
Written premium	182	156
Commissions and participation in result	495	299
Other revenue	1,049	9
Insurance compensations	2,928	2,899
Hired services	725	265
Interest income	9	62
Interest expense	20	3
Transactions with the Parent company and the ultimate parent company:		
Interest income – Eurohold Bulgaria AD	64	55
Interest income – Starcom Holding AD	53	120
Interest expense – Starcom Holding AD	1	1
Interest expense – Eurohold Bulgaria AD	-	726
Written premium – Eurohold Bulgaria AD	-	-
Expenses for consulting services – Eurohold Bulgaria AD	639	33

27.3. Related parties balances

<i>BGN '000</i>	As of 30.06.2016	As of 31.12.2015
Balances with companies under common control and associated to the Group companies:		
Receivables on loans	-	-
Other receivables	2,244	578
Investments in equity instruments	62,140	52,653
Investments in debt instruments	-	978
Finance lease payables	194	709
Other payables	326	621
Operating lease payables	-	64
Receivables on insurance services	1,856	107
Commissions and participation in result	-	56
Insurance compensations	1,292	1,589
Receivables on cession	-	348
Balances with parent company and ultimate parent company:		
Receivables on loans - Eurohold Bulgaria AD	1,539	4,606
Loan payables – Eurohold AD	-	746
Investments in debt instruments – Starcom Holding AD	-	2,392
Investments in equity instruments – Eurohold Bulgaria AD	-	17
Receivables on loans - Starcom Holding AD	553	-
Other payables – Eurohold Bulgaria AD	407	-

28. Fair value of assets and liabilities

When it is possible, the Group establishes the fair value of a financial instrument using its stock price at the active market. The market is considered active when the stock prices are regular and easily accessible, and represent current and regularly realized direct market transactions. When the market for a certain financial instrument is not active, the Group established the fair value using a price formation models or techniques for discounting the cash flow. The chosen valuation technique makes maximum use of the market data, counts to the minimum on valuations specific of the Group, comprises all factors that the market participants would take into account when establishing a price and is in accordance with the adopted economic methodologies for financial instrument price formation.

The financial assets, reported at fair value in the profit and the loss, owned by the Group, represent mainly securities that are traded on the Bulgarian stock exchange (BSE) and as of the end of the reporting period are valued on the basis of market quotations of BSE. Because of limitation in the trading volume and the specifics of the trade of these securities, there is uncertainty if the securities fair value established on the basis of market quotations would be supported by the market in future transactions.

An analysis of the financial instruments and investment properties, reported at fair value in the statement of financial position according to the used valuation methods as of June 30, 2016 and 2015 is presented in the table below:

As of June 30, 2016	Level 1	Level 2	Level 3	Total
Equity investments	-	64,936	-	64,936
Government securities at fair value through profit and loss	-	15,770	-	15,770
Government securities available for sale	-	2,861	-	2,861
Corporate bonds at fair value through profit and loss	-	30,216	-	30,216
Corporate bonds available for sale	-	-	-	-
Shares in mutual funds	-	2,662	-	2,662
Investment properties	-	-	14,445	14,445
Total	-	116,445	14,445	130,890
As of December 31, 2015	Level 1	Level 2	Level 3	Total
Equity investments	8,398	55,421	5	63,824
Government securities at fair value through profit and loss	-	6,441	-	6,441
Government securities available for sale	-	2,794	-	2,794
Corporate bonds at fair value through profit and loss	2,772	12,130	-	14,902
Corporate bonds available for sale	-	-	-	-
Shares in mutual funds	926	1,377	-	2,303
Investment properties	-	-	14,435	14,435
Total	12,096	78,163	14,440	104,699

The Group has established the fair value of the securities registered for trade on the stock market on the basis of the last transaction price, weighted average price of concluded transactions and “buy” prices of market orders, depending to the available information.

The cash and cash equivalents, bank deposits, trade and other receivables and financial liabilities fair value is close to their carrying amount because of the short term nature of these assets and liabilities. The fair value of government securities held to maturity is not considerably different from their carrying amount because of the stability of and the insignificant change in the government securities market price in the Group’s portfolio held in maturity.

29. Segment reporting

29.1 Geographical distribution

The group operates mainly in the following four countries: Bulgaria, Romania, Republic of Macedonia, and Greece. In Bulgaria, Romania and the Republic of Macedonia, the Group reports insurance premiums through its subsidiary companies, namely:

1. in Bulgaria through ZD Euroins AD, ZD Euroins Life EAD, Euroins – Health Insurance EAD and Insurance company EIG Re AD;
2. in Romania through Euroins Romania Insurance-Reinsurance AD;
3. in the Republic of Macedonia through Euroins Osiguruvanje Skopje AD.

In Greece the Group establishes a direct insurance business through its subsidiary company ZD Euroins AD on the principle of free provision of services on the territory of the European economic area.

Information on the income from written premiums and non-current assets, different from financial instruments, deferred tax assets, and post-employment benefit assets, is presented as follows:

	Gross written premiums		Property, plant and equipment	
	Six-month period ended 30.06.2016	Six-month period ended 30.06.2015	As of 30.06.2016	As of 31.12.2015
Bulgaria	41,783	61,785	1,127	1,232
Romania	170,868	154,733	1,676	1,839
Macedonia	7,969	8,304	438	397
Greece	11,020	3,290	-	-
Others	3,352	501	-	-
	<u>234,992</u>	<u>228,613</u>	<u>3,241</u>	<u>3,468</u>

29.2 Operational segments

The Group identifies the following operational segments:

1. Euroins Bulgaria – ZD Euroins AD;
2. Euroins Romania – Euroins Romania Insurance-Reinsurance AD;
3. Euroins Skopje – Euroins Osiguruvanje Skopje AD;
4. Others - ZD Euroins Life EAD, Euroins-Health Assurance EAD and Insurance company EIG Re AD

The Group defines its operational segments as such when:

- they undertake business activities which generate income and expenses to the Group;
- their operational results are regularly reviewed by the Management of the Group and the segments activity results are evaluated on that basis;
- their operational results are reviewed when decisions about the resources allocated between the segments are made;
- a separate financial information is available.

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29. Segment reporting (continued)

29.2 Operational segments (continued)

The key indicators followed by the Group are the following:

1. Written gross premiums;
2. Net earned premiums;
3. Damages net of reinsurance;
4. Acquisition costs;
5. Administrative costs;
6. Operational profit / (loss);
7. Profit / (loss) before tax;
8. Taxes;
9. Net profit / (loss) for the year

Six-month period ended 30.06.2016	Euroins Bulgaria	Euroins Romania	Euroins Skopje	Others	Total
Written gross premiums	53,226	170,868	7,969	2,929	234,992
Net earned premiums	49,025	80,881	7,827	2,669	140,402
Claims incurred, net of reinsurance	(19,104)	(48,802)	(3,984)	(4,793)	(76,283)
Acquisition costs	(13,632)	(42,705)	(2,342)	(395)	(59,074)
Administrative expenses	(3,883)	(2,070)	(765)	(3,052)	(9,770)
Operating profit / (loss)	5,278	8,423	245	(7,741)	6,205
Interest income	102	226	165	24	517
Interest expense	(107)	(109)	(10)	(972)	(1,198)
Profit / (loss) before tax	5,509	8,583	256	(7,712)	6,636
Taxes	47	-	-	(34)	13
Net profit / (loss) for the year.	5,556	8,583	256	(7,746)	6,649

Six-month ended 30.06.2015 (unaudited)	Euroins Bulgaria	Euroins Romania	Euroins Skopje	Others	Total
Written gross premiums	63,537	154,733	8,304	2,039	228,613
Net earned premiums	57,714	88,419	8,076	2,427	156,636
Claims incurred, net of reinsurance	(35,916)	(44,590)	(4,767)	(1,995)	(87,268)
Acquisition costs	(11,944)	(41,378)	(2,488)	(316)	(56,126)
Administrative expenses	(4,136)	(2,649)	(841)	(2,196)	(9,822)
Operating profit / (loss)	165	(1,855)	(635)	2,000	(325)
Interest income	193	537	131	227	1,088
Interest expense	(90)	(122)	(25)	(1,851)	(2,088)
Profit / (loss) before tax	1,670	(1,725)	(596)	328	(323)
Taxes	-	-	-	-	-
Net profit / (loss) for the year.	1,670	(1,725)	(596)	328	(323)

The Group's subsidiary Euroins Romania is under financial recovery plan imposed by a regulator. As of June 30, 2016, the subsidiary has amended partially the breached regulatory financial requirements and the financial recovery plan requires the breach to be fully rectified by November 20, 2016 through the application of various financial and operational measures, including capital increase of the subsidiary. The subsidiary's ability to continue its operations depends on the implementation of the financial recovery plan.

30. Events after the reporting period

On 25th August 2016 the share capital increase of the subsidiary Euroins Romania Insurance-Reinsurance AD for the amount of 200 thousand RON was registered in the Commercial Register of Romania after the approval from the Romanian Insurance Supervision Commission was received on 27th July 2016. In August 2016 the Board of Directors of the subsidiary took a decision to summon an extraordinary meeting of the shareholders on 29th September 2016. At this meeting a decision to increase the share capital with additional 100 thousand RON was taken.

On 29 July 2016 the Commission of State Regulations of Financial Markets in Ukraine approved the acquisition of PAD "ZK HDI Strahuvanie" by the Group. On 12 August 2016 the shares were transferred. With the approval of the General Meeting of the Shareholders, the name of the company was changed as of 30 September 2016 effectively. The new name of the company is PAD "Insurance Company Euroins Ukraine".