



# Central Cooperative Bank

Our clients feel important

## 2020' FOURTH QUARTER INTERIM FINANCIAL REPORT

### ON THE ACTIVITIES OF

### CENTRAL COOPERATIVE BANK /CCB/,

### ON A CONSOLIDATED BASIS

Banking group on a consolidated basis include Central Cooperative Bank AD, Sofia and its controlled subsidiaries Central Cooperative Bank AD Skopje (Subsidiary) and AMC CCB Assets Management JSC (Subsidiary) as a reporting entity (the Group).

At the end of the fourth quarter of 2020, the parent Bank owns 87.35% of the capital of Central Cooperative Bank AD Skopje and investments of BGN 3,200 thousand in the subsidiary AMC "CCB Assets Management" JSC as well.

#### ASSETS

At the end of the fourth quarter of 2020, CCB's balance sheet total assets were BGN 6,928,881 thousand. Compared to a year ago, the assets grew by 8.33% or by BGN 532,751 thousand and from the end of the previous quarter they recorded an increase by 5.16% or by BGN 339,957 thousand in absolute terms.

Cash and cash balances with central banks formed 27.61% of the total assets of the Group, against 28.05% a year ago and 24.22% at the end of the previous quarter. Loans and receivables to banks are 2.71% of total assets, against 3.63% a year ago and 3.25% at the end of the previous quarter. Investments in financial assets held for trading, available-for-sale, held-to-maturity, measured at fair value through other comprehensive income and measured at amortized cost include government bonds of Republic of Bulgaria, bonds issued by Government of Republic of Macedonia and NBRM bonds, government bonds of countries in the EU and other European countries, corporate bonds, stocks and compensatory tools which are used to improve the profitability of the Group, and represented 20.88% of its assets against 18.15% a year ago and 21.40% at the end of the previous quarter.

At the end of 2020' fourth quarter the amount of granted loans and advances reached 40.19% share in the structure of balance sheet assets on consolidated basis, compared to a 41.56% a year ago and 41.93% at the end of the previous quarter.

The tangible assets of Group are 2.46% of total amount of the assets as of the end of the fourth quarter of 2020.

## LIABILITIES

At the end of 2020' fourth quarter, total liabilities of the Group on a consolidated basis were BGN 6,342,055 thousand. They increased by 8.86% compared to a year ago and increased by 5.63%, compared to the end of previous quarter.

The majority of these liabilities - over 98% - are liabilities due to individuals, businesses and non-financial institutions. The increase, compared to a year ago is 8.52% and compared to the end of the previous quarter they increased by 5.52%. The Group maintains a stable structure of borrowings, which allows independence from external funding in the time of fluctuations on the global financial markets.

The equity of the Group totaled BGN 586,826 thousand and includes shareholders' equity of the parent Bank – BGN 581,285 thousand and minority interest amounted at BGN 5,541 thousand. Compared to a year ago, the equity increased by 2.95% and to the end of the previous quarter, the equity increased by 0.36%.

## FINANCIAL RESULTS

As of 30.09.2020, the Group' net profit amounted to BGN 21,805 thousand. There is a decrease by 35.10% compared to year ago.

The operating expenses of the Group in the fourth quarter of 2020 decreased by 1.57%, compared to a year ago and reached absolute amount of BGN 144,961 thousand.

At the end of 2020' fourth quarter, the Bank was able to meet all regulatory compliance requirements and has complied with all applicable minimum regulatory requirements during the period. Historically, adequacy of the capital of CCB has been significantly above the minimal regulatory requirements, moreover the Own funds position was regularly strengthen by retaining the Earnings of the bank. In compliance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, minimal Total capital adequacy ratio for the banks is 8%.

The capital adequacy ratios of CCB on consolidated basis as of 31.12.2020 are:

- Common equity Tier 1 ratio 16.38%;
- Total equity ratio 17.11%;

The liquidity ratio of the Group on consolidated basis as of 30.09.2020 is:

- LCR 382.82%.

### **I. Information related to significant events that occurred during the reported period of financial 2020, accumulated and its impact on the financial result.**

There is a high degree of uncertainty about the second wave of coronavirus pandemic that has taken place all over, the quarantine measures imposed and the actions taken by the various governments, the ECB and national regulators, and therefore the impact of all these events on activity for 2020.

Following the issuance of a certain guidelines by the European Banking Authority, the BNB approved the application of a debt moratorium allowing for the deferral of liabilities of clients affected by the coronavirus pandemic, without affecting the classification of loans in



terms of their restructuring. The moratorium has a limited validity period (up to 6 months) and provides an opportunity for clients of banks that have serviced their obligations (performing exposures - overdue up to 90 days) as of March 1, 2020 to use a grace period for loan payments, which increases the final maturity of the instruments. The term in which the clients can claim their rights under the Moratorium is until June 22, 2020. Later on this term was extended to 22.09.2020.

In compliance with Guidelines on management of non-performing and forborne exposures, issued by the European banking authority, Central cooperative bank was actively managing the NPL portfolio of the bank and in the Q4 the all year round process of disposal of historic default portfolios was completed and the NPL ratio was lowered beyond the EBA threshold of 5% on portfolio, sub-portfolio and on individual basis for the bank. Following this approach, the bank will benefit in 2021 in compliance with EBA and BNB Guidelines and best industry practices, maximizing the support of its clients in the tough process of recovering their economic activities in the times of Covid lockdowns and restrictions.

Taking into account the dynamic measures taken by various governments to restrict the movement of people and the changes imposed by it, directly affecting the development of the economic sectors of the Republic of Bulgaria and the EU and other trading partners of the Bulgarian companies, the Bank's management is not able to assess the impact of the coronavirus pandemic on the future financial condition and performance of the Bank, but considers that the impact could lead to volatility in market and price risk associated with the bank's financial assets and may have a negative effect on the activity of borrowers and respectively the net results of the bank.

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On 12.08.2020, at the headquarters of Central Cooperative Bank AD, the General Meeting of the bondholders was held, at which the following decisions were taken:

The General Meeting of the bondholders accepts the proposed by the issuer "Central Cooperative Bank" AD changes in the terms of the debenture loan, namely:



The maturity date of the bond issue shall be changed from 10 years after the date of issue to 15 years. The maturity date of the bond issue after the change is 10.12.2028;

The interest due of the bond issue changes from 3.6 % per annum to 2.75 % per annum as from 11.12.2020 (the day following the maturity date of the forthcoming interest payment for 2020).

Accordingly, the text of item 4.3 of chapter “Terms of the Bonds” of the Prospectus changes:

Before:

‘The interest amount, payable on each date of interest payment shall be EUR 36,00 (thirty-six), for each bond with a nominal value of EUR 1 000 (one thousand).

After:

‘The interest amount, payable on each date of interest payment shall be EUR 27,50 (twenty-seven and fifty cents), for each bond with a nominal value of EUR 1 000 (one thousand)’.

The period of interest accrual and the dates of interest payments (once a year on the maturity date of the issue) as well as the conversion period (at any time, provided that a notification of the conversion has been submitted by the bondholder) are applicable accordingly and without change during the five-year period, for which the maturity of the bond issue is deferred.

On 16.09.2020, at the headquarters of Central Cooperative Bank AD, in the city of Sofia, Slatina district, 87 Tsarigradsko shose blvd., the General Meeting of Shareholders of the Bank was held. The more important of the decisions adopted are the following:

- “Approves the annual financial statements and the annual consolidated financial statements of Central Cooperative Bank AD for 2019 and approves the proposal the profit of CCB AD for 2019, amounting to BGN 34 241 682. 36 (three-four million two hundred forty-one thousand six hundred eighty-two leva and 36 stotinkas) to be transferred to the Reserve Fund.

- “Approves the report of the auditors “Deloitte Audit” OOD and "Grant Thornton" OOD for their joint independent financial audit of the annual financial statements of CCB AD for 2019.

- ‘Releases from responsibility the members of the Supervisory Board, the Management Board and the company’s prosecutor for their activities during the period from 01.01.2019 to 31.12.2019.’

- “Approves the remuneration policy of the members of the Supervisory Board and the Management Board of Central Cooperative Bank AD, developed by the Supervisory Board.”

- “Elects Deloitte Audit OOD, UIC 121145199 and Grant Thornton OOD, UIC 831716285, as registered auditors to perform a joint audit of the individual and consolidated financial statements of CCB AD for the year ending on 31.12.2019.”

On 23.09.2020 Prof. Alexander Asenov Vodenicharov, Chairman of the Management Board of Central Cooperative Bank AD, passed away after a short illness.



## **II. Information about major risks and instability during the next quarter.**

During the second wave of coronavirus pandemic, partial and/or full lockdowns and declining economic activity, the Group will strive to continue its development while maintaining its results and market share. Potential negative effects would occur if the lockdowns in the EU continue for too long and the economies do not recover by the Q2 2021.

Potential differences between observed and expected results are the major source of risks and uncertainties during the next quarter. Therefore, the most significant risks are detailed in the following list:

- 1. Credit risk** - the possibility that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Detailed policies are applied in process of lending, concerning the assessment of the creditworthiness of Bank's clients, and the control over the use of the advanced funds and the associated administration. In accordance with the credit risk mitigation policy, CCB accepts different types of collaterals and guarantees depending on the internal rules, the approach applied in the calculation of minimum required capital and the effective banking legislation. Evaluation of the risk exposures in the portfolio is done once per month, by classifying and making provisions for loans in the portfolio. The exposures treated as big exposures are subject to constant supervision and reporting. The Bank has adopted and keeps the credit exposure in the limits set by sector and by regional level. The above limits aim at avoidance of concentration, either geographically or by sector, in loan portfolios, which could lead to an increased credit risk.
- 2. Liquidity risk** - the risk of having difficulties in meeting payment obligations due to a mismatch in maturity and amount between anticipated cash inflows and outflows. The Bank manages its assets and liabilities so as to address regularly and without any delay its daily liquidity obligations, under both normal and potentially adverse market conditions.
- 3. Market risk** - the probability for the Bank to experience losses from fluctuations in stock prices, interest rates and foreign exchange rates.
- 4. Operational risk** - the probability of direct or indirect losses resulting from inadequate or failed internal processes, people and systems.

The levels of CCB' risk ratios and indicators are similar to the average values of the Bulgarian bank system. The Bank's management does not expect any adverse negative movement in the above mentioned levels of risks in the next quarter of 2020.

## **III. CCB's Governing Body opinion on the forecasts implementation for this year results, taking into account the results of the current quarter.**

CCB's results on a consolidated basis at the end of 2020' fourth quarter represent the Bank's performance in comparison with the last year corresponding period.

CCB's Management does not have non-public information that might have a significant adverse influence on the Group performance during the year.

#### **IV. Transactions with related parties**

The Group concluded transactions with related parties. The Group regards as related parties the persons, where one person can control another or exercise considerable influence on the other person upon taking financial and operative decisions, as well as in the cases, when the two persons are under common control. The Group performed transactions with the following related parties: mother company, companies under common control, key management staff of the Group or of the main shareholder, whereas the performed transactions are related to the granting of loans, the issuance of guarantees, attracting funds, performance of repo transactions, etc. All transactions have been concluded under ordinary commercial conditions in the course of the activity of the Group and do not differ from the market conditions, when the loans were granted, and the guarantees were issued only against sufficient collateral.

  
**GEORGI KOSTOV**  
**EXECUTIVE DIRECTOR**



  
**SAVA STOYNOV**  
**EXECUTIVE DIRECTOR**



## CENTRAL COOPERATIVE BANK AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2020

All amounts are in thousand Bulgarian Levs

	As at 31.12.2020	As at 31.12.2019
<b>ASSETS</b>		
Cash and balances with the Central Bank	1,912,743	1,794,060
Placements with and advances to banks	188,068	232,315
Receivables under repurchase agreements	359,672	303,230
Financial assets, recorded at fair value in the profit or loss	267,652	236,801
Loans and advances to customers, net	2,784,460	2,658,374
Other assets	49,373	45,775
Financial assets, recorded at fair value in other comprehensive income	716,006	567,573
Debt instrument, recorded at amortised value	463,289	356,554
Fixed assets and assets related to use right	170,647	183,958
Investment properties	11,310	11,860
Noncurrent assets, held for sale	31	-
Good will	5,630	5,630
<b>TOTAL ASSETS</b>	<b>6,928,881</b>	<b>6,396,130</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks	66,052	26,112
Loans from banks	-	162
Amounts owed to other depositors	6,190,947	5,704,670
Other attracted funds	-	778
Issued bonds	25,451	25,424
Provisions for liabilities	1,003	1,102
Other liabilities	58,602	67,868
<b>TOTAL LIABILITIES</b>	<b>6,342,055</b>	<b>5,826,116</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	127,130	127,130
Premium reserve	110,470	110,470
Reserves, including retained earnings	305,226	267,451
Revaluation reserve	16,728	25,802
Current year profit	21,731	33,682
Total shareholders' equity of the shareholders of the mother Bank	581,285	564,535
Non-control participation	5,541	5,479
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>586,826</b>	<b>570,014</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>6,928,881</b>	<b>6,396,130</b>

Georgi Kostov  
Executive Director



Sava Stoynov  
Executive Director

Yordan Hristov  
Chief accountant

## CENTRAL COOPERATIVE BANK AD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS OF 31 DECEMBER 2020

All amounts are in thousand Bulgarian Levs

	As at 31.12.2020	As at 31.12.2019
Interest income	135,804	146,594
Interest expenses	(17,371)	(20,405)
Net interest income	118,433	126,189
Fees and commissions income	63,178	65,694
Fees and commissions expenses	(13,268)	(13,400)
Net fees and commissions income	49,910	52,294
Gains from transactions with securities, net	14,555	5,950
Foreign exchange rate gains, net	(11,469)	5,055
Other operating income, net	3,865	3,992
Operating expenses	(144,961)	(146,396)
Impairment and uncollectability income (expenses), net	(6,186)	(7,946)
Net expenses for devaluation of non-current assets	(8)	-
Net income/(expenses) for liabilities provisions	96	(678)
Profit for the period before taxes	24,235	38,460
Taxes	(2,430)	(3,877)
<b>PROFIT FOR THE PERIOD</b>	<b>21,805</b>	<b>34,583</b>
Other comprehensive income		
Components, which are reclassified in the profit or loss		
Debt instruments, evaluated at fair value in other comprehensive income after taxes	(4,716)	5,643
Components, which are not reclassified in the profit or loss		
Capital instruments, evaluated at fair value in other comprehensive income after taxes	(9)	1,211
Revaluation of liabilities under defined income plans	(190)	(200)
Other comprehensive income after taxes	(4,915)	6,654
<b>TOTAL COMPREHENSIVE INCOME AFTER TAXES</b>	<b>16,890</b>	<b>41,237</b>
Share of the profit for non-control participation	74	37
Share of the profit for the mother Bank	21,731	34,546
Share of the total comprehensive income for non-control participation	74	38
Share of the total comprehensive income for the mother Bank	16,816	41,199
Earnings per share for the shareholders of the mother Bank (in BGN)	0.17	0.27
Earnings per share for the shareholders of the mother Bank with decreased value (in BGN)	0.16	0.24

Georgi Kostov  
Executive Director



Sava Stoynov  
Executive Director

Yordan Hristov  
Chief accountant



CENTRAL COOPERATIVE BANK AD  
CONSOLIDATED STATEMENT OF CASH FLOWS  
AS OF 31 DECEMBER 2020

All amounts are in thousand Bulgarian Levs

	As at 31.12.2020	As at 31.12.2019
<b>Cash flows from operating activities:</b>		
Profit before taxes	24,235	38,460
Change in operating assets:		
Decrease in placements with, and advances to, banks with maturities above 90 days	-	26,138
Increase in receivables under repurchase agreements	(56,594)	(47,518)
Increase in financial assets, recorded at fair value in the profit or loss	(17,284)	(35,376)
Acquisition of financial assets, recorded at fair value in other comprehensive income	(153,604)	(57,803)
Increase in loans and advances to customers	(132,978)	(204,341)
(Increase)/decrease in other assets	(3,704)	222
Increase in non-current assets, held for sale	(36)	(4)
	<u>(364,200)</u>	<u>(318,682)</u>
<b>Change in operating liabilities:</b>		
Increase/(decrease) in deposits from banks	39,940	(14,187)
(Decrease) in loans from banks	(162)	(967)
Increase in liabilities to other depositors	486,277	444,937
Change in liabilities for provisions	(99)	362
Increase / (decrease) in other liabilities	(9,266)	8,833
	<u>516,690</u>	<u>438,978</u>
<b>Other noncash transactions, included in the profit before taxes:</b>		
Net (profit)/ loss from investing activity	(13,493)	675
Decrease in the adjustment for the devaluation of resources and advances to banks	(14)	(115)
Increase in the adjustment for devaluation of repo transactions	152	923
Increase in the adjustment for devaluation of loans and advances to clients	6,967	5,403
(Decrease)/increase in the adjustment for the devaluation of financial assets, recorded at amortised value	(474)	262
(Decrease)/Increase in the adjustment for the devaluation of financial assets, recorded at fair value in other comprehensive income	(445)	1,473
(Decrease)/Increase in provisions for liabilities	(96)	678
Increase in the adjustment for devaluation of non-current assets	8	-
Depreciation	27,091	10,922
Book value of written-off assets	(2,937)	591
Effects from the depreciation of a financial liability	27	55
	<u>16,786</u>	<u>20,867</u>
Change in deferred taxes	-	(5)
Paid profit tax	(3,564)	(2,753)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>189,947</u>	<u>176,865</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets, recorded at amortised value	(106,262)	(60,578)
Cash outflows for the purchase of fixed assets	(3,531)	(3,963)
Cash inflows from the sale of fixed assets	2,865	668
Cash inflows(acquisition) of investment properties	-	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>(106,928)</u>	<u>(63,873)</u>
<b>Cash flows from financing activity</b>		
Paid leasing liabilities	(11,922)	(9,521)
Interest paid for issued bonds	(915)	(915)
<b>NET CASH FLOW FROM FINANCING ACTIVITY</b>	<u>(12,837)</u>	<u>(10,436)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS, NET</b>	<u>70,182</u>	<u>102,556</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	<u>2,023,273</u>	<u>1,922,102</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>2,093,455</u></u>	<u><u>2,024,658</u></u>

Georgi Kostov  
Executive Director

Sava Stoynov  
Executive Director

Yordan Hristov  
Chief accountant



CENTRAL COOPERATIVE BANK AD  
CONSOLIDATED STATEMENT OF EQUITY CHANGES  
AS OF 31 DECEMBER 2020

All amounts are in thousand Bulgarian Levs

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Other reserves	Profit for the current year	Minority participation	Total
BALANCE AS OF 1 JANUARY 2019	113,154	79,444	212,759	19,151	45,002	54,691	5,562	529,763
Increase in the share capital and premium reserve from converted bonds	13,976	31,026	-	-	(45,002)	-	-	-
Net profit for the period ended 31 December 2019	-	-	-	-	-	34,546	37	34,583
Other comprehensive income for the period ended 31 December 2019	-	-	-	6,653	-	-	1	6,654
Total comprehensive income for the period ended 31 December 2019	-	-	-	6,653	-	34,546	38	41,237
Transfer of net profit for the year ended 31 December 2018, to retained earnings	-	-	54,691	-	-	(54,691)	-	-
Other movements	-	-	1	(2)	-	-	1	-
BALANCE AS OF 31 DECEMBER 2019	127,130	110,470	267,451	25,802	-	34,546	5,601	571,000
BALANCE AS OF 1 JANUARY 2020	127,130	110,470	267,451	25,802	-	33,682	5,479	570,014
Net profit for the period ended 31 December 2020	-	-	-	-	-	21,731	74	21,805
Effect of reclassification	-	-	4,184	(4,184)	-	-	-	-
Other comprehensive income for the period ended 31 December 2020	-	-	-	(4,915)	-	-	-	(4,915)
Total comprehensive income for the period ended 31 December 2020	-	-	-	(4,915)	-	21,731	74	16,890
Transfer of net profit for the year ended 31 December 2019, to retained earnings	-	-	33,682	-	-	(33,682)	-	-
Other movements	-	-	(91)	25	-	-	(12)	(78)
BALANCE AS OF 31 DECEMBER 2020	127,130	110,470	305,226	16,728	-	21,731	5,541	586,826

Georgi Kostov  
Executive Director

Sava Stoynov  
Executive Director

Yordan Hristov  
Chief accountant





**EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2020 OF  
CENTRAL COOPERATIVE BANK AD /THE BANK/**

**The present explanatory notes to the interim consolidated financial statements of Central Cooperative Bank AD, Sofia (the mother bank) concern the activity of Central Cooperative Bank AD, Sofia and the subsidiaries, controlled by it: Central Cooperative Bank AD, Skopje, the Republic of North Macedonia (subsidiary) and CCB Assets Management EAD (subsidiary) as a single reporting unit (the Group).**

1. Selected positions from the financial statements

1.1 Financial assets evaluated at fair value in the profit or loss

The group evaluates the financial assets at fair value through the profit or loss, if they are not held within a business model, the aim of which is the financial assets to be held for the collection of the negotiated cash flows, or within a business model, whose aim is achieved by collecting negotiated cash flows and selling financial assets. Also this category applies to instruments, which do not comply with the definitions of principal and interest. The profit or loss from a financial asset, which is evaluated at fair value through the profit or loss, is recognized by the Group in the profit or loss.

At the end of the fourth quarter of 2020 the financial assets, evaluated at fair value in the profit or loss, are equity investments, debt investments and derivatives. The equity investments include acquired shares in non-financial and financial companies and shares in contractual funds. The debt investments are an issue of convertible privileged shares. The Group takes decisions for the management of these assets based on the fair values of the assets and manages the assets, in order to realize these fair values. The changes in the fair values of these assets are reflected in the profit or loss. The derivatives have been presented at fair value and include transactions for the purchase and sale of currency, forward contracts and currency swaps on the open market, and the changes in their fair value are reflected in the profit or loss.

The structure of these assets at the end of the quarter in thousand BGN is as follows:

<i>Derivatives</i>	4 788
<i>Equity investments</i>	259 093
<i>Debt investments</i>	3 771

1.2. Financial assets, recorded at fair value in other comprehensive income

The financial assets, recorded at fair value in other comprehensive income are acquired interest-bearing government and corporate securities, as well as acquired equity investments in financial and non-financial companies.

The Group evaluates a debt financial asset at fair value through other comprehensive income, if the following two conditions are present:

- a) the financial asset is held within a business model, the aim of which is to collect the contractual cash flows and sale of financial assets, and;
- b) according to the contractual conditions of the financial asset cash flows occur on specific dates and they are only payments of principal and interest on the unrepaid amount of the principal.

A profit or a loss from a debt financial asset, evaluated at fair value through other comprehensive income, is recognized by the Group in other comprehensive income, with the exception of the profits or losses from devaluation, profits and losses from FX operations, interest income, till the moment of writing off or reclassification of a financial asset. The Group applies the requirements for devaluation with respect to the financial assets, which are evaluated at fair value through other comprehensive income. The Group recognizes in the profit or loss – as a profit or a loss from devaluation, the amount of the expected credit losses (or recovery), making an adjustment for losses, and this adjustment is recognized in other comprehensive income and does not decrease the book value of the financial asset in the report of the financial statement.

With respect to the equity investments the Group took advantage of the possibility, upon the initial recognition to make an irrevocable choice of specific investments in capital instruments, which are not held for trading, which otherwise would be evaluated at fair value through the profit or loss, to present the subsequent changes in the fair value in other comprehensive income. This evaluation is made by the Group asset by asset (instrument by instrument). The equity instruments are not subject to review for devaluation.

The structure of these assets at the end of the quarter in BGN thousand is as follows:

<i>Equity instruments</i>	14 273
<i>Debt instruments</i>	701 733

### 1.3. Financial assets evaluated at amortised value

The Group evaluates a financial asset – debt instrument at amortised value, if the following two conditions are present:

- a) the financial asset is held within a business model, the value of which is the assets to be held in order to collect the negotiated cash flows;
- b) according to the contractual conditions of the financial asset cash flows occur on specific dates and they are only payments of principal and interest on the unrepaid amount of the principal.

The amortised value is the initial value of the asset, minus the repayments of the principal, plus or minus the accrued depreciation of the difference between this initial value and the value on maturity, calculated according to the effective interest method and adjusted for each adjustment for losses.

The effective interest method is the method, used upon calculating the depreciated value of the financial asset or financial liability and upon allocation and recognition of the interest periods or the interest expenses in the profit or loss during the respective period.



The financial assets, recorded at amortised value are:

- acquired debt interest-bearing government and corporate securities, the value of which at the end of the quarter is BGN 463 289 thousand.

-loans and advances to clients, created via the direct provision by the Group of funds or services to certain clients with a fixed maturity, the value of which at the end of the quarter is BGN 2 784 460 thousand.

The Group recognizes in the profit or loss – as a profit or as a loss from devaluation, the amount of the expected credit losses (or recovery), which occurred in the period, measured via the difference between the adjustment for credit losses as at the date of the review and the date of the previous review. The allocated adjustment for expected credit losses has been presented to decrease the book value of the financial asset in the report of the financial state.

#### 1.4 Receivables under securities repurchase agreements

The receivables under securities repurchase agreements are recorded as financial assets at acquisition price, which is equal to the fair value of the funds placed by the Group, secured by the value of the securities. The due interest related to the granted financing for the term of the agreement is accounted for and recognized as interest income in the period of its occurrence.

The securities, received as collateral under securities repurchase agreements, are not recorded in the financial statements of the Group in the cases, when the risks and the profits from their ownership have not been transferred.

The reflected receivables under securities repurchase agreements at the end of the fourth quarter of 2020 have been secured by a pledge of Bulgarian government securities and corporate securities.

#### 1.5. Fixed tangible and intangible assets

The fixed tangible and intangible assets are acquired and held by the Group discernible non-financial resource, which is used for the production and/or sale of services, for letting, for administrative or for other purposes. They are recorded at acquisition cost, decreased by the accrued depreciation and the accumulated losses of devaluation.

The depreciation of fixed tangible and intangible assets is calculated according to the linear method, so that the amortization corresponds to the term of use, intended for these assets. The annual depreciation rates are as follows:

Buildings	4%	(25 years)
Inventory	15%	(7 years)
Transport vehicles	15%	(7 years)
Other assets	15%	(7 years)
Specific equipment, cable networks and security systems	4%	(25 years)
Equipment, including hardware and software products	20%	(5 years)

Depreciation does not accrue for land, assets for resale, assets in the process of acquisition, assets in the process of liquidation and the fully amortized assets up to their residual value.

During the fourth quarter of 2020 a devaluation of inventories, a devaluation of the fixed tangible and intangible assets was not performed, due to the lack of indicators for a potential devaluation of these assets.

#### 1.6. Assets acquired from collateral

Real estates and movables, acquired by the Group as a creditor, associated with granted and non-performing loans are classified as assets acquired from collateral and are recorded initially at acquisition price. The acquisition price of the assets, acquired from collateral, is the amount of all direct expenses associated with the acquisition of the assets, as well as other expenses, incurred in relation to bringing the assets to their present location and state. After their initial recognition, these assets are recorded at the lower of their current book value or their net realisation value. The amount of each devaluation of these assets up to their net realization value is recognized as an expense for the period of devaluation. No depreciation accrues for these assets. In the statement of the financial position these assets are presented as part of the position Other assets.

#### 1.7. Investment properties

The investment properties are acquired and held by the Group real estates /land and buildings/, which the Group will not use in its activity and which the Group holds with the aim of receiving rent income and/or increasing the value of the capital. The investment property is evaluated initially at its acquisition cost. The transaction costs are included in the initial evaluation. As its accounting policy with regard to the investment properties reporting, the Group has adopted the model of acquisition cost in compliance with the requirements of IAS 16. In this regard the investment properties are recorded at acquisition cost, decreased by the accrued depreciation and the accumulated losses from devaluation. The depreciation accrues for the buildings, acquired as investment properties, whereas the linear method is applied. Their annual depreciation rate is 4% (25 years). Depreciation does not accrue for the land, acquired as investment properties.

### 2. Transactions with related parties

The Group concluded transactions with related parties. The Group regards as related parties the persons, where one person can control another or exercise considerable influence on the other person upon taking financial and operative decisions, as well as in the cases, when the two persons are under common control. The Group performed transactions with the following related parties: mother company, companies under common control, key management staff of the Group or of the main shareholder, whereas the performed transactions are related to the granting of loans, the issuance of guarantees, attracting funds, performance of repo transactions, etc. All transactions have been concluded under ordinary commercial conditions in the course of the activity of the Group and do not differ from the market conditions, when the loans were granted, and the guarantees were issued only against sufficient collateral.

At the end of the fourth quarter of 2020 the receivables of the Group from companies under common control are to the amount of BGN 68 559 thousand, whereas the predominant part stems from granted loans. At the end of the fourth quarter of 2020 the liabilities of the Group to companies under common control are to the amount of BGN



35 238 thousand, and the major part thereof comes mainly from obtained deposits. At the end of the fourth quarter of 2020 the Group does not have receivables from the mother company. At the end of the fourth quarter of 2020 the Group has liabilities to the mother company to the amount of BGN 87 thousand. At the end of the fourth quarter of 2020 the receivables of the Group from key management staff of the Group or of the main shareholder are in the amount of BGN 880 thousand, and stem mainly from granted loans. At the end of the fourth quarter of 2020 the liabilities of the Group to key management staff of the Group or of the main shareholder are in the amount of BGN 4 349 thousand and stem from received deposits.

### 3. Accounting policy

During the fourth quarter of 2020 compared to 31 December 2019 the Group did not make changes to its accounting policy.

### 4. Information about seasonality or cyclic nature of the interim operations

During the fourth quarter of 2020 no interim operations were performed, stemming from the specific seasonality or cycles. All interim operations during this period stem from the ordinary activity of the Group.

### 5. Information of unusual in amount and character assets, liabilities, shareholders' equity, income and expenses.

During the fourth quarter of 2020 there are no new positions with respect to the assets, liabilities, shareholders' equity, income and expenses. The total amount of the assets in the financial statements of the Group as at 31.12.2020 increased compared to the total amount of the assets in the financial statements of the Group as at 31.12.2019 by 8.33 % and reached BGN 6 928 881 thousand. The increase in the assets of the Bank is related to the increase in the funds, attracted from other depositors. Within this quarter no operations of extraordinary character were recorded in the income and other comprehensive income statement, as a result of which the accumulated financial result as at 31.12.2020 stems only from income and expenditure related to the ordinary activity of the Group.

### 6. Information of issued, repurchased and repaid debt and equity securities.

During the fourth quarter of 2020 the Group does not have issued, repurchased or repaid debt securities, as well as issued and repurchased equity securities.

### 7. Information of accrued /paid/ dividend.

During the fourth quarter of 2020 the Group did not accrue or pay dividend to its shareholders.

### 8. Events after the date of the financial statements

After the end of the fourth quarter of 2020 no events occurred, which have a significant influence on the future development of the Group.

## 9. Information of changes in the conditional assets and liabilities

At the end of the fourth quarter of 2020 compared to 31.12.2019 there are changes in the amount in the direction of an increase in the conditional assets of the Group concerning the assets, provided by clients as loan collateral. With respect to the conditional liabilities during the period there are changes in the direction of an increase in their amount compared to 31.12.2019, whereas the increase concerns unutilized commitments associated with loans assumed by the Group. As at 31.12.2020 the value of the conditional liabilities of the Group is in the amount of BGN 304 466 thousand.

**Georgi Kostov**  
Executive Director

**Sava Stoynov**  
Executive Director

**Yordan Hristov**  
Chief accountant

