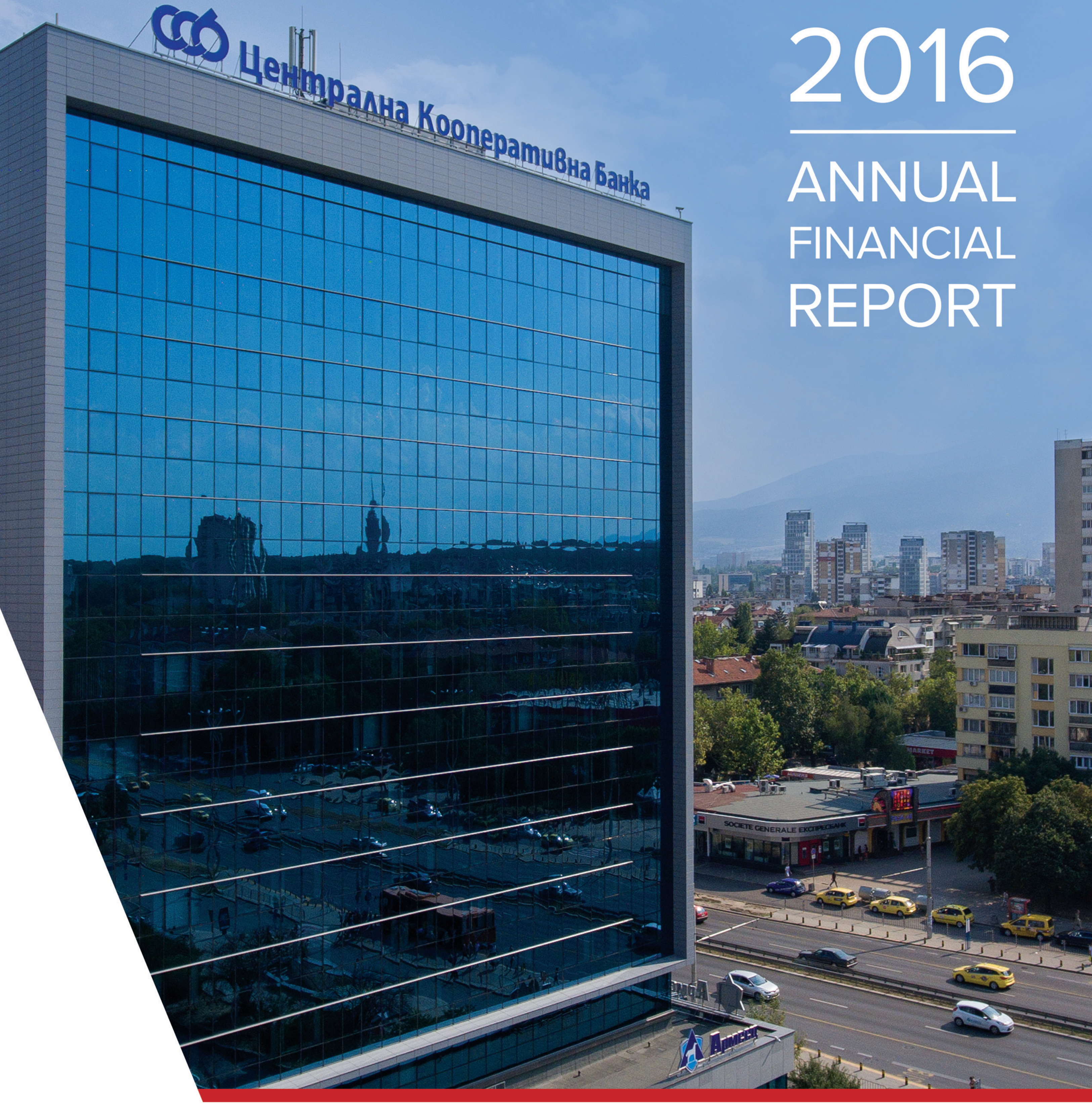

2016

ANNUAL FINANCIAL REPORT

Central Cooperative Bank
Our clients feel important


Централна Кооперативна Банка

Whatever decision you make, there will always be someone to discourage you. There are always difficulties along the way that tempt you to think that you are wrong. The truth is that a lot of courage is required to determine the course of action and to follow it strictly to the end.

Ralph Waldo Emerson

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MESSAGE FROM THE MANAGEMENT

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to use this opportunity to inform you about our achievements and accolades in 2016. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2016 the Bank assets are BGN 4.9 billion, shareholders' equity amounts to BGN 418 million and the net profit is BGN 26.6 million.

Last year was our tenth year as a member of the European Union and we ranked on the 8th place among Bulgarian banks in terms of total assets.

Among our goals for 2016 are: increasing the total assets of the Bank, respectively the market share; developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products; streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing; deploying the positions in retail banking; increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans; profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank; offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU and increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

We make our clients feel important. The Bank management and staff have committed their efforts to defending the already achieved position and further improving in the banking field. We look forward to continue working with you and sharing best practices and recommendations.

Sincerely yours,

Gerogi Kostov	**George Konstantinov**	**Sava Stoynov**	**Tihomir Atanassov**
Executive Director	Executive Director	Executive Director	Procurator

FINANCIAL HIGHLIGHTS AS AT 31.12.2016

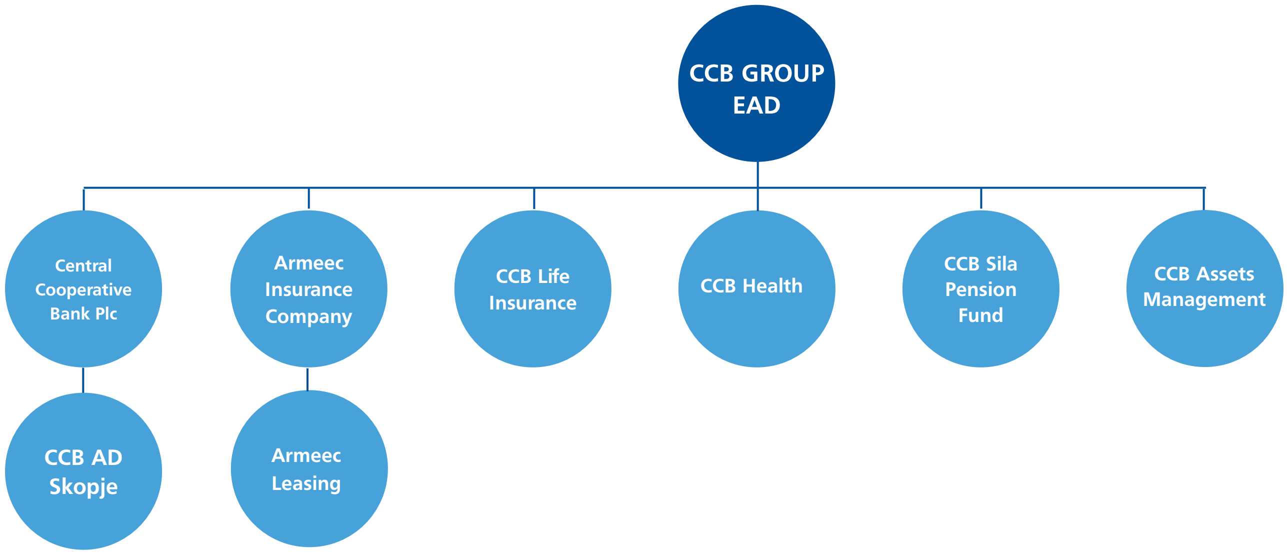
Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2016 Thousand BGN	As at 31.12.2015 Thousand BGN
Total assets	4,970,131	4,643,468
Share capital	113,154	113,154
Shareholders' equity	418,556	379,918
Total deposits	4,469,966	4,176,129
Deposits from non-financial institutions	4,457,515	4,166,847
Advanced loans and advances to customers, net	2,160,083	2,087,078
Net interest income	110,304	78,090
Non-interest income	73,825	71,772
Total income	184,129	149,862
Operating expenses	117,834	113,165
Net profit	26,598	6,704

Financial highlights	As at 31.12.2016 Thousand BGN	As at 31.12.2015 Thousand BGN
ROaE %	6.49%	1.81%
ROaA %	0.54 %	0.15%
Shareholders' equity / total assets %	8.42%	8.18%
Operating expenses / total assets %	2.37%	2.44%
Operating expenses / total income %	64%	75.51%
Loans to customers / total assets %	43.46%	44.95%
Total deposits / total assets %	89.94%	89.94%
Deposits from non-financial institutions / total assets %	89.69%	89.74%
Total capital adequacy	15.63%	15.18%

Recourses	As at 31.12.2016 Thousand BGN	As at 31.12.2015 Thousand BGN
Number of customers	1,680,145	1,621,872
Foreign correspondents	386	413
Nostro accounts	21	21
Locations, including branches	306	294
Personnel	2316	2248

TODAY

Central Cooperative Bank Plc is a universal commercial bank, belonging to the financial structure of CCB Group EAD. Together with the remaining companies, the bank comprises the full array of services in the field of financial intermediation, products and services with an emphasis on SME lending and retail banking for its clients.



As a universal commercial bank CCB Plc offers an array of financial products and services, which correspond to the competitive requirements of the dynamically changing market environment. The Bank constantly strives to deploy the spectrum of financial intermediation and works hard to create new and develop the known products and services.

CCB Plc. is a full member of the International Cooperative Banking Association and the European Association of Cooperative Banks.

The Bank is a full member of MasterCard Europe and Visa International, offers the Maestro and MasterCard cards and the family of Visa cards.

Central Cooperative Bank Plc is an indirect member of EBA STEP2 SCT and a direct member of TARGET2.

The Bank is an indirect member of International Swaps and Derivatives Association, Inc – ISDA.

CCB Plc maintains good relationships with a number of correspondent banks, improving the business contacts with them. The Bank has over 386 correspondents and 21 Nostro accounts, as well as a number of lines for documentary operations for various amounts and trade finance for the import of investment products, made in EU. Through the MM and FX limits, the bank maintains the wide spectrum of the offered products and services.

CCB Plc has a license to carry out transactions as an investment intermediary on the Bulgarian capital market, acting on its behalf and at its expense, as well as on behalf and at the expense of its clients.

CCB Plc. is a primary dealer of government securities on the Bulgarian domestic market.

The Bank provides an easy access to all range of its products via a well-developed branch network, offering quick and modern solutions to its customers. At present the Bank has 306 branches and offices all over the country and abroad.

BRIEF HISTORY

On 28 March 1991 Central Cooperative Bank was registered with a resolution of the Sofia City Court. At first the Bulgarian National Bank Management Board issued a license to CCB Plc for carrying out bank activity on the territory of the country.

The founders of the bank were Central Cooperative Union, the regional cooperative unions and more than 1100 cooperative organizations. In the beginning its mission was to contribute to the development of the cooperative system in Bulgaria. Passing through different development periods, the Bank established itself as a universal commercial bank nowadays.

Since 12 March 1993 the Bank is authorized to carry out operations abroad as well.

Since July 1993 CCB Plc is an associate member of the European Association of Cooperative Banks, domiciled at Brussels.

On 4 March 1999 CCB Plc received the statute of a publicly listed company, and in this way became one of the two Bulgarian banks, the shares of which were traded on the Bulgarian Stock Exchange - Sofia.

Up to 2001 CCB Plc shareholders included: Central Cooperative Union, Bulbank AD, the State Agricultural Fund, the Bank Consolidation Company etc.

At the beginning of 2002 the share of Bank Consolidation Company AD amounting to 32.77% was acquired through bidding by Chimimport JSC, which became the main shareholder of Central Cooperative Bank Plc.

In 2002 CCB Plc received a license from **MasterCard Europe** – a prestigious international card organization for the issuance and acceptance of the international Maestro debit cards and Mastercard credit cards.

In 2003 CCB Plc acquired a license for a Bulgarian agent of Western Union, the international fast money transfer company.

In September 2004 Central Cooperative Bank Plc became a member of the Management Board of the International Cooperative Banking Association, together with over 52 credit institutions from 36 countries.

At the end of 2004 CCB Plc increased its capital from BGN 16 169 564 to BGN 32 338 128 via the issuance of 16 168 564 shares, having a par and issue value of BGN 1. The Bank's main shareholder is CCB Group Assets Management EAD, which is 100% property of Chimimport Plc.

On 27 May 2005 the Bank became a principal member of Visa International and at the beginning of 2006 we started offering the family of Visa cards.

In September 2005 CCB Plc took a decision to increase its share capital by 50% and as of the end of the year it amounted to BGN 48 507 186, and the shareholders' equity was BGN 80,928 thousand.

In December 2005 CCB Plc received a permit from the Central Bank of Cyprus to open its first foreign branch in Nicosia.

On 11 May 2006 CCB Plc signed a second Syndicated Term Loan Facility, whereas the initial amount of EUR 11.000.000 was increased to EUR 27.500.000 with the participation of 12 foreign banks. The syndicated loan was arranged by HSH Nordbank AG and Raiffeizen Zentralbank Òsterreich AG.

At the end of June 2006 the General Meeting of Shareholders of CCB Plc took a decision to increase the capital by 50% and at the end of the year the Bank share capital amounted to BGN 72 760 779.

Since 1 January 2007, with Bulgaria's accession to EU, CCB Plc has acquired the statute of a full member of the European Association of Cooperative Banks.

In June 2007 the General Meeting of Shareholders of CCB Plc. took a decision to increase the capital and at the end of the year it amounts to BGN 83 155 092.

In September 2007 the first foreign branch of CCB Plc. was opened in Nicosia, Cyprus.

On 28 February 2008 CCB Plc acquired the Macedonian bank Sileks Bank AD Skopje, which was renamed to Central Cooperative Bank AD Skopje on 22 October 2008. At present CCB Plc has 82.63 % of the voting shares of the capital of CCB AD Skopje.

On 15 August 2008 Central Cooperative Bank Plc joined ISDA - International Swaps and Derivatives Association as a user.

In October 2008 CCB Plc became an indirect member of EBA STEP2 SCT.

In February 2010 CCB Plc became an direct member of TARGET2.

In December 2010 the Bulgarian Credit Rating Agency awarded to Central Cooperative Bank Plc a long-term credit rating, grade: BBB, outlook: stable and a short-term rating: A-2.

As at 31.12.2010 CCB Plc ranks among the first 10 Bulgarian banks in terms of total assets according to the BNB classification.

On 3 January 2011 "Stater Banka" AD, Kumanovo, the Republic of Macedonia merged with CCB Plc, Skopje.

At the beginning of 2011 CCB Plc became the main shareholder of ZAO AKB Tatinvestbank, Kazan, the Republic of Tatarstan, Russian Federation.

On 28 March 2011 CCB Plc celebrated twenty years of its establishment.

On 21.07.2011 the Management Board of CCB Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092, whereas as at 31.12.2011 the total equity of the Bank amounts to BGN 332,781 thousand.

In the second quarter of 2012 CCB Plc started the issuance of international Visa Platinum credit cards.

In 2012 CCB Plc continued implementing the project for the establishment of a second foreign branch on the territory of EU.

In 2013 CCB introduced new products and services in retail banking and the card business, among which the Mobb service and promotional conditions for the product "Home for you".

At the end of 2013 CCB ranked on the eight place among Bulgarian banks in terms of total assets.

In 2014 the Bank started offering contactless Visa payWave debit and credit cards and contactless Maestro PayPass debit cards.

In October 2014 CCB started offering the CashM service to its clients.

In 2014 CCB Plc preserved the eight place among Bulgarian banks according to total assets.

Since February 2015 the Bank started the offering of debit cards of high class Visa Debit.

April 2015 Successfully and on time we finalized the process of the full migration of all IT systems to move the head-office of the Bank to the new administrative building (former Pliska Hotel) at: the city of Sofia, 87 Tsarigradsko shose blvd;

The administration of the Bank carries out its activity in the new office building at 87 Tsarigradsko shose blvd.

In May 2015 the Bank started issuing Emotion contactless cards, where the client is entitled to choose the design of his/her card.

In July 2015 the Bank started offering a new type of credit card of exceptionally high class, intended for the most special clients - World MasterCard.

In 2015 new traders, offering rebates to the clients with club cards joined the CCB Club loyalty program.

In 2015 during the whole year there continued the update of the parameters and the conditions of the credit products for individuals.

In 2016 the Bank offered new products and services in the field of retail banking, as well as more advantageous conditions for consumer and mortgage loans.

As at 31.12.2016 the financial result of CCB Plc increases 4 times compared to the previous year.

MANAGERIAL TEAM

Central Cooperative Bank Plc has a two-tier system of management, which consists of a Supervisory Board and a Management Board.

The Supervisory Board consists of three members and elects the Management Board and a Procurator. The Management Board on its part elects the Executive Directors with the approval of the Supervisory Board.

At present the following members are included in the Supervisory Board and the Management Board:

1. Supervisory Board:	
Chairperson:	**Ivo Kamenov**
Members:	**Marin Mitev**
	Rayna Kuzmova
	Central Cooperative Union
	Represented by Peter Stefanov
2. Management Board:	
Chairperson:	**Prof. Dr. Aleksander Vodenicharov**
Members:	**Tsvetan Botev – Deputy-Chairperson**
	George Konstantinov – Executive Director
	Sava Stoynov - Executive Director
	Georgi Kostov - Executive Director
	Aleksander Kerezov
	Prof. Dr. Bisser Slavkov
3. Procurator:	**Tihomir Atanassov**

SHARE CAPITAL AND SHAREHOLDERS

On 21.07.2011 the Management Board of Central Cooperative Bank Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092 via the issuance of 30 000 000 ordinary book-entry voting shares with a nominal value BGN 1 and an issue value of BGN 1,50.

Till the end of the subscription 29 999 199 shares were subscribed and paid. As a result of this the amount of BGN 44 998 798.50 was credited to the capital raising account of CCB Plc.

The capital of the Bank to the amount of BGN 113 154 291 after the increase was entered in the Companies Register on 15.12.2011.

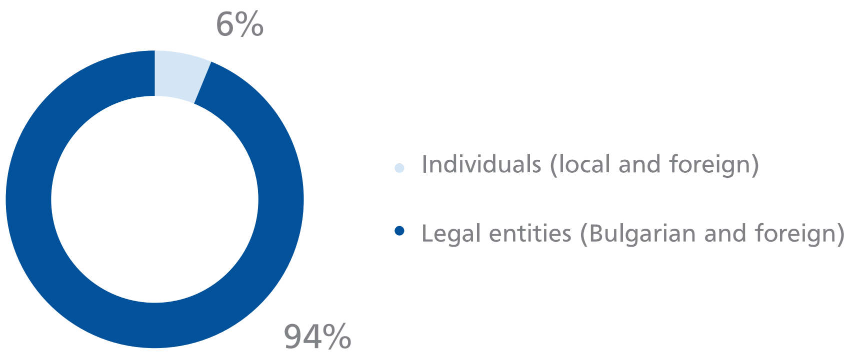
As at 31 December 2016 the shareholders' equity amounts to BGN 418,556 thousand. The capital adequacy is 15.63 %, which is above the requirements according to Ordinance No. 8 of BNB on the capital adequacy of Banks

Shareholders of CCB Plc as at 31 December 2016	Share (%)
CCB Group EAD, Sofia	68.56
Chimimport JSC	6.65
Other minority participation	24.79
Total	**100.00**

As at December 31, 2016 the shareholders of CCB Plc are 6457, among them 5,310 individuals and 1,147 legal entities.

The shares of CCB Plc are traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 17 years the CCB Plc shareholders' structure has significantly changed three times – in June 1999, when Bulbank AD sold to the State Agricultural Fund its share of 35%; in June 2001 when the share of the State Agricultural Fund, which had been acquired by the Bank Consolidation Company, was purchased by "Chimimport" JSC and at the end of 2004, when the shares of Central Cooperative Union were acquired by "Chimimport" JSC through CCB Group EAD.

Breakdown of share capital



ACTIVITY OVERVIEW

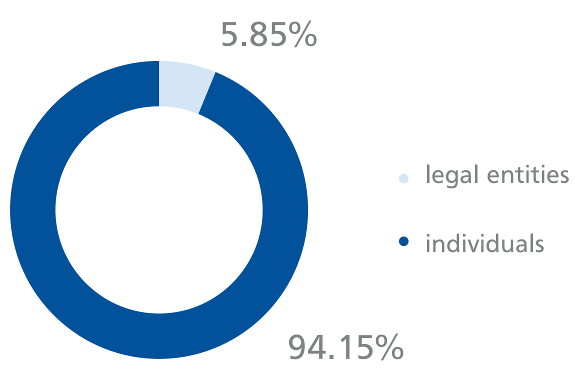
Central Cooperative Bank Plc is a universal commercial bank, offering a broad spectrum of financial products and services. The Bank endeavors to follow the competitive requirements of the constantly changing environment and deploys its array of products and services in the field of financial intermediation, putting an emphasis on financing SMEs and servicing its retail clients.

The Bank is one of the leaders on the market in rendering services to the agricultural sector and the related production activities. In 2016 CCB Plc continued to offer the array of credit products and services in the field of consumer lending, as well as lending to SMEs. Following the set goals, the Bank deployed its activity as a "retail bank" and achieved good positions in the market of SMEs, attracting more and more clients in this sector.

CLIENT STRUCTURE

A considerable contribution for the success and the established market positions of the Bank belongs to its clients. For this reason CCB Plc attracted more clients, especially individuals, households, SMEs. The Bank portfolio is entirely subordinated to the needs and desires of clients. Efforts have been concentrated on offering competitive and attractive products.

Breakdown of clients as at 31.12.2016



Sector	31.12.2016	31.12.2015
Individuals and sole proprietors	1581870	1528538
Commerce	56707	53917
Transport and communications	5334	5193
Industry and construction	9447	9033
Agriculture and forestry	4995	4888
Finance, loans and insurance	2041	2009
Science and education	2051	1935
Healthcare, sports and tourism	2018	1913
Other	15682	14446
Total	**1680145**	**1621872**

The Bank clients increased again and reached 1680145 clients at the end of 2016.
In comparison to the previous year the increase is to the amount of 3.59%, whereas there is an increase mainly in individuals. The positive tendency of growth is present in the last several years, because CCB Plc strives to develop in the highly competitive for the Bulgarian market "retail banking" segment. There is also growth in SME lending.
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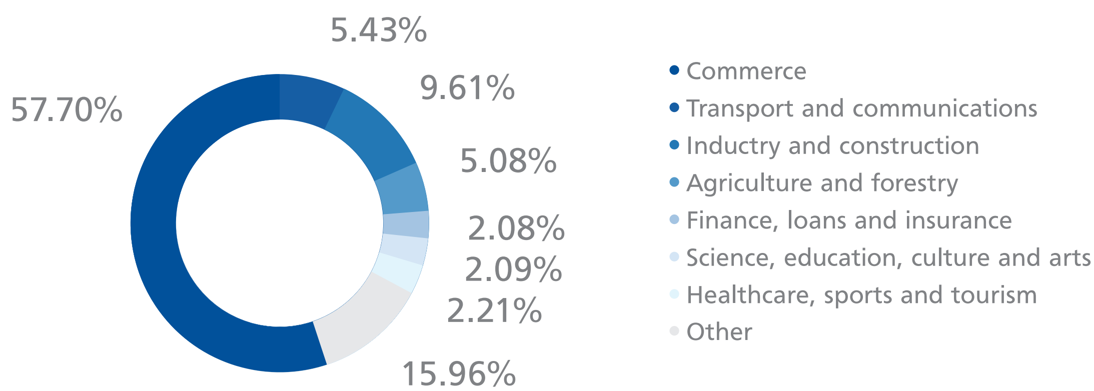
Branch structure of clients - legal entities



RETAIL BANKING

Card products

In 2016 CCB Plc preserved its positions of one of the biggest issuers of credit and debit cards in the country. The Bank issues international MasterCard and Visa credit cards, the cobranded Visa CCB-Bulgaria Air credit card, Visa Platinum credit card, as well as local credit cards. The portfolio of debit cards that the Bank offers consists of international debit cards of a high class World Debit MasterCard, Debit MasterCard and Visa Debit, the cobranded Debit MasterCard cards with Mobiltel AD and with Bulgarian Posts EAD, as well as local debit cards. The Bank also offers EMOTION debit and credit cards, where the client can choose the vision of his/her card from the offered gallery of over 50 designs.

The Bank makes it possible for its clients to take advantage of the exceptionally fast contactless payments with all main card brands.

In July 2015 the Bank started the offering of a credit card of exceptionally high class - World MasterCard, intended only for significant and solvent clients of the Bank. The World MasterCard credit card is a Premium product of MasterCard, which is positioned at a level higher than the Platinum credit cards.

Besides the exceptionally attractive financial parameters of the World MasterCard card, it is associated with a number of additional perks and privileges of its cardholders:

- Free membership in the Priority Pass program – ensures access to over 700 business lounges at the airports in over 100 countries across the world;
- Special rebates from Bulgaria Air airplane company;
- A free access to the business lounges Vitosha and Preslav at Sofia Airport and Sky Lounge and Jet Lounge in Vienna;

- Insurance upon travelling abroad with Armeec insurance company JSC – 22 insurance coverage policies with a maximum amount of coverage to the amount of USD 50 000;
- Additional insurance that provides protection upon a theft of the card, together with the personal belongings and documents, protection upon an incident or theft of goods, purchased with the card, as well as the most advantageous price upon shopping;
- Rebates in the CCB Club program;
- Rebates upon shopping at selected traders in Bulgaria, included in the CCB World Offers catalogue;
- Additional attractive rebates abroad at hotel, renowned shops and rent-a-car companies, provided by MasterCard;
- And many more rebates upon shopping at the trade shops, included in the CCB Bonus program.

All debit and credit cards of the Bank are open for registration for the E-Secure service for secure payments on the Internet. In this way the Bank provides to all its clients with international debit and credit cards additional security, when they shop online.

The Bank continues offering various preferences to the holders of credit and debit cards. In 2016 the holders of Visa Platinum cards of CCB can use free of charge Vitosha business lounge at Sofia airport, regardless of which air company they use. The cardholders with World Debit MasterCard cards, Visa Platinum, Visa Gold cards and MasterCard Gold cards of CCB may use free of charge Vitosha business lounge at Sofia airport for international flights, as well as in the cases when they fly within the country.

New card products

In July 2016 the Bank started offering two new card products, intended especially for companies – contactless Visa Debit Commercial and Debit Mastercard Commercial debit cards. The cards are of a high class, with a broad application and additional characteristics, with which they satisfy the needs of business clients. Transactions can be made on the Internet with the cards (at all sites, accepting credit cards) to book hotels, as well as to make other payments globally. At the end of 2016 the Bank launched a campaign to promote Visa Debit Commercial cards together with the Visa card organization.

Market positions and statistics

In 2016 CCB Plc affirmed its good market positions in the issuance of bank cards, whereas as at 31.12.2016 the total number of issued cards of the Bank amounts to 648 446. There is an increase in the number of the issued MasterCard credit cards from 17 238 to 19 333 cards. The Bank achieved success in the issuance of the Debit MasterCard and World Debit MasterCard cards, which reached 278 140 cards as at the same date.

CCB Plc managed to keep good market share with respect to the development of its network of ATMs and POS terminals. The number of the virtual POS terminals in 2016 reached 406 and the total number of ATMs of CCB is 552. The total number of POS terminals of CCB at the end of 2016 is 4 320, including the POS terminals in the bank rooms. The total number of the POS terminals, which make possible contactless payments, is 1 926 terminals.

The breakdown of the market share of CCB Plc as at 31.12.2016 in the cards segment has been presented in the table below.

Cards	% for CCB of the total for the country
Visa credit cards	2.93%
MasterCard credit cards	4.06%
MasterCard debit cards	11.37%
Maestro debit cards	10.33%
VISA debit cards	16.08%
Visa Electron debit cards	3.77%
Total debit and credit cards	8.32%

A breakdown of the market share of CCB Plc in the terminals segment (ATM and POS) at the end of 2016 has been presented in the table below:

ATMs and POS terminals	% for CCB of the terminals in Bulgaria
ATMs	9.60 %
POS terminals (physical)	5.11 %

The table below presents summarized information of the card products and services, offered by CCB Plc.

ATMs, POS terminals, credit and debit cards	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016
ATMs					
ATMs	501	504	542	543	552
POS terminals					
POS devices at the trade shops	3 617	3 721	3 839	3 863	4 017
POS devices at the Bank branches	336	338	338	338	344
Virtual POS devices	367	329	356	377	406
Total POS	**4 320**	**4 388**	**4 533**	**4 578**	**4 767**

Credit and debit cards	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016
Credit cards					
Visa	17 541	17 334	17 115	16 860	17 124
Master Card	17 238	17 383	18 349	18 801	19 333
Market	1 984	1 748	1 337	987	473
CCB – Office 1	238	224	218	210	171
Total credit cards	**37 001**	**36 689**	**37 019**	**36 858**	**37 101**
Debit cards					
Maestro	215 512	196 733	170 254	143 272	111 027
Visa Electron	164 302	142 643	124 776	105 683	88 625
CCB-Office 1	983	964	924	899	930
VISA Prepaid	4 291	5 108	5 429	5 002	5 300
VISA Debit	62 594	79 961	96 994	113 382	123 683
Debit MasterCard	188 405	207 314	232 280	257 752	272 482
MasterCard Prepaid	3 551	3 626	3 694	3 324	2 884
World Debit MasterCard	3 831	4 132	4 668	5 076	5 658
Visa Debit Commercial				221	450
Debit MasterCard Commercial				85	306
Total debit cards	**643 469**	**640 481**	**639 019**	**634 696**	**611 345**

Promotions for the cardholders of CCB with Visa and MasterCard debit and credit cards

In 2016 CCB Plc again launched advertising campaigns together with the card organizations Visa and MasterCard, directed at stimulating the payments with CCB cards at merchants in the country. The holders of the CCB international cards could participate in promotions with attractive awards and additional stimuli.

In the period June – August 2016 CCB together with Mastercard launched a campaign to encourage the contactless payments with MasterCard and Maestro debit and credit cards of the Bank with awards for clients.

In September and October 2016 CCB launched a campaign to stimulate the payments with the debit cards of a high class - World Debit Mastercard. An additional 1% of the value of all purchases, paid with World Debit Mastercard cards in the campaign is recovered in the form of bonus points on the club cards of clients.

From October till the end of 2016 CCB launched a campaign to stimulate the payments with Mastercard debit and credit cards with awards for clients - "The season of awards with CCB and Mastercard". Each week in the period of the campaign the clients, who made at least one payment with their cards, participate in the lottery for attractive awards.

At the end of 2016 the Bank launched a comprehensive promotional campaign for the Mastercard credit cards. The campaign included broadcasting a TV clip, commercial at the Sofia metro, publications on the Internet and several print media. Along with that, all contactless Mastercard credit cards, issued and activated in the period from 1.12.2016 to 15.02.2017, were with a promotional 4-month interest free period.

The holders of debit and credit cards of CCB could participate in other campaigns with awards, organized by the Visa and Mastercard card organizations.

CCB Bonus program

CCB Plc continued developing the CCB Bonus program, which provides a possibility to the cardholders enjoy rebates at numerous trade shops. This program is an important advantage to clients upon choosing a bank, not only for credit, but also for debit cards. The mobile version of the program provides a possibility to clients to

review the catalogue via mobile devices and at any moment to be informed about the trade shops, at which they can enjoy a rebate. In 2016 the number of the partners in CCB Bonus is over 220, with more than 600 trade shops.

CCB Club loyalty program

In 2016 the CCB Club loyalty program preserved its stable development, while 16 partners participate in this program and provide the following rebates:

- Bulgaria Air provides to clients an attractive rebate of 5% on the price of the airplane tickets, to which there is a rebate upon payment with the CCB – Bulgaria Air cobranded credit card. Precious for clients is the preference in the form of free transportation of additional luggage with each flight of Bulgaria Air.
- Armeec provides a possibility for the accrual of bonus points under the program, in combination with the use of various other rebates from the insurance company.
- Due to the nature of its business Lukoil ensures the greatest frequency of the bonus sales:
  - CCB Club golden card – a rebate of 4%
  - CCB Club silver card - a rebate of 3.5%
  - CCB Club business card - a rebate of 3.5%
  - CCB Club standard card – a rebate of 3%
- HomeMax chain – 5% rebate;
- The bus companies Etap –Address and Group Plus provide an exceptionally advantageous rebate of 10% for the program clients.
- Happy Bar&Grill restaurant chain – 5% rebate;
- COOP commercial chain - 3% rebate;
- BG Market food chain - 3% rebate;
- Sport Depot sports shops – 5% rebate;
- Grand Optics & Joy Optics - 20% rebate;
- Frant men fashion shops– 10% rebate,
- Hush Puppies shoe shops – 5% rebate
- Special proposals from Mtel for the CCB Club members;
- CEZ Electro Bulgaria – 25 Kwh daily electricity upon payment of bills to the company via the service of CCB "Subscription for utility bills".

At the end of 2016 the number of clients, who participate in the CCB Club loyalty program, reached 529 839, whereas the bonus amount of the sales is above BGN 39 million.

Consumer and mortgage lending

In 2016 lending to individuals continued to be a main priority in the work of Central Cooperative Bank Plc, whereas the Bank focused on clients that are evaluated as more reliable and associated with considerable lower credit risk than the average. During the year there was fierce competition for clients among Banks, including also via decreasing the interest rates on the retail loans. Regardless of the increased competition, CCB managed keep its good positions on the market.

The successful implementation of the commercial-oriented model of work at all Bank branches and the adequate commercial policy continued to be the main reason for the achieved good results. Increasing the qualification of the employees, engaged directly with the sales of the credit products and the bank services of the clients of the bank, including via specialized training, had a direct impact on the results and respectively on the increase in the loan portfolio of the Bank.

The distinct units at the Bank continued to work actively for the conclusion of loans with employers – big private, state and municipal companies for the payment of salaries to their employees on accounts with CCB Plc. The big competition in the segment led to a work style via personalization of the proposals and offering tailor-made transaction parameters. For this reason the Bank continued to offer preferences to the employees of the partner companies. We continued the offering of credit products with special conditions for the employees of generally known and stable companies, with which we do not have a contract for transferring salaries. The Bank employees maintain a close contact with the key employers in the distinct regions and periodically organize presentations of the Bank products in front of the employees.

The tendency that started during last years of an increase in the sale of retail products at CCB Plc continued steadily in 2016. A main task for the Bank was preserving and increasing the portfolio of consumer and mortgage loans. Periodically during the year we updated and improved the conditions of the loans to individuals and we launched new products on the market. The emphasis in retail lending during the year was mortgage loans.

An analysis of the activity of CCB Plc during last year shows:

From the beginning of the year the Bank has new retail loans for about BGN 283.08 million, of which:

- BGN 195.46 million consumer loans
- BGN 87.62 million mortgage loans
- The newly granted consumer loans increase by over 48% in 2016 compared to 2015
- The sales of mortgage loans in 2016 increase 1.5 times compared to 2015
- As a result of the sales activity, the net increase of the retail portfolio (the increase after deducting of the repayments) compared to 2015 is BGN 137 thousand.

In 2016 there continued the centralized processing of the applications for consumer loans, credit cards and overdrafts, submitted at the bank branches by the Consumer lending department (Loan center) within Retail Banking division. During the year over 36 750 submitted applications were reviewed, whereas about 74% of them were approved and 26% of them were rejected. The total risk of the consumer loans overdue above 90 days, granted since the beginning of the centralized approval in 2012, as at 31.12.2016 is 0.87%

In 2016 an emphasis in the centralized approval of the mortgage loans was the acceleration of the process of processing the applications, which ensures an additional competitive advantage of the Bank mortgage products. The quality of the mortgage retail portfolio of the Bank is exceptionally good, since the start of the centralized approval of the mortgage loans, there is no loan with an overdue installment above 90 days.

CCB continued to offer to clients the possibility to purchase on credit the goods chosen by them in the trade network of the Bank partners. The processing of the applications, received from the merchants from the whole country, is effected by the head-office employees exceptionally fast, within 20 minutes of receiving the application. This product is important for attracting new borrowers and deploying the base of loyal clients. At the end of 2016 the number of the goods on credit merchants is approximately 615.

In 2016 the Bank optimized the network of external agents, which offer the credit products of the Bank. The main partners in the intermediation activity are credit consultants and real estate agencies with a significant market share. Major products in the mutual activity are the loans, secured by real estate, as well as consumer loans for the clients, receiving good income.

The Bank continued to stimulate the initiative and the development of its employees, organizing two cycles of training to streamline their sales skills. More and more active is the participation of the Front Office employees and the experts servicing and sales in the activity, associated with attracting new clients, making presentations and realising retail sales, in the bank rooms, as well as via visits at clients, employers and other partners of the Bank.

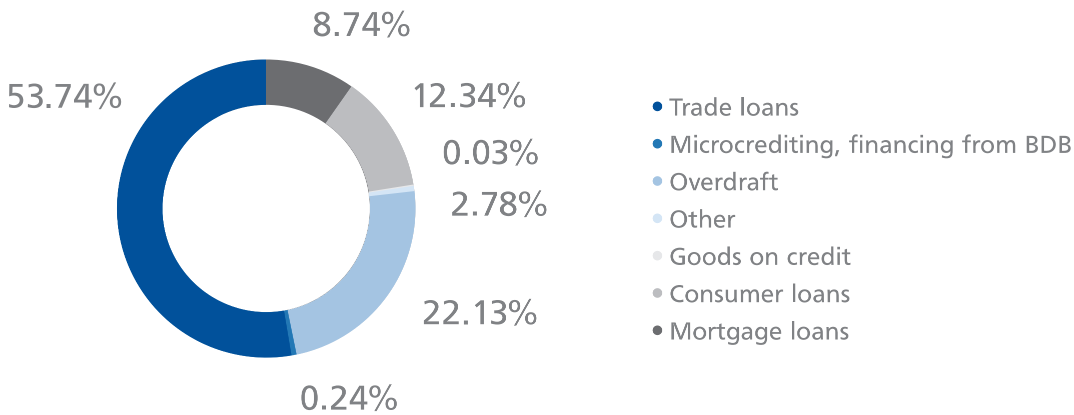
The Bank continued to work in the direction of upgrading the bonus system, which takes into account to a maximum extent the contribution of each employee, keeping the close relationship between the achieved results and the bonuses amount.

CREDITING

Crediting constitutes a major share of the Bank business. During 2016 loans have 43.46 % of total assets. In the breakdown of the loans according to types there is a change, whereas the major share belongs to trade loans. Trade loans are 53.74 % of the total amount of the granted loans, whereas in 2015 their share was 59.19%. The overdraft increases its percentage share in total assets from 21.27 % in 2015 to 22.13 %. It includes allowed overdraft of individuals and legal entities, as well as overdraft secured by a mortgage.

The consumer and mortgage loans increase in comparison with the previous year and amount to 12.34 % and 8.74% respectively of the total loan portfolio. CCB Plc offers attractive products in the field of consumer lending and crediting small and medium-sized companies.

Breakdown of loans according to type



In 2016 CCB Plc offered more favorable conditions to its clients in housing, mortgage and consumer lending, considering the changed tendencies on the loans market on a global and national scale.

CORRESPONDENT RELATIONS WITH BULGARIAN AND FOREIGN FINANCIAL INSTITUTIONS

CCB Plc has established correspondent relations with over 386 financial institutions from all over the world. The Bank has 21 Nostro accounts, 5 of which are in EUR with European banks, 1 account is in USD with an American bank, and 15 are in other currencies – GBP, CHF, CAD, DKK, SEK, NOK, JPY, PLN, MKD, RUB, TRY, AED, AUD, CZK, HKD, HRK, HUF, ILS, JOD, KWD, MAD, MXN, NZD, RON, RSD, SAR, SGD, THB, ZAR, BHD, DZD, KES, MUR, OMR and QAR. The variety of maintained currencies is due to our multi-currency account, held with Deutsche Bank, which allows the sending and receiving of transfers in a great number of currencies.

The correspondent network of CCB Plc is subject to constant optimization, with the aim of effecting the payments as quickly as possible, without any problems and under the best financial conditions for the clients. Since February 2010 CCB Plc is a direct member of Target 2 via the Bulgarian National Bank.

Credit lines

In the period 2005-2016 CCB Plc concluded two syndicated loans, several trade finance transactions and a short-term bilateral loan, which made it possible for the Bank to obtain foreign financing at good interest levels. Considering the good liquidity of the Bank at the moment we do not use these sources. In spite of that, upon an upward development of the economy and a need of liquidity, the Bank has experience and may obtain foreign financing from its partners.

There are effective credit lines for confirming small documentary operations with Raiffeisen Bank International AG, Austria and UniCredito Italiano, Italy. Along with that CCB Plc develops and streamlines its relationships in other fields of banking, working with banks such as: KBC Bank NV, Brussels; Unicredit Bank Austria AG, Vienna; Danske Bank, Copenhagen; BAWAG P.S.K., Vienna; Landesbank Berlin, Germany; Oberbank, Austria, etc.

CCB Cyprus branch

In December 2005 the Bank obtained a banking license, issued by the Central Bank of Cyprus, by virtue of which the Bank is authorized to perform banking operations as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Banking Law. The Branch started its banking activities on the territory of Cyprus on 1 September 2007. One of the main purposes of opening the first branch of the Bank overseas, apart from going abroad, is to grasp the big Bulgarian community that lives and works on the island. Unofficial sources inform that there are more than 30 000 Bulgarians in Cyprus at present. CCB Plc is a long established bank with traditions, expertise and extremely good reputation and Bulgarians have complete trust in it.

The core competence of the Bank is retail banking. The Cyprus Branch offers maintaining and transactions on current and deposit accounts in Euro, USD and BGN, transferring funds from the Cyprus branch to the rest of the 271 locations in Bulgaria at the most favourable rate on the island, granting of both consumer and mortgage loans to physical and legal persons, debit and credit cards, payment of consumables in Bulgaria, payment to numerous suppliers of a variety of services in Bulgaria, Internet banking facilities, cash in Bulgarian leva and others.

The Branch joined the local payment system JCC Transfer, as well as the check clearing house in Cyprus, which allowed a broader assortment of services. Moreover, the wish of numerous clients who would like to deposit their salaries into their accounts is a reality.

All staff are highly educated and speaking several languages, amongst which are Bulgarian, Greek, English, Russian and Persian. Two of the staff have previous experience in serving the Cyprus International Business Companies, which increases the array of offered services.

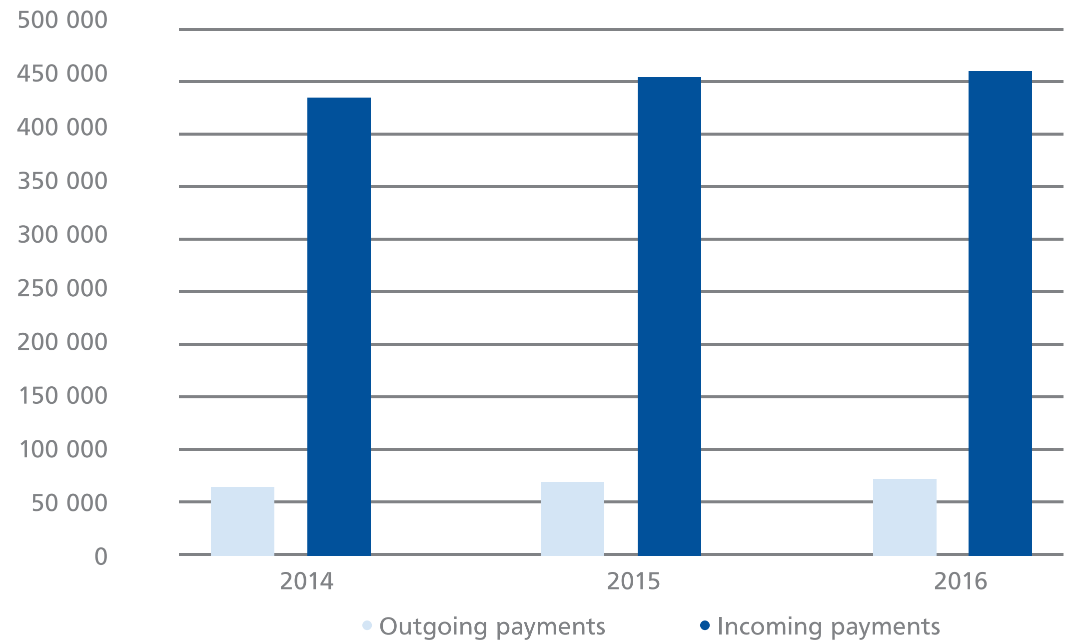
Last but not least, the Cyprus Branch is conveniently located at the main artery of Nicosia – Makarios Avenue, which facilitates the clients, arriving from other towns and villages in Cyprus.

INTERNATIONAL PAYMENTS

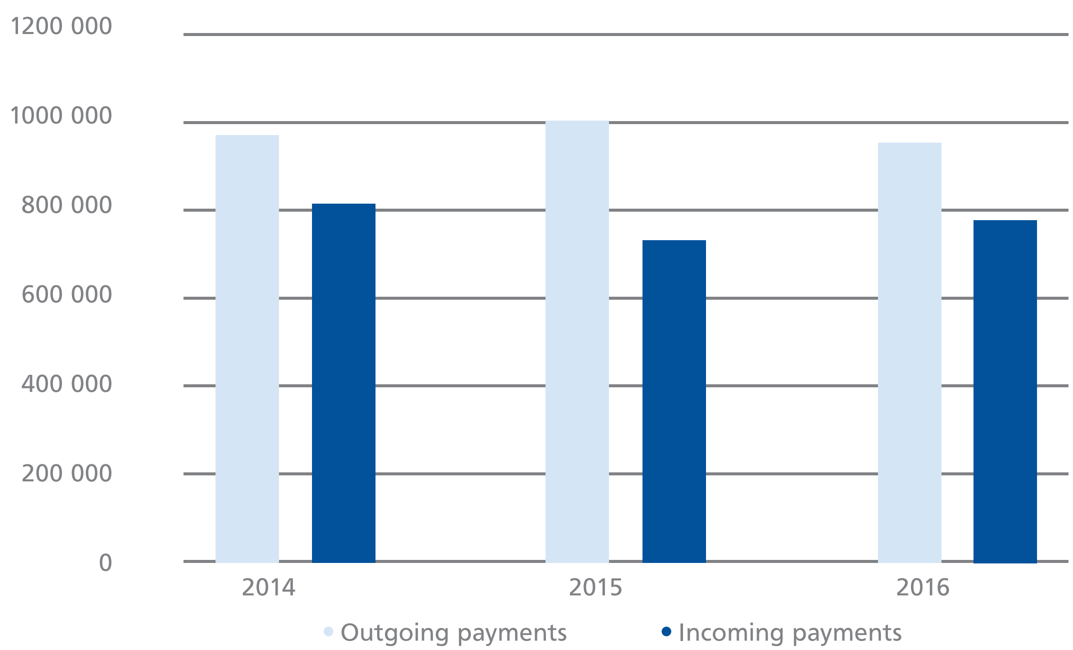
With its well-developed branch network and correspondent relations CCB Plc carries out payments all over the world. The Bank is a member of SWIFT since 1994, an indirect member of EBA STEP2 SCT, a direct member of TARGET2 and since 2003 it is a member of the Western Union fast money transfer company. All these preconditions allow CCB Plc to effect high quality payments for its clients.

In the last three years there has been a clear tendency of an increase in the number of the transactions of the customer cross-border transfers in all forms of payment – concerning the incoming and outgoing transactions. For the same period the volumes of these transactions remain stable, whereas the income from transaction banking remains a permanent and stable source of income for the Bank in the crisis and after that.

Number of the incoming and the outgoing wire transfers in foreign exchange for the period 2014 – 2016



Volume of the incoming and the outgoing wire transfers in foreign exchange for the period 2014 – 2016 (in thousand USD)

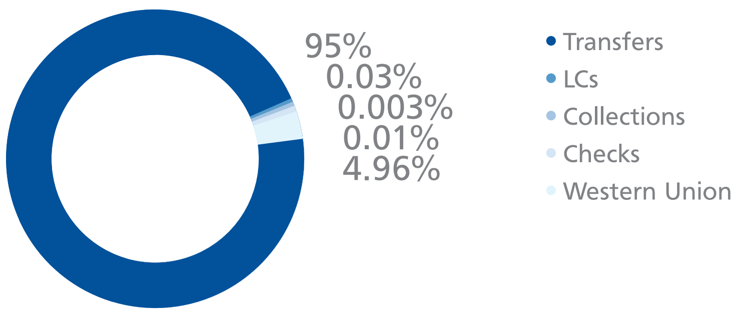


For the whole year 2016, Central Cooperative Bank Plc distinguished itself with the exceptional quality of international payments, ranking among the market leaders in terms of straight through processing rate (STP).

Central Cooperative Bank Plc offers to its clients the main types of payments, known in the bank practice. A major share belongs to the clean payments, which have the greatest portion in the incoming and outgoing payments.

The breakdown of the types of payments (without the card transactions) may be seen in the following diagram:

Customer payments in foreign exchange in 2016 - allocation according to forms of payment



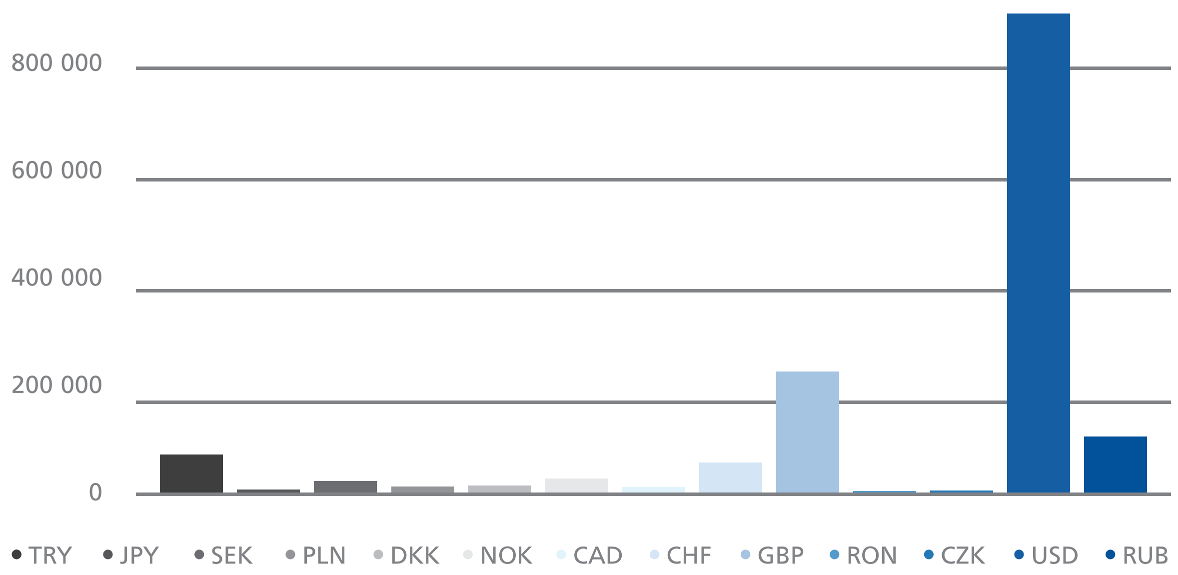
FINANCIAL MARKETS

In 2016 financial markets continued to be one of the important segments in the activity of CCB Plc. The Bank affirmed its position as one of the most active banks on the interbank FX market and banknote trade. Being a primary dealer of government securities on the domestic primary market, CCB Plc. effects transactions on its behalf and at its expense and also at the expense of its clients. It maintains excellent relationships with first class foreign banks and places a huge amount of deposits on the Bulgarian and the international markets.

Foreign exchange

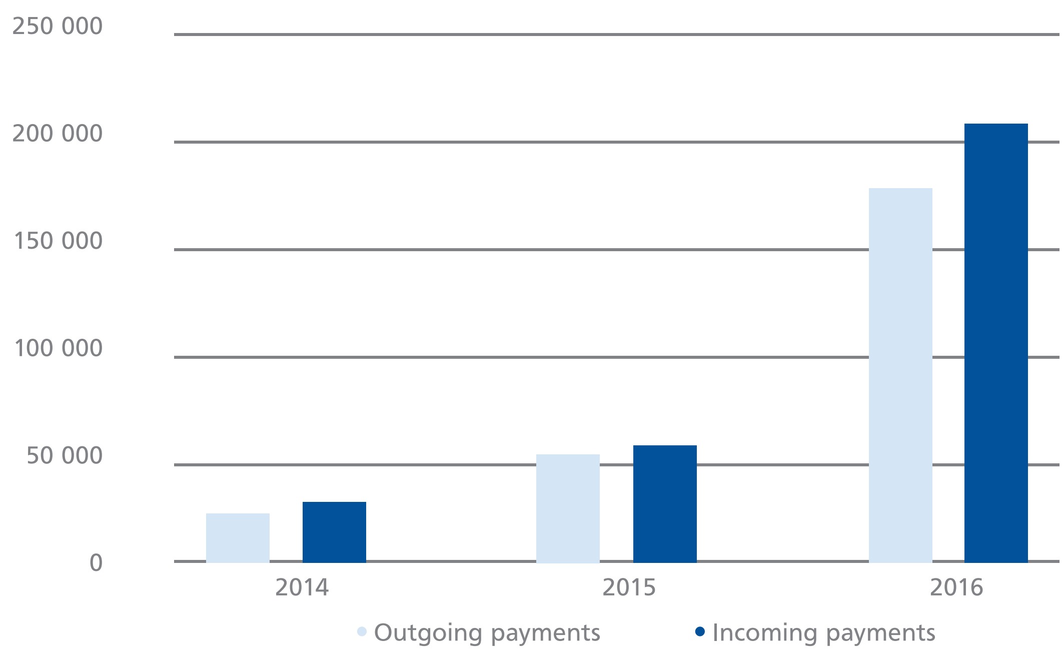
In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, derivatives, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2016 CCB Plc continued to use the full capacity of its trading lines, provided by leading financial institutions such as KBC Bank, Brussels, Deutsche Bank AG, Germany, WGZ, Germany, RZB, Austria and Danske Bank, Denmark. The Bank has ISDA agreements with leading European financial institutions such as KBC Bank, Brussels, RZB, Austria and WGZ, Germany, which make it possible for the Bank to provide a wider spectrum of services to its clients.

Transactions on the FX markets (in thousand EUR)

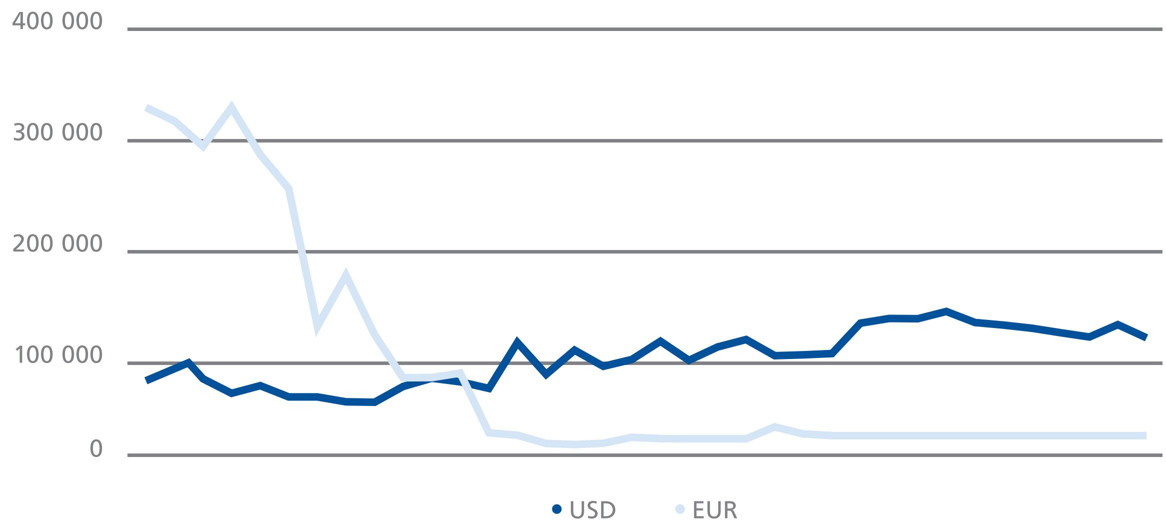


The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts for margin trade. These lines allow the Bank to conclude speculative transactions at its expense upon limited risk.

Volume of the transactions on the FX Market average per month (in thousand EUR)



Volume of the placed interbank deposits from January 2014 to December 2016 (in thousand EUR and USD)



Securities

In 2016 CCB Plc continued to actively participate in the primary and secondary market of government securities. In the commerce with government securities of leading importance to the Bank was the acquisition of securities at higher yield, whereas income generating alternatives were sought. During last year the Bank increased its portfolio of securities. Besides the commerce with government securities, CCB Plc was active in the commerce with state bonds, issued by member countries of the European Union.

Capital markets

CCB Plc has a full license of an investment intermediary since 1997 and offers the following investment services:

- effecting orders for the purchase or sale of securities at the expense of clients or at its own expense;
- preparing prospectuses for initial public offering of securities;
- accepting securities issues.

INFORMATION TECHNOLOGY

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units to keep and extend the market share of the Bank in the country and abroad. In 2016 the Bank information technologies were concentrated on the following main aspects:

- Deploying the features of the centralized information system “AIS 2” used at CCB Plc, a development of “Datamax” AD. Using the advantages of “AIS 2”, the Bank offers to its customers complete bank servicing. From intrabank payments in BGN and foreign currency in real time, international payments, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange.
- CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 200 positions for Western Union transactions within the Bank information network.

- CCB Plc is a licensed agent of the EasyPay fast money transfer system, whereas in the information network of the Bank there are over 250 positions for working with EasyPay.
- CCB Plc is a registration operator of the Info notary universal electronic signatures system, whereas in the information network of the Bank there are over 250 positions for working with Info notary.
- CCB Plc is an operator of the system for loyal clients "CCB Club". In the system there are leading companies from various sectors of the country economy.
- Increasing the average accessibility of the information services via an automatisation of the processes for the services reserving.

PERSONNEL

CCB Plc human resource is the main pillar for effecting the Bank policy and strategy. At the same time via a proper selection, evaluation, qualification, payment and stimulation, the necessary staff is provided for the performance of tasks with regard to the bank's competitiveness. Considering the specifics of the business of CCB Plc, the requirements to the quality of the work of the employees are especially high with the aim of reaching the goals set by the Bank. The Bank management aims at creating the conditions for improving the quality of personnel, the personnel professional growing up and development. The ultimate goal is motivating qualified and loyal personnel, unsparing to the objectives of the institution.

As at 31.12.2016 the Bank branches of CCB Plc are 48, including a foreign branch in Cyprus. The Bank representative offices and outlets are 258, compared to 245 as at 31.12.2015.

The total staff number of CCB Plc as at 31.12.2016 is 2316 people, including 482 security guards. In 2015 the total staff number is 2264 people, including 489 security guards.

In 2016 the staff of the head-office of the Bank is 890 employees, including 482 security guards.

The Bank employees at the head-office in 2015 are 889 people, including 489 security guards.

At at 31.12.2016 the total number of the employees /without the security guards/ at the head-office and the branches is 1834 people.

In 2016 at the bank branches there are 1426 employees, compared to 1385 employees in 2015.

The management takes permanent care of the staff number and structure. There are mainly young experts at the Bank with the necessary education and linguistic competence.

Within the Bank in 2016 the employees at the age up to 40 years old are 906 people (without the security guards) or 49 % of the total number (without the security guards). These are the employees at the most vital and creative age and with a certain potential for results in work, also employees, working directly with clients of the Bank, for whom care and efforts are rendered for their motivation for future work at the Bank.

The employees /without the security guards, cleaners, drivers and kitchen workers/ with bank work experience up to 5 years are 315 people or 17.44%. These are mainly employees, servicing clients and cashiers.

As at 31.12.2016 the employees with work experience 5-15 years in the bank system are 1046 people /without security guards, cleaners, drivers and kitchen workers/ or 57.92% of all employees, compared to 1056 in 2015. These are mainly management staff at the head-office and the branches, employees of the head-office with methodological functions, managers and sales experts, loan officers, heads front office and other employees with high bank qualification at the branches.

In 2016 the employees with work experience above 15 years in the bank system are 445 employees or 24,64 % of the total bank staff.

CCB Plc pays special attention to the education of employees. The share of the employees /security guards, cleaners, drivers and kitchen workers/ with university education in all its degrees is especially big – 1305 people or 72.25 %. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates.

The financial stimulus is dominant in creating and maintaining the interest and motivation of employees. With determining the remuneration at CCB Plc we aim at reaching even better relationship between the labor results and the individual remuneration and stimulate the initiative and the ideas of employees, reach better technological and employment discipline, as well as responsibility in the performance of their work functions. The main aspects in determining the employment remuneration consist of the objective evaluation of the labor of employees and determining their individual work salaries.

The long-term Concept for Training and Development of the Bank Personnel is the basis for carrying out the training and qualification of employees. On that grounds we developed a Program for Training and Qualifying Employees within the Bank System for 2016, with the following emphasis: loan operations and credit risk, retail banking, international payments, money markets and securities; information technologies, client servicing, sales skills, etc.

In 2016 special attention was devoted to training with the collaboration of the International Banking Institute, different centres for qualification and training of staff, as well as other Bulgarian and international institutions. The Bank employees participated in many international conferences and courses in our country and abroad with regard to the new requirements of the European Union in the field of banking.

BRANCH NETWORK

During last year, via the huge branch network, CCB Plc managed to offer competitive financial products and services to its clients, not only in Bulgaria, but also in Cyprus. In 2016 the Bank put an emphasis on increasing the efficiency and functionality of the built up network, the good servicing of its clients and an easy access to the array of products.

Via its branch network the Bank aims to be at the disposal of its clients to a maximum extent, to be able to provide to them convenient, quick and quality servicing.

Structural units	31.12.2016	31.12.2015	31.12.2014
Bank locations	306	294	277

The Bank in the future

Central Cooperative Bank Plc has always endeavored to increase the number of its clients via maintaining an optimum level of risk and excellent financial results.

The goals of the Bank for the future are:

- Increasing the total assets of the Bank, respectively the market share.
- Development and streamlining the control systems and the systems harmonization with the changes in the BNB regulations.
- Developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products.
- Streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing.
- Optimizing the branch network of the Bank.
- Deploying the positions in retail banking. Increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans.
- Deploying the operations with debit and credit cards. Profiting from the full membership and the accepting rights in the two card associations – Mastercard and Visa International. Optimizing the Bank network of POS devices and ATM. Defending the third place in the card business.
- Profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank.

- Offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU.
- Deploying the volume of the loan portfolio of SMEs.
- Attracting the servicing of new budgetary and municipal structures and establishments.
- Development of the subsidiary banks in the Republic of Macedonia and Russia.
- Increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

FINANCIAL REVIEW FOR 2016

MARKET SHARE AND POSITION OF CCB PLC*

According to the classification of BNB, Bulgarian banks are divided into three groups in terms of the amount of the assets: the first group includes the first five banks with the biggest total assets, the second group includes the next 19 banks, and the third group includes the branches of the foreign banks in Bulgaria. At the end of 2016 in terms of total assets CCB Plc occupies the 8th place among all banks, operating on the territory of Bulgaria.

As at 31.12.2016 the total assets of the banking system in Bulgaria are BGN 92,094,979 thousand, whereas the total assets of CCB Plc are BGN 4,970,131 thousand respectively.

The table below presents the main financial highlights of CCB Plc:

Ratio	CCB Plc
Return On Average Equity /ROaE/	6.49%
Return On Average Assets /ROaA/	0.54%
Liquidity ratio	42.82%
Total capital adequacy ratio	15.63%
Tier I capital adequacy ratio	13.19%

Risk Management

The system for risk management has preventative functions to prevent losses and control the amount of losses and includes:

- policy for risk management;
- rules, methods and procedures for the evaluation and management of the risks;
- organizational structure for risk management;
- parameters and limits for making transactions and operations;
- procedures for reporting, evaluation, information and subsequent control of the risks.

The main principles within the policy of Central Cooperative Bank Plc for risk management are:

- the principle of sharing responsibilities among those who assume risk and those who manage risk;
- the precautionary principle, which assumes the reporting of the simultaneous occurrence of the most unfavourable case for each of the risk weighted assets;
- the principle of managing risk at the source.

The organizational structure for risk management is centralized and has been structured according to the levels of competence as follows:

- **Management Board** – determines the acceptable levels of risk of the Bank within the adopted strategy for development.
- **Specialised collective authorities** – affirm the frameworks and parameters of the bank activity in risk management.
- **Executive Directors and Procurator** – control the process of approval and implementation of adequate policies and procedures within the Strategy for risk management, adopted by the Bank.
- **Directors of the structural units at the bank** – apply the adopted policy for risk management in organizing the activity of the respective organizational units.

Risk concerns the probability for the factual revenues of a given investment not to correspond to the expected revenues. The specifics of the banking necessitate the implementation of adequate systems for the timely identification and management of the various types of risk. Of special significance are the procedures for managing the risks, the mechanisms for maintaining risks in acceptable boundaries, via an evaluation of the external and internal environment, optimum liquidity, diversification of the portfolio, profitability of the operations. In the activity associated with risk management, CCB Plc applies the new agreement Basel II with the principally new requirements for the management of credit risk and the capital coverage of operational risk.

Credit risk – the probability for the counterparty or borrower not to be able to perform the assumed commitments under contracts with the bank under the conditions and terms specified in the contracts. Detailed procedures are applied in the process of lending concerning the analysis of the economic soundness of each project, the type of collateral, acceptable to the Bank, control over the use of the advanced funds and the associated administration. Every month the Bank makes an evaluation of the risk exposure, stemming from the loan portfolio, classifying and making provisions for loans in the portfolio, according to the requirements of Ordinance № 9 of BNB. The big loan exposures under Ordinance № 7 of BNB are subject to constant supervision and reporting. The Bank has adopted and follows the compliance of limits for credit exposure according to regions and branches. The above limits aim at limiting the concentration of the loan portfolio in one or another region and branch, which could lead to an increased credit risk.

Liquidity risk – the probability of a difficulty in the payments due to a mismatch in time of the incoming and outgoing cash flows. The Bank manages its assets and liabilities in a way, which guarantees to it that it can regularly and without any delay perform its everyday commitments, in the normal banking environment and in the conditions of a crisis.

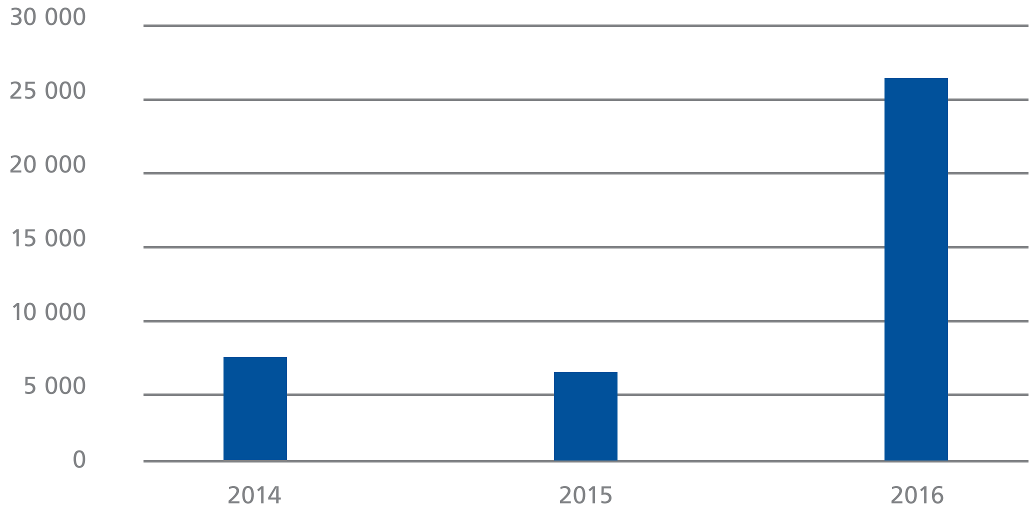
Market risk – the probability of the occurrence of a loss for the Bank as a result of the unfavorable change of the exchange rates, market prices and interest rates;

Operational risk – the probability of direct or indirect losses, stemming from the inadequate functioning or termination of the activity of the processes, systems or staff, internal to the Bank.

INCOME STATEMENT

In 2016 the net profit of Central Cooperative Bank Plc amounts to BGN 26,598 thousand. In 2015 an audited net profit to the amount of BGN 6,704 thousand was realized.

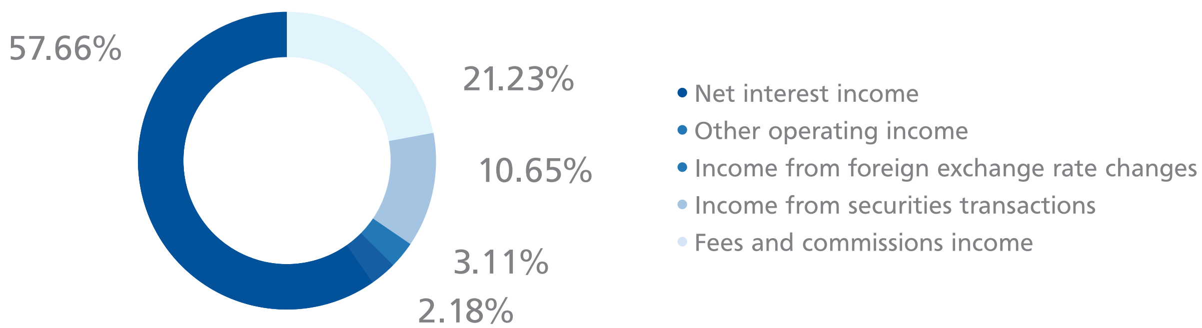
Net profit



The financial indicators for return on average equity and the return on average assets are 6.49% and 0.54% respectively. The total capital adequacy of the Bank is 15.63%.

In 2016 the net interest income of CCB Plc remains the main source of income, whereas it increases compared to the previous year to BGN 110,304 thousand. The share of the net interest income in total income is 57.66%. The fees and commissions income has a share of 21.23% in total income, followed by income from securities transactions with a share of 10.65%. The other operating income to the amount of 2.18% includes income from dividend, cession contracts, the sale of fixed tangible assets, etc.

Income breakdown



The interest expenses in 2016 are to the amount of BGN 39,836 thousand, compared to their amount of BGN 75,817 thousand in 2015. The decrease of these expenses amounts to -47 %. The net fees and commissions income increase by 8% compared to 2015 and reach BGN 43,336 thousand.

At the end of 2016 there is an increase in the realized net profit from transactions in securities and the net profit from FX changes, to the amount of BGN 20,367 thousand and BGN 5,955 thousand respectively.

The operating expenses of CCB Plc in 2016 increase by 4.13 % compared to their level at the end of 2015 and reach the absolute value of BGN 117,834 thousand.

The ratio operating expenses / total income increases to 64 % compared to 75.51 % in 2015.

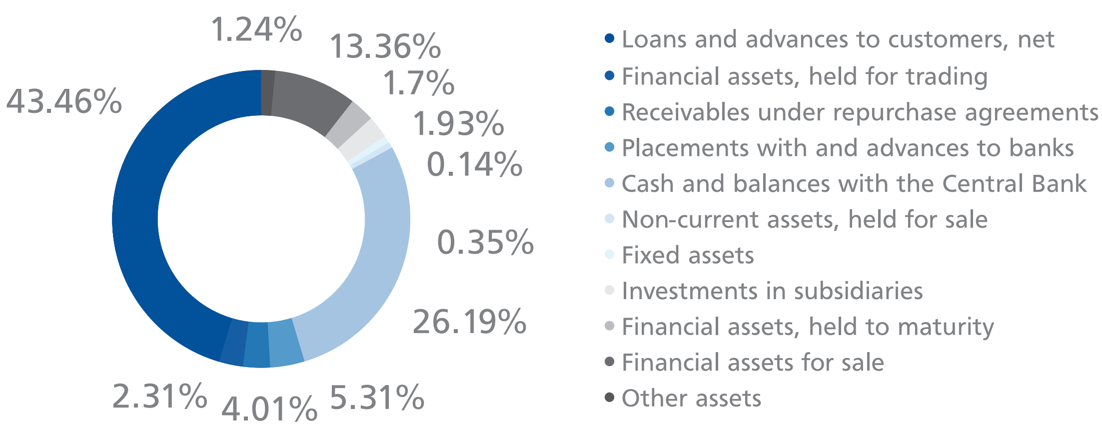
AN ANALYSIS OF THE ASSETS AND LIABILITIES

Assets

As at 31 December 2016 the book value of the assets of CCB Plc is BGN 4,970,131 thousand, whereas a year earlier they amount to BGN 4,643,468 thousand. Compared to 31 December 2015 the assets increase by BGN 326,663 thousand or 7 %.

The assets breakdown during last year has been reflected in the table below:

Assets breakdown

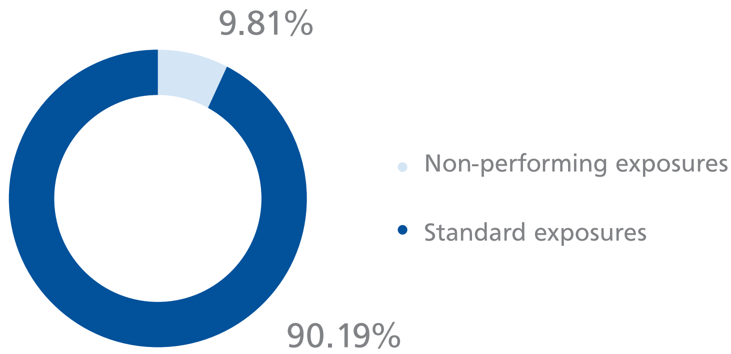


The cash and balances with BNB amount to BGN 1,301,490 thousand and are 26.19 % of total assets, compared to 19.56 % in 2015. The funds with first-class banks, correspondent accounts and short-term deposits have a weight of 5.31 % of the Bank assets, compared to 4.39 % a year earlier.

The investments in securities, including government securities, corporate bonds, shares and compensation instruments are an instrument for improving the profitability of the Bank. Their amount has 15.68 % of total assets, compared to 23.18 % in 2015. Central Cooperative Bank Plc maintains a diversified portfolio, the main purpose of which is increasing the gains and profits from the traded securities, as well as the provision of a high degree of liquidity.

The greatest share in total assets have the loans and advances granted to clients. As at 31.12.2016 the loan portfolio of the Bank amounts to BGN 2,160,083 thousand, compared to BGN 2,087,078 thousand one year earlier. In 2016 total loans have 43.46 % of the assets, whereas a year earlier they amount to 44.95% of total assets. The Bank constantly aims at improving its market positions in retail banking, as well as financing SMEs.

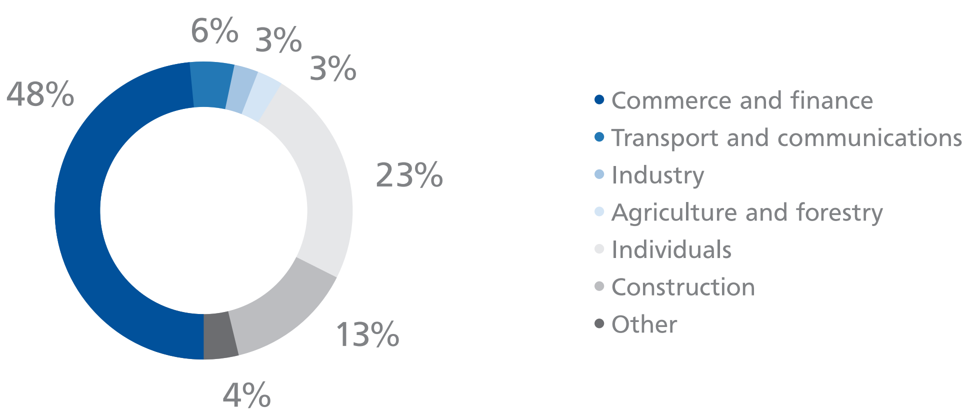
Breakdown of the loan portfolio according to the classification of credit risk



According to the type of currency, in which they are granted, the gross loans and advances to clients as at 31.12.2016 are: 57.01% in BGN, and 42.99% in foreign exchange, whereas according to the type of the client: 77.43% are loans to companies and 22.57 % are loans to the population. The quality of the loan portfolio is very good, the regular exposures are 90.19 %, and the non-performing exposures have a share of 9.81%.

CCB Plc grants loans to clients from various sectors of the economy. Almost one half of the gross loans are in commerce and finance. They have 48 % of the total portfolio, followed by the loans to individuals – 23%. As at 31.12.2016 the breakdown of the loan exposures according to branches has been reflected in the table below, as follows:

Breakdown of the loans according to branches



Liabilities

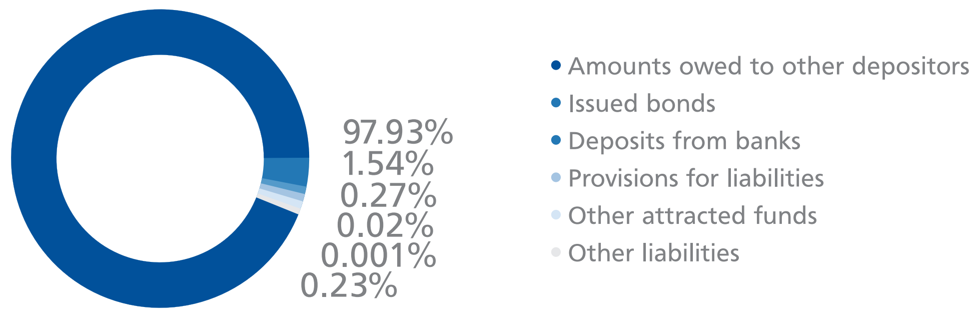
CCB Plc maintains a stable structure of the attracted funds, which allows it not to be dependent on external financing.

As at 31.12.2016 the total liabilities of CCB Plc are BGN 4,551,575 thousand. They have 92 % of the total liabilities, whereas their increase compared to the previous year is by 6.76%.

The main source of attracted funds for CCB Plc are the attracted funds from other depositors – individuals, companies and other institutions. Their amount reaches BGN 4,457,515 thousand, which is 97.93% of the total liabilities. Compared to 2015 they are BGN 4,166,847 thousand or there is an increase by 6.98%.

The breakdown of the Bank liabilities has been illustrated in the following graph:

Liabilities breakdown

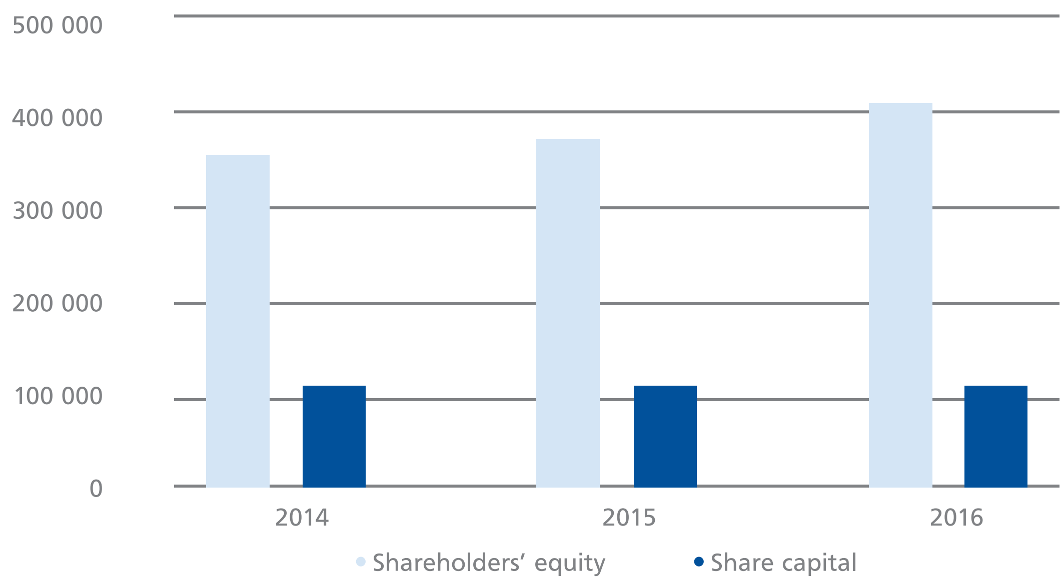


The considerable share of the funds attracted from the population is an important and stable source for the Bank. This is due to the strategy chosen by the Bank to concentrate on retail banking.

Shareholders' equity

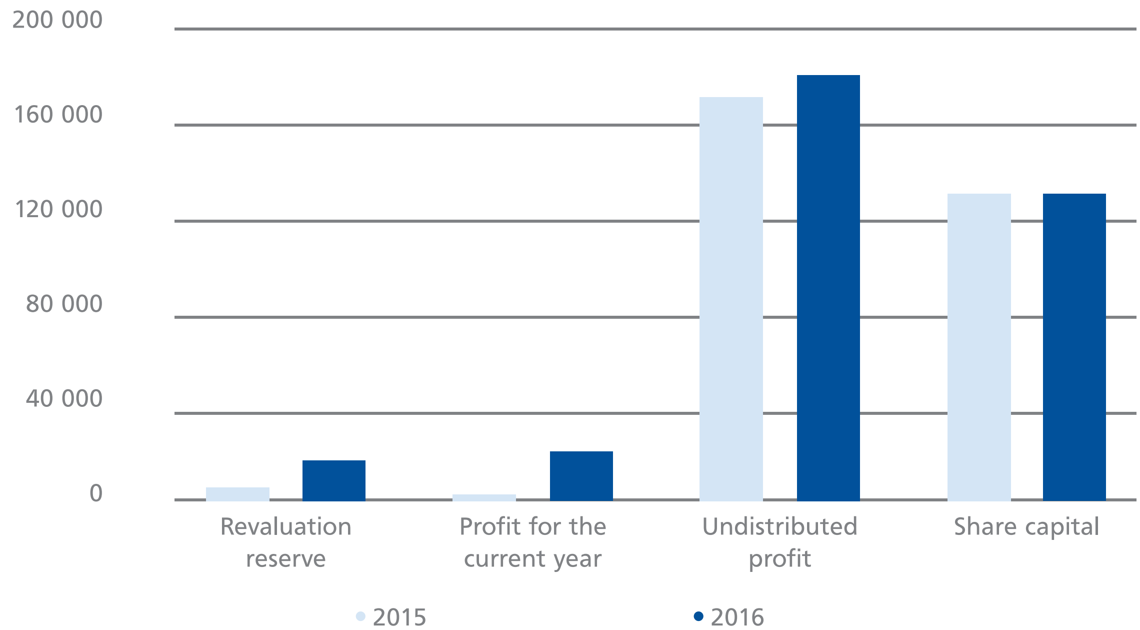
At the end of 2016 shareholders' equity of CCB Plc amounts to BGN 418,556 thousand. The increase in shareholders' equity compared to the previous year is 10.17 % and is mostly the result of the capitalized profit and the increased reserves. As at 31 December 2016 the issued, called and paid in share capital of the Bank consists of 113,154,291 ordinary voting shares, with a nominal value of BGN 1 for each share. The net profit in 2016 is to the amount of BGN 26,598 thousand, whereas at the end of 2015 it was BGN 6,704 thousand.

Increase in shareholders' equity and share capital



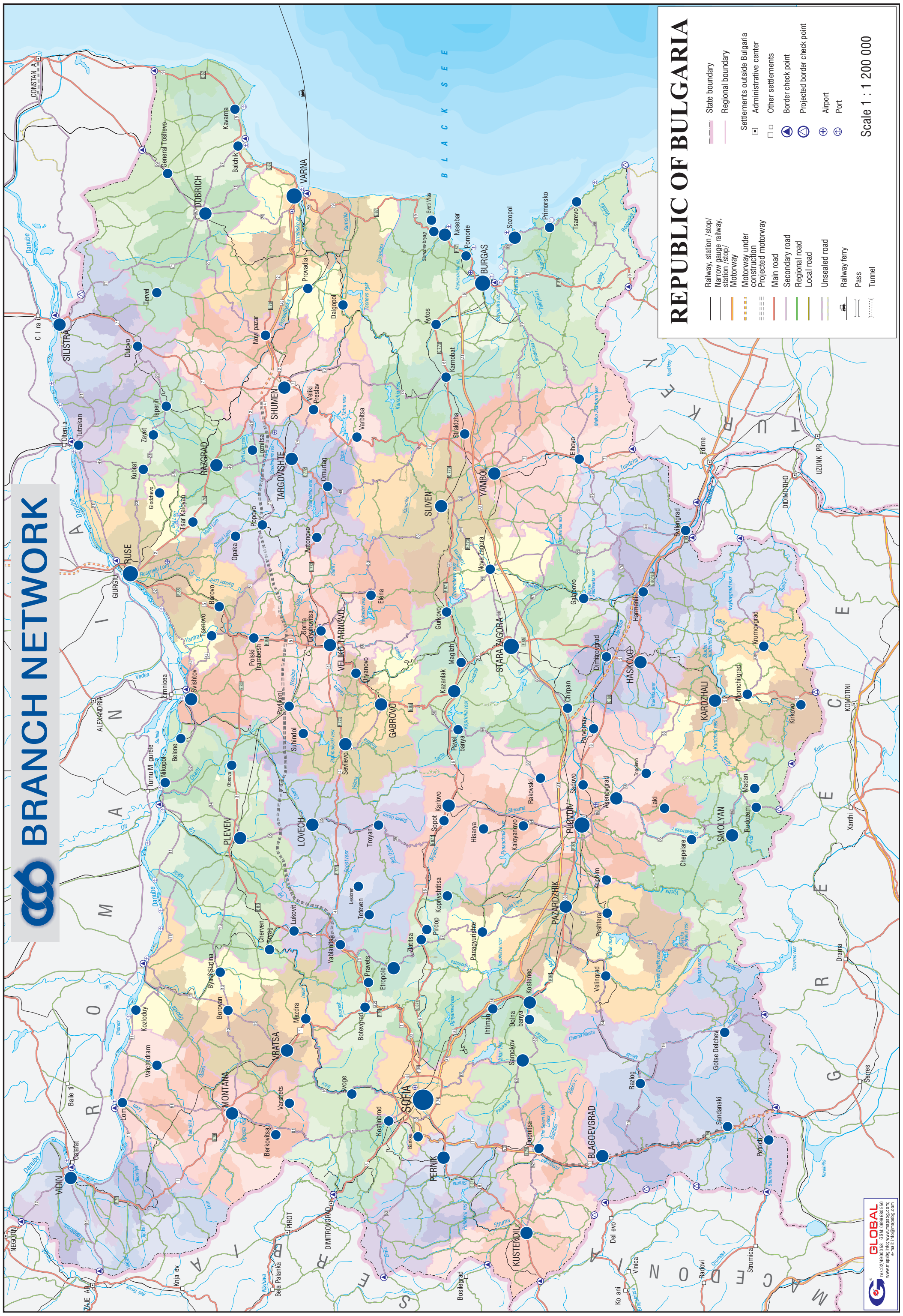
During this year the Bank continues its present policy via capitalization of the profits to assist the capital increase and its assets.

Shareholders' equity



Central Cooperative Bank Plc is a public company, the share of which are traded on the Bulgarian Stock Exchange since March 1999.

APPENDIX N°1: BRANCH NETWORK



APPENDIX N°2: NOSTRO ACCOUNTS

Bank	BIC	Currency	Account N°
KBC Bank NV, Brussels	KREDBEBB	EUR	488-5918232-05
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	EUR	100 9233560 0000
UniCredit SPA, Milan	UNCRITMM	EUR	0995 172
Raiffeisen Bank International AG, Vienna	RZBAATWW	EUR	000-50.098.938
Central Cooperative Bank AD Skopje	CECBMK22	EUR	MK07320910030300287
Deutsche Bank Trust Company Americas, New York	BKTRUS33	USD	04164299
KBC Bank NV, Brussels	KREDBEBB	CHF	488-5921128-88CHF
PostFinance AG, Berne, Switzerland	POFICHBE	CHF	91-160-3
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF (via DEUTGB2L)	GBP	100 9233560-00-GBP
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	CAD	100 9233560 00
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
Skandinaviska Enskilda Banken AB (Publ), Stock-holm	ESSESESS	SEK	52018518488
DnB NOR Bank ASA, Oslo	DNBANOKK	NOK	7001.02.05172
Sumitomo Mitsui Banking Corporation, Tokyo	SMBCJPJT	JPY	4280
PKO BANK POLSKI SA	BPKOPLPW	PLN	PL09102000161201110000005877
Central Cooperative Bank AD Skopje	CECBMK22	MKD	BBAN
T.C. ZIRAAT BANKASI A.S., Ankara	TCZBTR2A	TRY	99902050-5001
Raiffeisen Bank SA, Bucharest, Romania	RZBRROBU	RON	RO26RZBR8000000202309461
Ceskoslovenska Obchodni Banka A.S.	CEKOCZPP	CZK	266154453
JSC IC Bank	CECBRU2K	RUB	30111810000000000001

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CENTRAL COOPERATIVE BANK AD

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Central Cooperative Bank AD (the “Bank”), which comprise the separate statement of financial position as at December 31, 2016, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union (“EU”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the separate financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans granted to customers The valuation of loans granted to customers depends on the credit risk associated to the borrower. When there is objective evidence that a loan may not be fully recovered in accordance with the contractual terms, the credit risk and the loan valuation is assessed individually. In determining the necessary allowances, management applies judgment regarding the factors it considers relevant. These factors include the financial condition of the borrower, the realization period and value of collateral, the expected cash flows for servicing the loan, the economic environment, and the past experience in respect to overdue loans. The Bank records allowances for uncollectability of loans granted to customers in accordance with IFRS. The balance of the allowances for impairment and uncollectability of loans and receivables amounts to BGN 90,937 thousand as of December 31, 2016, as disclosed in note 8 to the accompanied separate financial statements. Due to the significance of the valuation of loans to customers for the separate financial statements, and due to the fact that the assumptions in determining the allowances for uncollectability by definition include significant estimates, we identified impairment calculation for loans as a key audit matter.	During our audit we obtained understanding of the processes for calculation of impairment of loans, applied by the Bank. We assessed the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such way as to be able to address the risks of material misstatement in this area. Out audit procedures were focused on the following: We evaluated the design and implementation of controls in the provisioning process, as well as their operating effectiveness. This served as a basis in designing the nature, timing and extent of our further audit procedures. In determining the samples for our detailed substantive procedures, we analysed the Bank's loan portfolio in order to determine the exposures on which our procedures were focused. We performed detailed substantive procedures in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for impairment should be recorded. We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank. We analysed the financial condition of the borrowers and enquired about any breaches of contracts and/or changes from the original terms and conditions of the contract. We have considered the impact of the current economic conditions, the valuation of assets held as collateral, and other factors that may affect the recoverability of loans included in our sample.

Information Other than the separate financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report on activities and the corporate governance statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Independent Financial Audit Act and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Independent Financial Audit Act and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the separate financial statements and Auditor's Report Thereon", with respect to the annual report on activities and the corporate governance statement, we have also performed the procedures required by the Guidelines of the Professional Organization of Chartered Accountants and Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA), issued on November 29, 2016. These procedures include tests over the form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 4, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed during our audit and as a result of the acquired knowledge and understanding of the Bank and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Bank's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10 , paragraph 1, letter "c", "d", "e", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional reporting in relation to the audit of the separate financial statements under Art 100m, para 4, p. 3 of the Public Offering of Securities Act

Reporting in relation to Art 100m, para 4, p. 3, l. "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 38 to the accompanying separate financial statements. Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended December 31, 2016, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Reporting in relation to Art 100m, para 4, p. 3, l. "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements described in section "Auditor's Responsibilities for the Audit of the separate financial statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended December 31, 2016, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.

Deloitte Audit OOD

Deloitte Audit

Assen Dimov
Statutory manager
Registered Auditor

Sofia
March 31, 2017

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

CENTRAL COOPERATIVE BANK AD

ANNUAL SEPARATE REPORT ON THE ACTIVITIES, INDEPENDENT AUDITOR’S REPORT, AND ANNUAL SEPARATE FINANCIAL STATEMENTS

DECEMBER 31, 2016

SEPARATE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

ASSETS	Note	As of 31.12.2016	As of 31.12.2015
Cash and balances with the Central Bank	4	1,301,490	908,317
Placements with and advances to banks	5	263,847	204,009
Receivables under repurchase agreements	6	199,258	152,448
Financial assets held for trading	7	115,047	202,666
Loans and advances to customers, net	8	2,160,083	2,087,078
Other assets	9	61,801	53,953
Financial assets available for sale	10	664,189	227,520
Financial assets held to maturity	11	-	646,342
Investments in subsidiaries	12	84,333	59,788
Property, plant, and equipment	13	96,044	98,810
Investment properties	14	17,222	-
Non-current assets held for sale	15	6,817	2,537
TOTAL ASSETS		**4,970,131**	**4,643,468**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	16	12,451	9,282
Liabilities under securities repurchase agreements	17	-	9,000
Amounts owed to other depositors	18	4,457,515	4,166,847
Funds from other sources	19	39	105
Issued bonds	20	70,126	70,055
Provisions for liabilities	21	1,034	-
Other liabilities	22	10,410	8,261
TOTAL LIABILITIES		**4,551,575**	**4,263,550**
SHAREHOLDERS' EQUITY			
Issued capital	23.1	113,154	113,154
Premium reserve		79,444	79,444
Reserves, including retained earnings	23.2	178,461	171,757
Revaluation reserves	23.3	20,899	8,859
Current year profit		26,598	6,704
TOTAL SHAREHOLDERS' EQUITY		418,556	379,918
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**4,970,131**	**4,643,468**
Contingent liabilities	33	174,810	197,883

*These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 30, 2017 by:

Gerogi Kostov	**George Konstantinov**	**Sava Stoynov**	**Tihomir Atanassov**
Executive Director	Executive Director	Executive Director	Procurator

The accompanying notes are an integral part of these separate financial statements.

	Note	Year ended 31.12.2016	Year ended 31.12.2015
Interest income	24	150,140	153,907
Interest expenses	24	(39,836)	(75,817)
Net interest income		110,304	78,090
Fees and commissions income	25	50,497	46,909
Fees and commissions expense	25	(7,161)	(6,882)
Net fees and commissions income		43,336	40,027
Gains from transactions with securities, net	26	20,367	16,321
Foreign exchange rate gains, net	27	5,955	3,996
Other operating income, net	28	4,167	11,428
Operating expenses	29	(117,834)	(113,165)
Provisions		(1,034)	-
Impairment and uncollectability expense, net	**30**	(34,640)	(28,271)
Profit for the period before taxes		30,621	8,426
Taxes	31	(4,023)	(1,722)
PROFIT FOR THE PERIOD		**26,598**	**6,704**
Earnings per share (in BGN)	32	0.24	0.06
Revaluation of financial assets available for sale		12,040	9,764
Other comprehensive income after taxes		12,040	9,764
TOTAL COMPREHENSIVE INCOME AFTER TAXES		**38,638**	**16,468**

*These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 30, 2017 by:

Gerogi Kostov
Executive Director

George Konstantinov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

The accompanying notes are an integral part of these separate financial statements.

	Year ended 31.12.2016	Year ended 31.12.2015
Cash flows from operating activities:		
Profit before taxes	30,621	8,426
Depreciation and amortization	9,306	6,777
Income tax paid	(240)	(720)
Unrealized (gain) from revaluation of securities held for trading	(6,201)	(8,519)
Increase of provisions for liabilities and loans impairment allowances	35,674	28,271
Net cash flows before working capital changes	69,160	34,235
Change in operating assets:		
(Increase) in placements with, and advances to, banks with maturity above 90 days	(6,598)	(6,682)
Decrease / (increase) in receivables under repurchase agreements	(46,810)	3,753
Decrease in financial assets held for trading	93,820	10,868
(Increase) in loans and advances to customers	(107,614)	(301,218)
(Increase)/decrease in other assets	(7,642)	9,387
(Increase) in non-current assets available for sale	(4,280)	(2,184)
	(79,124)	(286,076)
Change in operating liabilities:		
(Decrease) / increase in deposits from banks	2,778	(12,006)
Increase/ (Decrease) in liabilities under repurchase agreements of securities	(9,000)	9,000
Increase in liabilities to other depositors	290,914	449,997
(Decrease) in other attracted funds	(66)	(66)
Increase/(Decrease) In other liabilities	2,234	(715)
	286,860	446,210
Cash flows from investing activities:	276,896	194,369
Acquisitions of property, plant, and equipment, net		
Cash flows from investing activities:	(6,025)	(30,423)
(Acquisitions) of property, plant, and equipment, net	(17,737)	-
(Acquisition) of investment property	(28,470)	16,869
Sale/ (acquisitions) of financial assets available for sale, net	221,678	(463,459)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	169,446	(477,013)
Cash flows from financing activities: Increase of issued bonds	71	109
NET CASH FLOWS FROM FINANCING ACTIVITIES	71	109
(DEREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS, NET	446,413	(282,535)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (Note 34)	1,102,710	1,385,245
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 34)	1,549,123	1,102,710

*These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 30, 2017 by:

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Executive Director

George Konstantinov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

The accompanying notes are an integral part of these separate financial statements.

	Issued capital	Premium reserve	Reserves, including retained earnings	Revaluation reserves	Current year profit	TOTAL
BALANCE AS OF DECEMBER 31 2014	113,154	79,444	164,502	(905)	7,255	363,450
Transfer of net profit for the year ended 31 December 2014 to retained earnings	-	-	7,255	-	(7,255)	-
Net profit for the year ended 31 December 2015	-	-	-	-	6,704	6,704
Other comprehensive income for the year ended 31 December 2015	-	-	-	9,764	-	9,764
BALANCE AS OF 31 DECEMBER 2015	**113,154**	**79,444**	**171,757**	**8,859**	**6,704**	**379,918**
Transfer of net profit for the year ended 31 December 2015 to retained earnings	-	-	6,704	-	(6,704)	-
Net profit for the year ended 31 December 2016	-	-	-	-	26,598	26,598
Other comprehensive income for the year ended 31 December 2016	-	-	-	12,040	-	12,040
BALANCE AS OF 31 DECEMBER 2016	113,154	79,444	178,461	20,899	26,598	418,556

*These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 30, 2017 by:

Gerogi Kostov
Executive Director

George Konstantinov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

The accompanying notes are an integral part of these separate financial statements.

1. OPERATING POLICY

Central Cooperative Bank AD, Sofia (the "Bank"), UIC 831447150, was established in 1991. The Bank's activities and operations are governed by the Law on Banks and the regulations issued by the Bulgarian National Bank ("BNB"). The Bank currently operates under a banking license granted by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

In December 2005 the Bank obtained a bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks. The Bank started its banking activity on the territory of Cyprus in 2007.

The Bank is a public entity and is listed on the Bulgarian Stock Exchange, Sofia. The Bank is a member of the European Association of Cooperative Banks. The Bank has a primary dealer status for transactions with Bulgarian government securities.

As of 31 December 2016 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 47 branches and 258 remote offices throughout the country and one branch in the Republic of Cyprus

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

General framework for financial reporting

These financial statements are separate financial statements prepared for the year ended December 31, 2016. The amounts in the separate financial statements are stated in thousand Bulgarian levs (BGN'000).

These separate financial statements have been prepared for general purposes under the going concern principle. The separate financial statements have been prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Union (the "EU") and applicable in the Republic of Bulgaria.

The Bank controls the subsidiaries Central Cooperative Bank AD Skopje, the Republic of Macedonia and CCB Assets Management EAD, Sofia, Bulgaria and AO "IK Bank", Kazan, Republic of Tatarstan, Russian Federation.

According to the requirements of IFRS 10 „Consolidated financial statements," the Bank prepares also consolidated financial statements. The consolidated financial statements will be issued in April 2017.

The separate financial statements are prepared under the historical cost convention, modified by the revaluation to fair value of financial assets and liabilities held for trading, available for sale and all derivative contracts. Loans and receivables, and financial assets held to maturity are carried at amortized cost.

BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Changes in IFRS

Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank's financial statements.

BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Changes in IFRS (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

As at the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- IFRS 9 "Financial Instruments" - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The Bank expects the adoption of the new standard and amendments not to have a significant impact over the individual financial statement of the Bank in the period of their implementation excluding for:

- IFRS 9 published by The International Accounting Standards Board and adopted by the EU is mandatory for periods beginning on or after January 1, 2018.
- IFRS 9 "Financial Instruments", which replaces IAS 39 "Financial instruments: Recognition and Measurement contains general requirements with recognition and measurement, impairment, derecognition and recognition of hedges.

The Bank has started its preparation for implementation of IFRS 9.

The process of identification of the differences between currently used methods and the new requirements according to IFRS 9 regarding classification and measurement, impairment and recognition of hedges has been initiated.

Classification and measurement

IFRS 9 introducesя new approach for classification of financial assets based on the characteristics of cash flow and the business model. This new approach based only on principles replace the existing requirements based on rules.

With regards to this new approach, the Bank has planned to make a preliminary analysis of the business models and the contractual cash flows for the significant exposures in order to clarify which financial instruments will be measured at amortized cost, by fair value through profit or loss, and by fair value thorough other comprehensive income.

Hedge accounting

IFRS 9 introduces a different model for hedge accounting with enhanced disclosure of business risk management. The new model aligns the accounting treatment of business risk management, allowing the enterprises to represent better their operating activity in the financial reports.

Also, the users of financial statements will receive better information of risk management and the effect of hedge accounting on the financial statements.

BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Changes in IFRS (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

Impairment

IFRS 9 introduces new model of impairment based on expected loss which requires earlier recognition of credit loss. The expected credit loss of financial instruments must be recorded from its first recognition.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- Amendments to IFRS 15 "Revenue from Contracts with Customers" - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 40 "Investment Property" - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the separate financial statements of the Bank in the period of initial application.

3. ACCOUNTING POLICY

3.1 Scope and objective

The accounting policy comprises principles and basic assumptions, concepts, rules, practices, bases and procedures, adopted by management for reporting the activity of the Bank, and the preparation and presentation of the financial statements.

The purpose of the accounting policy is to provide the necessary organizational and methodological uniformity in the process of financial reporting of the Bank's activities, aimed at providing a true and fair presentation of the Bank's financial position and result of operations in the annual financial statements.

3.2 Major components of the accounting policy

3.2.1. Interest income and expenses

Interest income and expenses are recognized on a time proportion basis using the effective interest method, as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is amortized.

For loans granted by the Bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contractual interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contractual interest rate due to the nature of the contractual terms.

Interest earned as a result of holding trading securities or securities available for sale is reported as interest income. Interest income includes the amount of amortization of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing investment, the interest accrued as of the acquisition date is accounted for as interest receivable.

The Bank does not accrue any interest income on the balance sheet or in the income statement from receivables after change of their status to "court". After the date of classification to court status, interest income from court receivables is recognized on the balance sheet and in the income statement only in case of their payment.

3.2.2. Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognized when the service is performed or becomes due.

Commissions arising from foreign currency transactions are reported in the statement of comprehensive income on their receipt. Fees and commissions for granting and management of loans when considered to be part of the effective income are amortized during the loan term and are recognized as current financial income during the period by adjusting the effective interest income.

ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.3 Foreign currency transactions

Transactions denominated in foreign currency are converted into BGN at rates set by BNB for the transaction date. Receivables and liabilities denominated in foreign currency are converted into BGN as of the date of statement of financial position preparation at the exchange rates of BNB for the same date.

Net foreign exchange rate gains or losses, arising from translation at the rates of BNB as of the transaction date, are included in the statement of comprehensive income for the period, when they arise. The Bank carries out daily revaluation of all currency assets and liabilities and off-balance sheet positions at the official rate for the respective day, with the exception of non-monetary positions in foreign currency within the meaning of IAS 21, which are reported at exchange rate as of the transaction date. The net gains and losses, arising from revaluation of balance sheet currency positions, are reported in the statement of comprehensive income for the period, in which they arise.

As of 2002 the Bulgarian Lev is fixed to the Euro at the rate of EUR 1 = BGN 1.95583.

The exchange rates of USD and the Bulgarian Lev as of 31 December 2016 and 2015 are as follows:

December 31,2016	December 31,2015
USD 1 = BGN 1.85545	USD 1 = BGN 1.79007

3.2.4 Financial assets

Financial assets held for trading are acquired by the Bank with the purpose of generating income from short-term price or dealing margin fluctuations, or they are assets, included in a portfolio, for which a short-term profit realization is probable. These include discount and interest-bearing government securities held for trade, as well as corporate securities of financial and non-financial companies, in which the Bank does not have a controlling interest.

Financial assets available for sale are those financial assets, which are not held for trading, not held to maturity and are not loans and receivables, which have initially originated at the Bank. Financial assets available for sale include acquired interest-bearing government and corporate securities, as well as equity investments in financial and non-financial enterprises.

Financial assets held to maturity are assets with fixed payments and maturity, which the Bank has the intention and ability to hold to maturity, irrespective of the possibility to sell them upon arising of favourable conditions in the future. These assets consist of acquired interest-bearing government and corporate securities.

Loans and advances, originated initially by the Bank with a fixed maturity date, are financial assets, incurred by direct granting of funds or services with fixed maturity to certain customers.

Recognition

Financial assets are recognized only when the Bank becomes a party under the contract provisions of the instrument. Their initial recognition is on the contract settlement date /payment date/.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.4 Financial assets (continued)

Initial measurement

Financial assets held for trading are recognized initially at fair value. All expenses related directly to the acquisition of the financial asset are reported as current.

Financial assets, other than financial assets held for trading, are recognized initially at fair value, which is equal to the amount of the fair value of the consideration given and the related expenses. The expenses related to the transaction and included in the acquisition cost are fees, commissions and other remuneration paid to agents, brokers, consultants, dealers, and other persons directly involved in the transaction, taxes, charges, permits, etc. paid to stock exchanges and regulatory authorities. All other expenses are reported as current expenses in the period when incurred. Acquisition cost does not include accrued interest on the financial asset, not paid as of the date of acquisition. Such interest is reported as accrued interest receivable.

Subsequent measurement

After initial recognition, financial assets held for trading are stated at fair value. Fair value is determined on the basis of quoted prices on an active market. The difference between the carrying amount of the financial asset and its fair value is reported as a current financial income or current financial expense in the period of occurrence.

After initial recognition, financial assets held for trading are stated at fair value. Fair value is determined on the basis of quoted prices on an active market or other reliable models for measurement, which reflect the specific circumstances of the issuer. The difference between the carrying amount of the financial asset and its fair value is accounted for as an increase or decrease of revaluation reserve. After initial recognition, equity instruments, classified as financial assets available for sale, for which there are no quoted prices on an active market and/or for which no reliable models for measurement can be applied are stated at cost.

After initial recognition, loans and advances originated initially by the Bank with fixed maturity are reported at amortized cost, applying the effective interest method and are not subject to revaluation. The amortized cost is the initial value of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, less repayments of the principle and the allowance for impairment and/or uncollectability. The amortization is calculated by applying the effective interest rate.

After initial recognition, loans and advances originated initially by the Bank with fixed maturity are reported at amortized cost, applying the effective interest method and are not subject to revaluation.

The amortized cost is the initial value of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, less repayments of the principle and the allowance for impairment and/or uncollectability. The amortization is calculated by applying the effective interest rate.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.4 Financial assets (continued)

Derecognition

Financial assets are derecognized when the Bank loses control over the contractual rights in relation to realizing the rights associated with the asset, waiver of the rights associated with the asset and expiry of the term for realizing of the rights associated with the asset. Net profit or loss as a result of the write off is reported in the statement of comprehensive income in the period of its occurrence. The revaluation reserve accumulated as of the date of derecognition is recognized as current financial expense or financial income.

Impairment for uncollectability

Financial assets are impaired if any conditions for impairment exist: there is evidence about financial difficulties; there is an actual breach of the contract; other triggers.

For the purpose of preparation of the financial statements, financial assets available for sale, which are stated at fair value are reviewed for impairment, if impairment is not already provided in the revaluation performed as of the date of annual financial statements. In case of existing condition for impairment, the recoverable amount of financial assets is determined. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided as follows:

- if at the moment of impairment there is no revaluation reserve – the difference between the carrying amount and the expected recoverable amount is recorded as a current financial expense and a decrease in the value of financial assets;
- if at the moment of impairment there is a revaluation reserve, which is positive and lower than the amount of impairment – the carrying amount of the assets and the amount of the revaluation reserve /which becomes zero/ are decreased by the amount of impairment up to the revaluation reserve balance. The remaining part of the amount of impairment is accounted for as a current financial expense and a decrease in the carrying amount of assets;

- if at the moment of impairment there is a revaluation reserve, which is negative, the difference between the carrying amount and the expected recoverable value is recorded as a current financial expense and a decrease in the value of the financial assets, and the negative value of the revaluation reserve is transferred to and stated in the current financial expenses;
- if at the moment of impairment there is a revaluation reserve, which is positive and is greater than the amount of impairment, the value of the investment and the amount of the revaluation reserve are decreased by the impairment amount.

Financial assets held to maturity are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of the securities held by the Bank, measured at amortized cost, are determined as the difference between the carrying amount and the present value of the future cash flows, discounted at the original effective interest rate. If the present value of the future cash flows of securities is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as current financial expense and decrease in the value of securities. Decrease of allowances for impairment and uncollectability is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectability for the respective year.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.4 Financial assets (continued)

Loans and advances, originated initially by the Bank with a fixed maturity, are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of loans originated by the Bank, measured at amortized cost, are determined as the difference between the carrying amount and the present value of the future cash flows discounted at the loan original effective interest rate, where appropriate. Management determines the expected future cash flows based upon reviews of individual borrowers, loan exposures and other relevant factors. If the present value of the future cash flows of loans is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as a current financial expense and a decrease in the value of loans. Decrease of allowances for impairment and uncollectability is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectability for the respective year. Loans and advances that cannot be recovered and are fully impaired, are written off and charged against the accumulated allowances for impairment and uncollectability. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined.

The Bank has adopted a methodology for the calculation of allowances for impairment of loans based on IFRS. The Bank classifies its loans in two groups. Except for the group of regular loans and the insignificant loans within the group of non-performing loans and given that the Bank does not have the expected future cash flows or the provided ones from the debtor are not sufficiently reliable, a specified percentage rate is applied to contractual cash flows as a mean to determine the expected cash flows, which are then to be discounted as stated above. with the purpose of assessment of the allowances for impairment of loans liquid collaterals are recognized, as the value with which they participate when forming the allowances shall be defined based on the type of the collateral and its state.

The amount of potential losses, which are not exactly identified, but based on previous experience may be expected for a group of loans with similar characteristics, is also charged as expense for allowances and decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

The amount of losses on insignificant loans within the group of non-performing loans based on collective measurement is also charged as expense for allowances and decrease of the loans' carrying amount.

3.2.5 Investments in subsidiaries

Subsidiaries are those entities in which the Bank's ownership directly or indirectly exceeds 50% of the voting rights or it can exercise control over their operating and financial policy.

In the separate financial statements of the Bank the shares and interests in the subsidiaries are initially recognized at acquisition cost. Subsequently, the Bank performs reviews periodically to determine whether there are indications for impairment. Impairment is recognized in the statement of comprehensive income as impairment losses of investments in subsidiaries.

Dividends in subsidiaries, are recognized and reported in the statement of comprehensive income, when the right of the Bank for receiving dividend is established.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.6 Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which is equal to the fair value of the funds placed/obtained by the Bank, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted and recognized as interest income/expense in the period of its occurrence.

Securities pledged as collateral on repurchase agreements are not derecognized in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

Securities received as collateral under repurchase agreements are not recorded in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

3.2.7. Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flows statement preparation, include cash, balances with the Central Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to

3 months.

3.2.8. Fair value of financial assets and liabilities

IFRS 7 "Financial Instruments: Disclosure", provides for the disclosure in the notes to the financial statements of information about the fair value of the financial assets and liabilities. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, whether that price is directly regardless of whether that price is directly observable or estimated using another valuation technique.

It is the policy of the Bank to disclose fair value information on those assets and liabilities, for which published market information is readily available and whose fair value significantly differs from their carrying amounts. The fair value of cash and cash equivalents, deposits and loans, granted by the Bank, other receivables, deposits, borrowings and other current liabilities approximates their carrying amount, in case they mature in a short period of time. In the opinion of the management, under these circumstances, the reported recoverable amounts of the financial assets and liabilities are the most reliable and efficient for the purposes of the separate financial statements.

For the assets and liabilities recognized at fair value in the statement of financial position the Bank discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.8. Fair value of financial assets and liabilities (continued)

Fair value hierarchy

The Bank uses the following hierarchy to measure and disclose the fair value of financial instruments through evaluation technique:

- Level 1: quoted (unadjusted) prices of active markets for identical assets or liabilities;
- Level 2: other techniques for which the whole incoming information that has material effect on the reported fair value is subject to direct or indirect monitoring;
- Level 3: techniques which use incoming information that has material effect on the reported fair value and are not based on monitored market data.

3.2.9. Netting

The financial assets and liabilities are netted, and the net value is presented in the statement of financial position when the Bank is entitled by law to net the recognized values, and the transactions are intended to be settled on a net basis.

3.2.10. Provisions for credit commitments

The amount of provisions for guarantees and other off-balance credit commitments is recognized as an expense and a liability when the Bank has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in the statement of comprehensive income for the respective period.

3.2.11. Derivatives

Derivatives are stated at fair value and recognized in the statement of financial position as derivatives for trading. The fair value of derivatives is based on the market price or relevant valuation models. Derivative assets are presented as part of the financial assets held for trading, while the derivative liabilities are presented as part of other liabilities. Any change in the fair value of derivatives for trade is recognized as a part of the net trading income in the statement of comprehensive income.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.12. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are identifiable non-monetary assets acquired and possessed by the Bank and held for use in the production and/or rendering of services, for renting, administrative and other purposes. They are stated at acquisition cost, less charged depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment and amortization of intangible assets are calculated by using the straight-line method designed to write off the assets value over their estimated useful life. The annual depreciation and amortization rates are as follows:

Buildings	4%	(25 years)
Fixtures and fittings	15%	(7 years)
Motor vehicles	15%	(7 years)
Other assets	15%	(7 years)
Special equipment, cable networks and security systems	4%	(25 years
Equipment, including hardware and software	20%	(5 years)

Land, assets for resale, assets under construction, assets to be disposed and fully depreciated assets are not subject to depreciation.

The management of the Bank has performed a review for impairment of property, plant and equipment and intangible assets as of the date of preparation of these separate financial statements. No evidence of impairment of property, plant and equipment and intangible assets has been identified; therefore they have not been impaired.

3.2.13. Non-current assets held for sale

Real estate property acquired by the Bank as a mortgage creditor on granted and not serviced loans is classified as non-current assets held for trading and is stated initially at cost. After initial recognition, these assets are reported at the lower of the carrying amount or fair value, less expenses for realization. No depreciation is accrued for these assets.

3.2.14. Investment properties

Investment property is property (land or a building) acquired or held by the Bank to earn rentals or for capital appreciation or both rather than for own use. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. As accounting policy the Bank chose the cost model in IAS 16 for subsequent measurement of such properties. Investment properties are measured at acquisition cost, less charged depreciation and accumulated losses from impairment. Depreciation of buildings, reported as investment properties, are calculated by using the straight-line method. Their annual depreciation rate is 4% (25 years). Land plots are not depreciated.

ACCOUNTING POLICY (CONTINUED)

Major components of the accounting policy (continued)

3.2.15. Taxation

Corporate income tax is calculated on the basis of profit for the period and includes current and deferred taxes. Taxes due are calculated in accordance with the Bulgarian tax legislation.

Current income tax is calculated on the basis of the taxable profit, by adjusting the statutory financial result for certain income and expenditure items, not approved for tax purposes, as required under Bulgarian accounting legislation, applicable for banks.

Deferred income taxes are calculated using the balance sheet liability method. Deferred income taxes represent the net tax effect of all temporary differences between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are calculated at the tax rates, which are expected to apply to taxable profit for the period, when the temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the date of the statement of financial position to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognized regardless when the temporary difference is likely to reverse.

Any tax effect, related to transactions or other events, recognized in the statement of comprehensive income, is also recognized in the statement of comprehensive income and tax effect, related to transactions and events, recognized directly in equity, is also recognized directly in equity.

A deferred tax liability is recognized for all taxable temporary differences unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that taxable profit is probable, against which the deductible temporary difference can be utilized, unless the deferred asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Current and deferred taxes are recognized as income or expense and are included in the net profit for the period, except to the extent that the tax arises from a transaction or event, which is recognized in the same or different period, directly in equity. Deferred taxes are charged or deducted directly in equity, when the tax relates to items that are charged or deducted in the same or different period, directly in equity.

3.2.16 Operating segments

Regarding IFRS 8, par. 2 /a/ /i/ and the requirement of disclosure of operating segments, the Bank has adopted a separation of the its activity in the following business lines: Corporate and investment banking, Private banking, Retail banking and assets and liabilities management. The results of these activities are frequently reviewed and analyzed by the Management. Currently none of the business lines generate a significant part of the Bank's income and financial result, which does not require the disclosure of specific information per segment.

The Bank does not report information by operating segments, since the prevailing source of risk and recoverability is the banking activity and there is no single external component to undertake business activities from which to generate revenue and incur costs and whose operating results are reviewed and evaluated on an individual basis by the management. The Bank does not have a separate component that meets the quantitative thresholds set out in IFRS 8 Operating Segments.

ACCOUNTING POLICY (CONTINUED)

3.3. Accounting estimates, assumptions and key areas of uncertainty

The presentation of financial statements requires management to apply certain accounting estimates and reasonable assumptions that affect some of the carrying amounts of assets and liabilities, revenues and expenses for the reporting period and disclosures of contingent assets and liabilities. Although these estimates and assumptions are based on the best estimate as of the date of the preparation of the separate financial statements, they may differ from the future actual results.

The most significant areas of uncertainty, which require estimates and assumptions in applying the accounting policies of the Bank are as follows:

- Fair value of the financial instruments;
- Allowances for impairment of loans;
- Useful life of the depreciable assets;
- Impairment of financial assets available for sale and financial assets held to maturity.

In the last several years as a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks of the economic environment in which the Bank operates. Therefore, the amount of impairment losses on loans and advances, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ from those measured and reported in these separate financial statements. The recoverability of the loans and the adequacy of the recognized impairment losses, as well as the maintaining of the Bank's liquidity ratios depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank's management applies the necessary procedures to manage these risks, as disclosed in note 35.

3.4. Capital management

The Bank defines its risk-bearing capacity as the amount of financial resources that are available for absorbing losses, which may be incurred due to the risk profile of the Bank. Financial resources are classified into Tiers of risk capital according to their ability to cover losses, ability to defer payments, and permanence.

The Bank monitors the allocation of financial resources to risk capital levels through Asset and Liability Management Committee. The Bank's capital management policy is regularly reviewed by the Bank's Management Board.

The Bank calculates, monitors and reports its risk capital for all major risk categories – credit, market and operational risk. In managing its risk capital, the Bank follows the legal framework, as well as its own objectives. For 2016 and 2015 the Bank is in compliance with the regulatory requirements for minimum capital adequacy, as the bank's capital adequacy levels exceed the regulatory requirements.

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2016	As of 31.12.2015
Cash in hand:		
In BGN	158,476	106,755
In foreign currency	62,607	55,194
Cash in transit:		
In BGN	1,173	1,608
In foreign currency	18	457
Cash in Central Bank:		
Current account in BGN	**1,077,200**	**742,588**
Current account in foreign currency	2	212
Reserve guarantee fund RINGS	2,014	1,503
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	**1,301,490**	**908,317**

The current account with BNB is used for direct participation in the government securities and money market, as well as for the purposes of bank settlement in the country.

Commercial banks in Bulgaria are required to maintain minimum required reserves at BNB. The minimum obligatory reserve, periodically set by BNB, is interest-free and is calculated as a percentage ratio based on the attracted funds in BGN and foreign currency. These reserves are regulated on a monthly basis as any deficit incurs interest penalties. No restrictions are imposed by the Central Bank for using the minimum reserves, as daily fluctuations within the one-month regulation period are allowed.

In compliance with the Ordinances of the Central bank, the Bank allocates reserve guarantee fund to ensure the settlement of payments by means of the Real Time Gross Settlement system RINGS.

5. PLACEMENTS WITH, AND ADVANCES TO BANKS

	As of 31.12.2016	As of 31.12.2015
Term deposits with local banks		
In BGN	17,000	22,018
In foreign currency	94,962	35,443
Term deposits with foreign banks in foreign currency	**116,037**	**90,977**
Nostro accounts with local banks		
In BGN	13	6
In foreign currency	6	54,155
Nostro accounts with foreign banks in foreign currency	40,053	5,485
Impairment for uncollectability	**(4,224)**	**(4,075)**
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	**263,847**	**204,009**

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of 31 December 2016 the Bank has signed repurchase agreements at the total amount of BGN 199,258 thousand, including interest receivables. Part of that is in the amount of BGN 70,624 thousand the Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The remaining amount of BGN 128,634 thousand the Bank has pledged as collateral corporate securities having an approximately equal value. The agreements' maturities are between January and June 2017.

As of 31 December 2015 the repurchase agreements amount to BGN 152,448 thousand, including interest receivables.

7. FINANCIAL ASSETS HELD FOR TRADING

	As of 31.12.2016	As of 31.12.2015
Long-term Bulgarian government notes	1,411	38,851
Foreign government securities	922	52,978
Bulgarian corporate securities	112,693	110,346
Derivatives, held for trading	**21**	**491**
TOTAL FINANCIAL ASSETS HELD FOR TRADING	**115,047**	**202,666**

Financial assets held for trading consist of trading securities, including the amount of accrued interest, based on their original maturity as well as derivatives, held for trading, as follows:

Long-term Bulgarian government bonds

As of December 31, 2016 and 2015 the long-term Bulgarian government bonds amounting to BGN 1,411 thousand and BGN 38,851 thousand, respectively, are stated at fair value and include securities in

BGN, issued by the Bulgarian government.

Foreign government securities

As of December 31, 2016 foreign corporate securities amount to BGN 922 thousand of a country outside the European Union. As of December 31, 2015 the foreign government securities amount to BGN 52,978 thousand as the main portion at the amount of BGN 51,918 thousand are bonds of countries in the European Union.

FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Bulgarian corporate securities

As of 31 December 2016 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 112,693 thousand as part of that in the amount of

BGN 88,380 thousand represent shares of public companies, listed on the Bulgarian Stock Exchange. They are stated in these financial statements at fair value.

As of 31 December 2016 the Bank owns shares in mutual funds at the amount of BGN 11,253 thousand.

As of December 31, 2016 the Bank owns bonds of a commercial entity at the amount of BGN 13,059 thousand.

As of 31 December 2015 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 110,346 thousand as part of that in the amount of

BGN 88,691 thousand represent shares of public companies, listed on the Bulgarian Stock Exchange. They are stated in these financial statements at fair value.

As of 31 December 2015 the Bank owns shares in mutual funds at the amount of BGN 9,561 thousand.

As of December 31, 2015 the Bank owns bonds of a commercial entity at the amount of BGN 11,353 thousand.

Derivatives held for trading

As of 31 December 2016 and 2015 derivatives, held for trading, at the amount of

BGN 21 thousand and BGN 491 thousand respectively, are carried at fair value and include sale-purchase transactions of foreign currency, securities, forward agreements and currency swaps in the open market.

Bulgarian securities pledged as a collateral

As of December 31, 2016 and 2015 there are no pledged as security government bonds issued by the Bulgarian government for servicing budget accounts.

8. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by type of clients

	As of 31.12.2016	As of 31.12.2015
Individuals:		
In BGN	458,581	318,720
In foreign currency	49,449	51,611
Enterprises:		
In BGN	824,700	806,968
In foreign currency	918,290	966,352
	2,251,020	2,143,651
Allowance for impairment	**(90,937)**	**(56,573)**
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	**2,160,083**	**2,087,078**

LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

Loans and advances to customers as of 31 December 2016 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 243 thousand

(2015: BGN 2,734 thousand), including result of transactions

(b) Analysis by economic sector

	As of 31.12.2016	As of 31.12.2015
Agriculture and forestry	65,064	31,929
Manufacturing	74,752	78,004
Construction	288,903	253,494
Trade and finance	**1,075,182**	**1,166,053**
Transport and communications	138,106	153,466
Individuals	508,030	370,331
Other	100,983	90,374
	2,251,020	**2,143,651**
Allowance for impairment and uncollectibility	**(90,937)**	**(56,573)**
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	**2,160,083**	**2,087,078**

(c) Interest rates

Loans denominated in BGN and foreign currency carry interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 2% to 7% based on the credit risk associated with the borrower, and an additional margin on the agreed interest rate is charged as penalty on overdue loans.

9. OTHER ASSETS

	As of 31.12.2016	As of 31.12.2015
Deferred tax assets	277	155
Current tax assets	6	6
Deferred expenses	2,258	3,215
Established real rights for use of buildings	**39,508**	**43,361**
Assets acquired as collateral	11,440	-
Other assets	8,312	7,216
TOTAL OTHER ASSETS	61,801	53,953

Deferred expenses represent prepaid amounts for advertising, rent, insurance, etc.
The established real rights for use of buildings are received as follows:

- in December 2008 from two Bulgarian commercial companies. The real rights are related to two solid administrative buildings, which are situated in the very centre of Sofia, which will be used for the purposes of the head office of the Bank. The real right of use on the first building is established for a period of 98 months for the amount of EUR 5,372 thousand. The real right of use on the second building is established for a period of 149 months for the amount of EUR 15,598 thousand.
- in June 2010 from a Bulgarian commercial company. The real rights are related to fourteen solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period between 115 and 120 months for the total amount of BGN 20,327 thousand.
- in December 2010 the term of the real right of use on one of the administrative buildings situated in the very center of Sofia was extended by three months at the amount of EUR 292 thousand.
- in June 2011 from a Bulgarian commercial company. The real rights are related to eleven solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period of 132 months for the total amount of BGN 12,797 thousand.
- in the period July - December 2014 from two Bulgarian companies. The rights are related to thirteen massive office buildings located in various cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period ranging between 115 and 137 months for the total amount of 11,937 thousand.
- In December 2016 from one Bulgarian company. The rights are related to independent sites /offices/ in a massive administrative building in Sofia, which will be used for the Bank's operating activity. The rights of use on the sites /offices/ are established for a period of 180 months for the total amount of EUR 2,100 thousand.

The carrying amount of established real rights includes also the expenses for taxes and fees related to the establishment. The carrying amount of each real right for use will be amortized on equal parts for the respective period of use of buildings.

10. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale consist of equity and debt securities, including the amount of accrued interest, based on their original maturity and discount, as follows:

	As of 31.12.2016	As of 31.12.2015
Medium-term Bulgarian government bonds	72,612	56,071
Long-term Bulgarian government bonds	355,278	7,192
Foreign government bonds	109,922	17,679
Equity investments in financial institutions	9	24,554
Equity investments in non-financial institutions	78,439	79,953
Bulgarian corporate securities	42,589	41,993
Foreign corporate securities	5,340	78
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	**664,189**	**227,520**

FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

Bulgarian securities, pledged as collateral

As of 31 December 2016 government bonds issued by the Bulgarian government amounting to BGN 139,061 thousand are pledged as collateral for servicing of budget accounts.
As of December 31, 2015 government bonds issued by the Bulgarian government amounting to BGN 12,477 thousand are pledged as collateral for servicing of budget accounts.
As of 31 December 2015 government bonds issued by the Bulgarian government amounting to BGN 18,124 thousand are pledged as collateral for servicing of budget accounts.

Equity investments in financial institutions

As of 31 December 2016 equity investments in financial institutions includes shares in commercial bank.

Equity investments in non-financial institutions

As of 31 December 2016 equity investments in non-financial institutions comprise shares in commercial companies and in mutual funds.

Bulgarian corporate securities

As at 31 December 2016 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

Foreign government bonds

As of 31 December 2016 government bonds are of EU countries.

Foreign corporate securities

As of December 31, 2016 foreign corporate securities represent shares in foreign commercial companies.
As of December 31, 2015 the Bank owns one redeemable ordinary share with face value EUR 10 of Visa Europe Ltd., which is related to the economic interests of the Bank as a member of Visa. In 2015 Visa Inc. has expressed its commitment, that in 2016 it will exercise its right to the call option on the shares of Visa Europe, which is owned by its members, and thus it will purchase the shares of Visa Europe by paying a fee, which consists of cash on hand and preferred shares of Visa Inc.

FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

The expected transaction entails a necessity for revaluation of the investment in Visa Europe, since it provides reliable evidence for the fair value of the shares as of December 31, 2015. The Bank considers that the fair value of the shares of Visa Europe should include only the component of the fee that represents cash on hand and exclude the value of the preferred shares, since there is uncertainty, which does not allow a reliable valuation of the fair value of these instruments as of the date of approval of these separate financial statements. Considering the above-mentioned the Bank has reclassified the share that it owns in Visa Europe from financial asset available for sale stated at cost into a financial asset available for sale measured at fair value and has revalued the share as of December 31, 2015 to the value of cash, which the Bank expects to receive in 2016.
In 2016 ends the process of buy back on behalf of Visa Inc. of the owned by the Bank single share of Visa Europe Ltd. with nominal of EUR 10. As a result the Bank received cash, privilege share of Visa Inc and the right to receive future /deferred/ payment. The effect of the closure is BGN 12,168 thousand and is reported in the statement of comprehensive income in item "net profit from operation with securities".

11. FINANCIAL ASSETS HELD TO MATURITY

On December 30, 2016 as per decision of the Management Board the Bank reclassified its financial assets held to maturity in financial assets available for sale. As a result of the reclassification the difference between the carrying amount and fair value of reclassified financial with net positive amount of BGN 16 524 thousand and is reported as positive revaluation reserve.
As of December 31, 2015 financial assets held to maturity comprise Bulgarian government bonds, government bonds of countries within the EU, bonds of foreign financial institution, including the amount of accrued interest and discount/ premium, based on their original maturity as follows:

	As of 31.12.2016	As of 31.12.2015
Medium-term Bulgarian government bonds	-	79,712
Long-term government bonds	-	318,207
Foreign government bonds	-	210,423
Corporate securities	-	38,000
TOTAL FINANCIAL ASSETS HELD TO MATURITY	**-**	**646,342**

Bulgarian securities pledged as a collateral

As of 31 December 2015 government bonds issued by the Bulgarian government issued at the amount of BGN 97,673 thousand are pledged as collateral for servicing budget accounts.

12. INVESTMENTS IN SUBSIDIARIES

12.1. Investment in subsidiary Central Cooperative Bank, Skopje, Republic of Macedonia

In February 2008 the Bank acquired control on the equity of the subsidiary Central Cooperative Bank, Skopje (in the Republic of Macedonia). In October 2009 22,354 ordinary voting shares owned by the Bank are converted into privileged shares with no voting rights. In December 2009 Central Cooperative Bank AD Skopje withdrew 208 of its own privileged shares.

In 2010 by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares as one privileged share with no voting rights for one ordinary voting share. As of 31 December 2010 the Bank owns 263,696 ordinary voting shares representing 82.63% of the subsidiary's equity

In April 2010 the Bank acquired 317,864 ordinary voting shares of the share capital of Stater Bank, Kumanovo, Republic of Macedonia and obtained control of the equity of the subsidiary. Before the acquisition the Bank owned 5,975 privileged shares with no voting rights of the subsidiary. Later, within the year, by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares as one privileged share with no voting rights equalled one ordinary voting share. As of 31 December 2010 the Bank owns 323,839 ordinary voting shares representing 93.79% of the subsidiary's equity.

On 9 December 2010, by resolutions of the General meetings of the shareholders of the subsidiaries Stater Bank AD Kumanovo and Central Cooperative Bank AD Skopje an agreement was reached to merge Stater Bank AD Kumanovo into Central Cooperative Bank AD Skopje. According to this merger agreement Central Cooperative Bank AD Skopje issued 233,944 new ordinary shares with nominal value EUR 41,2069 or 593,795,205 denari each. All new shares were given only to the shareholders of Stater Bank AD Kumanovo and the coefficient of exchange of the existing shares of Stater bank AD Kumanovo with the shares of the new issue was 1:0.6776. As a result of the exchange Central Cooperative Bank AD Sofia acquired 219,425 ordinary shares of the new issue of Central Cooperative Bank AD Skopje in place of the 323,839 ordinary shares in the equity of Stater Bank AD Kumanovo owned as of 31 December 2010.

On 3 January 2011 the merger of Stater Bank AD Kumanovo in Central Cooperative Bank AD Skopje was concluded and all assets of Stater Bank AD Kumanovo were transferred to Central Cooperative Banks AD Skopje. On 3 January 2011, by decision of the Central Register of Republic of Macedonia, Stater Bank AD Kumanovo ceased to exist as legal entity. After the merger conclusion the capital of Central Cooperative Bank AD Skopje consists of 553,087 ordinary shares with nominal value
EUR 41.2069 each.

As of 31 December 2011 Central Cooperative Bank AD Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary.

In 2012, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Central Cooperative Bank AD, Skopje, and therefore as of 31 December 2012 Central Cooperative Bank AD, Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of 31 December 2012 the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Investment in subsidiary Central Cooperative Bank, Skopje, Republic of Macedonia (continued)

In 2013 there is no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of 31 December 2013 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of December 31, 2013 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In 2014 no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of December 31, 2014 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of 31 December 2014 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.
In 2015 no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of December 31, 2015 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of 31 December 2015 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.
In 2015, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2016 Central Cooperative Bank AD, Sofia owns 483.121 ordinary shares of the equity of Central Cooperative
Bank AD, Skopje, which is 87,35% of the subsidiary's equity. As of December 31, 2016 the amount of the Bank's investment in its subsidiary is BGN 46,216 thousand.

12.2. Investment in subsidiary Management Company CCB Assets Management EAD, Sofia, Bulgaria

In December 2011 the Bank acquired 500,000 non-materialised, ordinary shares by name, with voting rights, and with nominal value of BGN 1.00 each, representing 100% of the capital of the Management Company CCB Assets Management EAD with which the Bank received controlling interest in the capital of the subsidiary.
In 2014, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2014 Central Cooperative Bank AD, Sofia owns 500,000 ordinary shares of Management Company CCB Assets Management EAD, which represents 100% of the share capital of the subsidiary. As of
31 December 2014 and 2013 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.
In 2015, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2014 Central Cooperative Bank AD, Sofia owns 500,000 ordinary shares of Management Company CCB Assets Management EAD, which represents 100% of the share capital of the subsidiary. As of
December 31, 2015 and 2014 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.
In 2016, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2016 Central Cooperative Bank AD, Sofia owns 500,000 ordinary shares of Management Company CCB Assets Management EAD, which represents 100% of the share capital of the subsidiary. As of
December 31, 2016 and 2015 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12.3. Investment in subsidiary ZAO "IC Bank", Kazan, the Republic of Tatarstan, Russian Federation

In May 2012 the Bank acquired 15,000,000 ordinary shares with voting rights and a nominal value of RUB 10 each from the share capital increase of ZAO AKB "TatInvestBank", Kazan, the Republic of Tatarstan, Russian Federation by which obtained a controlling interest in the subsidiary's share capital. Before the acquisition the Bank owns 1,422,630 ordinary shares with voting rights of the subsidiary's equity. Later in the year, the Bank acquired additional 3,351 ordinary shares with voting rights of the subsidiary's share capital. As of 31 December 2012 the Bank owns 16,425,981 ordinary shares with voting rights, representing 55,93% of the subsidiary's share capital.
In 2013 the Bank acquired additional 71,924 ordinary shares with voting rights from the share capital increase of ZAO AKB "TatInvestBank", Kazan, the Republic of Tatarstan, Russian Federation. As a result, as of 31 December

2013, the Bank owns 16,497,905 ordinary shares with voting rights, representing 56.20 % of the subsidiary's share capital

In March 2014 ZAO AKB "Tatinvestbank" changed its name to ZAO "IC Bank".

In April 2014 the Bank acquired 8,840,489 shares with option in the capital of ZAO "IC Bank", Kazan, Republic of Tatarstan, Russian Federation. On June 26, 2014 the Board of the Bank decided to sell this minority stake ,which decision to be submitted for consideration and adoption by the National Assembly of the Bank. On August 15, 2014 the Supervisory Board of the Bank shall adopt the decision of the Board of the Bank for the sale of minority stake. In this regard, as of December 31, 2014 minority package is presented in the category Financial assets available for sale. During the second half of April 2016 by Decision of the MB of the Parent bank, adopted by the Supervisory Board of the Parent bank, is amended the prior decision and with the new decision the Parent bank decided to sell the majority stake of the subsidiary's capital ZAO IC Bank, Kazan, the republic of Tatarstan, Russian Federation. In this relation, as of December 31, 2016 the minority stake presented as of December 31, 2015 and 2014 in the category Financial assets available for sale, is presented with the rest of the shares owned by the Parent bank as investments in subsidiaries.

After additional acquisition as of December 31, 2014 "Central Cooperative Bank" Sofia has 25,338,394 ordinary shares of ZAO "IC Bank" city of Kazan, Republic of Tatarstan, Russian Federation, representing 86.273% of the capital of the subsidiary.

In 2015 and 2016 there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in of ZAO "IC Bank", Kazan, Republic of Tatarstan, Russian Federation as a result of which as of December 31, 2016 and 2015 Central Cooperative Bank AD, Sofia owns 25,338,394 number ordinary shares in the equity of ZAO "IC Bank", Kazan, Republic of Tatarstan, Russian Federation which is 86.273 % of the subsidiary's equity.

13. NON-CURRENT ASSETS

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in process of acquisition	Other fixed assets	Total
1 January 2015	43,203	31,151	4,804	20,947	18,841	24,826	143,772
Acquisitions	31,206	5,764	2,750	5,452	29,818	1,526	76,516
Disposals	(100)	(634)	(163)	(177)	(45,937)	-	(47,011)
31 December 2015	74,309	36,281	7,391	26,222	2,722	26,352	173,277
Acquisitions	-	2,936	1,038	607	4,979	143	9,703
Disposals	-	(12)	(684)	(233)	(3,671)	-	(4,600)
31 December 2016	74,309	39,205	7,745	26,596	4,030	26,495	178,380
Depreciation							
1 January 2015	859	24,079	4,079	17,558	-	22,033	68,608
Net charge for period	1,472	1,972	262	1,641	-	1,430	6,777
Depreciation on disposals	(39)	(634)	(163)	(82)	-	-	(918)
31 December 2015	2,292	25,417	4,178	19,117	-	23,463	74,467
Net charge for period	2,580	3,005	665	1,705	-	836	8,791
Depreciation on disposals	-	(12)	(675)	(235)	-	-	(922)
31 December 2016	4,872	28,410	4,168	20,587	-	24,299	82,336
Net book value							
31 December 2015	72,017	10,864	3,213	7,105	2,722	2,889	98,810
31 December 2016	69,437	10,795	3,578	6,009	4,030	2,195	96,044

The tangible assets in progress include repair works, performed by the Bank, concerning the reconstruction of the leased premises into bank offices, whereas the repair works have not been finished as at the date of preparing the separate statement of financial position.

14. INVESTMENT PROPERTY

	Land	Buildings	Total
January 1, 2016	-	-	-
Additions	159	17,578	17,737
Disposals	-	-	-
December 31, 2016	159	17,578	17,737
Depreciation			
January 1, 2016	-	-	-
Charged for the period	-	515	515
Written-off	-	-	-
December 31, 2016	-	515	515
Net book value			
December 31, 2016	159	17,063	17,222

The investment property of the Bank as of December 31, 2016 comprise of land and commercial buildings, part of which have been rented for a period of 10 years. Income from rent of investment properties for the year ended December 31, 2016 amount of BGN 117 thousand.

INVESTMENT PROPERTY (CONTINUED)

Fair value of investment property

Fair value of investment property as of December 31, 2016 amounts to BGN 18,207 thousand and is determined by licensed eternal appraisers with the appropriate professional qualification and experience in valuation of property in similar categories and location such as the ones of the Bank's investment properties.

The fair value of investment properties is categorized as fair value of Level 3 based on data used for the appraisal.

15. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent property acquired by the Bank as mortgage creditor on granted and not serviced loans. These assets will not be used in Bank's activity and actions for their sale have been undertaken in 2017.

The movement of non-current assets held for sale during the year is as follows:

	BGN'000
Balance as of 01.01.2016	2,537
Acquired	19,257
Disposals	(3,537)
Transfers	(11,440)
Balance as of 31.12.2016	6,817

Assets at the amount of BGN 11,440 thousand which as of December 31, 2016 have been transferred in item "Other assets" and reported as per the requirements of IAS 2 Inventories (see note 9).

16. DEPOSITS FROM BANKS

	As of 31.12.2016	As of 31.12.2015
Demand deposits – local banks:		
in BGN	486	1,672
in foreign currency	7,200	2,314
Demand deposits – foreign banks in foreign currency	1,831	2,362
Term deposits – foreign banks in foreign currency	486	488
Term deposits – local banks in foreign currency	2,448	2,446
TOTAL DEPOSITS FROM BANKS	**12,451**	**9,282**

17. RECEIVED LOANS AND OTHER LIABILITIES TO BANKS

As of December 31, 2016 the Bank has no signed agreements with repurchase clause of securities. As of December 31, 2015 the Bank has signed agreements with repurchase clause of securities with a Bulgarian company at the amount of BGN 9,000 thousand, including interest payables. The Bank has secured these liabilities with pledge of Bulgarian government securities. The term of the agreements is in January 2016.

18. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2016	As of 31.12.2015
Demand deposits		
In BGN	870,614	802,352
In foreign currency	143,222	129,942
	1,013,836	932,294
Term deposits		
In BGN	1,214,932	1,118,813
In foreign currency	863,519	876,938
	2,078,451	1,995,751
Savings accounts		
In BGN	914,839	820,135
In foreign currency	435,973	406,578
	1,350,812	1,226,713
Other deposits		
In BGN	13,546	8,901
In foreign currency	870	3,188
	14,416	12,089
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	**4,457,515**	**4,166,847**

(b) Analysis by customer and currency type

	As of 31.12.2016	As of 31.12.2015
Deposits of individuals		
In BGN	2,152,129	1,978,824
In foreign currency	1,242,109	1,208,739
	3,394,238	3,187,563
Deposits of enterprises		
In BGN	848,742	761,582
In foreign currency	200,119	205,613
	1,048,861	967,195
Deposits of other institutions		
In BGN	13,546	8,901
In foreign currency	870	3,188
	14,416	12,089
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	**4,457,515**	**4,166,847**

19 OTHER ATTRACTED FUNDS

As of 31 December 2016 and 2015 other attracted funds include financing from the State Agricultural Fund amounting to BGN 39 thousand and BGN 105 thousand (including interest), respectively, for granting loans to the agricultural sector. The credit risk for collectability of these loans shall be assumed by the Bank.

20. ISSUED BONDS

In December 2013 the Bank issued through public offering convertible bonds in the amount of EUR 36,000,000, distributed in 36,000 bonds with a nominal value of EUR 1,000. The bonds are subordinated, unsecured, interest-bearing, freely transferable, non-cash convertible into ordinary shares. Debenture loan is signed for a period of seven years at 4.5 percent annual interest rate and the principal of the loan is paid off at maturity of the issue - 10/12/2020. Interest payments are made annually with maturities as follows: 10.12.2014, 10.12.2015, 10.12.2016, 10.12.2017, 10.12.2018, 12.10.2019 and 10.12.2020. Under the terms of issue bond holders are not entitled to early collection of interest and principal on the bond loan, including default of the issuer, except under certain conditions at the time of payment and prior authorization of BNB. Amendments to the conditions of the bond issue can be made only with the prior written permission of BNB. In the month of December 2016 came the second interest payment on the bond issue in the amount of EUR 1,620 thousand, which amount is paid to the bondholders. The value of the liability as of December 31, 2016 is for the amount of BGN 70,126 thousand, including obligations for interest and reflected costs associated with the issuance of the issue.

In December 2016 after the initial permission of BNB are made changes in the terms of the debenture issue according to which:

- The maturity date is changed from 7 years after the issue date to 10 years after the issue date. The maturity date of the debenture issue after the change is 10.12.2023.
- The interest due is changed from 4.5% to 3.6% effective from 11.12.2016 (the date following the maturity date for the forthcoming for 2016 interest payment).

21. PROVISIONS

Provisions for court proceedings are recognized when based on expert legal estimate it is established that it is most likely that the Bank has to meet these obligations in the near future. As of December 31, 2016 the Bank has performed an analysis of the legal proceedings against the bank and accrued provision at the amount of BGN 1,304 thousand.

22. OTHER LIABILITIES

	As of 31.12.2016	As of 31.12.2015
Liabilities for unused paid leave	1,516	1,347
Derivatives, held for trading	209	578
Other liabilities	7,730	5,599
Deferred income	578	528
Deferred tax liabilities	377	209
TOTAL OTHER LIABILITIES	**10,410**	**8,261**

Derivatives held for trading

As of December 31, 2016 and 2015 derivatives held for trading at the amount of BGN 209 thousand and BGN 578 thousand are presented at fair value and include sale and purchase transactions of foreign currency, securities, forward contracts and foreign currency swaps on open market.

23. EQUITY

23.1 Issued capital

As of December 31, 2016 and 2015 the issued, called-up and fully paid-in share capital of the Bank comprises 113,154,291 ordinary voting shares with a nominal value of BGN 1.
The Bank's Parent company CCB Group EAD is a subsidiary of Chimimport AD, which is a public company and its shares are traded on the Bulgarian Stock Exchange.

Principal shareholders	2016		2015	
	Share capital	Percentage rate	Share capital	Percentage rate
CCB Group EAD	77,584	68.56	77,584	68.56
Chimimport AD	7,524	6.65	11,202	9.90
ZAD Armeec AD	3,851	3.40	3,851	3.40
Universal Pension Fund Suglasie	4,829	4.27	4,375	3.87
Other	19,366	17.12	16,142	14.27
	113,154	**100**	**113,154**	**100**

23.2 Reserves, including retained earnings

As of December 31, 2016 reserves, including retained earnings include undistributable portion of BGN 7,059 thousand and distributable portion of BGN 171,402 thousand.

23.3 Revaluation reserve

The revaluation reserve is formed by revaluation of financial instruments available for sale.

24. INTEREST INCOME/ INTEREST EXPENSE

	Year ended 31.12.2016	Year ended 31.12.2015
Interest income by source:		
Loans	133,293	133,733
Securities	15,540	19,224
Deposits in banks	**1,307**	**950**
TOTAL INTEREST INCOME	**150,140**	**153,907**

	Year ended 31.12.2016	Year ended 31.12.2015
Interest expenses by recipients		
Deposits to customers	34,204	72,445
Deposits to banks	287	204
Negative interest on excess reserves at BNB	2,153	-
Issued bonds	**3,130**	**3,168**
Other	62	-
TOTAL INTEREST EXPENSES	**39,836**	**75,817**

25. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2016	Year ended 31.12.2015
Granting and repayment of loans	2,240	1,508
Servicing of off-balance sheet commitments	1,063	1,717
Servicing of accounts	12,446	9,920
Bank transfers - domestic and international	23,798	23,067
Other income	10,950	10,697
TOTAL FEES AND COMMISSIONS INCOME	**50,497**	**46,909**

	Year ended 31.12.2016	Year ended 31.12.2015
Servicing of accounts	230	229
Bank transfers - domestic and international	5,985	5,773
Securities' transactions	68	96
Clearing valuable consignments	319	275
Other expenses	559	509
TOTAL EXPENSES FOR FEES AND COMMISSIONS	**7,161**	**6,882**

26. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2016	Year ended 31.12.2015
Gains on dealing with securities available for sale, net	13,119	5,956
Gains on dealing with securities held to maturity, net	496	788
Gains on dealing with securities held for trading, net	551	1,058
Gains on revaluation of securities held for trading, net	6,201	8,519
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	**20,367**	**16,321**

27. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

	Year ended 31.12.2016	Year ended 31.12.2015
Dealing gains, net	1,796	2,273
Revaluation gains, net	4,159	1,723
TOTAL FOREIGN EXCHANGE GAINS, NET	**5,955**	**3,996**

Dealing gains represent net gains arising from purchases and sales of foreign currency. Revaluation loss represent loss in BGN arising from the revaluation of assets and liabilities, denominated in foreign currency.

28. OTHER OPERATING INCOME, NET

	Year ended 31.12.2016	Year ended 31.12.2015
Income from dividends	1,630	1,215
Income from cession contracts	86	8,574
Income from sale of property, plant and equipment	48	47
Income from sale of non-current assets held for sale	216	-
Other operating income	2,187	1,592
TOTAL OTHER OPERATING INCOME, NET	**4,167**	**11,428**

The income from cession contracts in 2016 originates from cash receivables from transferred on the behalf of the Bank through cession contracts. In 2015 income from cession agreements amount to BGN 8,574 thousand.

29. OPERATING EXPENSES

	Year ended 31.12.2016	Year ended 31.12.2015
Salaries and other personnel costs	35,942	33,161
Administrative and marketing costs	47,288	44,952
Other expenses	22,498	25,325
Depreciation/amortization	9,306	6,777
Materials and repair works	2,800	2,950
TOTAL OPERATING EXPENSES	**117,834**	**113,165**

30. EXPENSES FOR UNCOLLECTIBILITY

	Loans and advances to banks (see note 5)	Loans granted to clients (see note 8)	Total
BALANCE AS OF JANUARY 1, 2015	**-**	**32,828**	**32,828**
Charges for the period	4,075	38,940	43,015
Recoveries during the period	-	(14,744)	(14,744)
Written off	-	(451)	(451)
BALANCE AS OF DECEMBER 31, 2015	**4,075**	**56,573**	**60,648**
Charges for the period	149	44,812	44,961
Recoveries during the period	-	(10,321)	(10,321)
Written off	-	(127)	(127)
BALANCE AS OF DECEMBER 31 2015	**4,224**	**90,937**	**95,161**

31. TAXES

Tax expenses are presented as follows:

	Year ended 31.12.2016	Year ended 31.12.2015
Current tax expenses	3,977	1,721
Income from deferred taxes, related to the origination and reversal of temporary differences	46	1
TOTAL TAX EXPENSES	**4,023**	**1,722**

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2016 and 2015. Deferred tax income and expenses result from the change in the carrying amount of deferred tax assets and liabilities. The deferred tax assets and liabilities as of December 31, 2016 and 2015 are calculated based on the tax rate of 10%, effective for 2017 and 2016.

Deferred tax assets are as follows:

	As of 31.12.2016	As of 31.12.2015
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	171	151
Provisions for liabilities	104	-
Property, plant and equipment and intangible assets	2	3
DEFERRED TAX ASSET	**277**	**154**

Deferred tax liabilities are as follows:

	As of 31.12.2016	As of 31.12.2015
Deferred tax liabilities:		
Merge of entities during 2010	209	209
Merger of company in 2016	168	-
DEFERRED TAX LIABILITY	**377**	**209**

The relationship between tax expense in the statement of comprehensive income and the accounting profit is as follows:

	As of 31.12.2016	As of 31.12.2015
Profit before taxes	30,621	8,426
Taxes at applicable tax rates: 10% for 2016 and 10% for 2015	3,062	843
Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other, net	961	879
TAX EXPENSES	**4,023**	**1,722**
EFFECTIVE TAX RATE	**13.14%**	**20.44%**

32. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2016	Year ended 31.12.2015
Net profit after taxation in BGN thousands	26,598	6,704
Weighted average number of shares	113,154,291	113,154,291
EARNINGS PER SHARE (IN BGN)	**0.24**	**0.06**

The basic earnings per share is determined by dividing the net profit for the period, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the years ended December 31, 2016 and 2015.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, as every of the above sums is multiplied by the time-weighting factor in advance.

The Bank does not have potentially dilutive instruments and diluted earnings per share is the same as basic earnings per share.

33. CONTINGENT LIABILITIES

The total amount of contingent liabilities as of the year end is as follows:

	As of 31.12.2016	As of 31.12.2015
Bank guarantees		
In BGN	41,058	51,176
In foreign currency	14,834	28,185
Irrevocable commitments	118,784	118,193
Other contingent liabilities	134	329
TOTAL CONTINGENT LIABILITIES	**174,810**	197,883

As of December 31, 2016 and 2015 the Bank has signed contracts for granting loans to customers at the total amount of BGN 118,784 thousand and BGN 118,193 thousand, respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provided collateral with suitable quality and liquidity, etc.

34. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31.12.2016	Year ended 31.12.2015
Cash	222,274	164,014
Balances with the Central Bank	1,079,216	744,303
Placements with, and advances to, banks with residual maturity up to 3 months	247,633	194,393
TOTAL CASH AND CASH EQUIVALENTS AS OF DECEMBER 31	**1,549,123**	**1,102,710**

35. FINANCIAL RISK MANAGEMENT

The risk inherent to the Bank's operations with financial instruments is the possibility that actual proceeds from owned financial instruments could differ from the estimated ones. The specifics of banking necessitate adequate systems for timely identification and management of different types of risk as emphasis is put on risk management procedures, mechanisms for maintaining risk in reasonable limits, optimal liquidity and portfolio diversification. The main risk management goal is to present and analyse the types of risks, which the Bank is exposed to, in a convincing and comprehensive manner.

The risk management system has preventive functions for loss prevention and control of the amount of incurred loss and includes:

- Risk management policy;
- Rules, methods and procedures for assessment and risk management;
- Risk management organizational structure;
- Parameters and limits for transactions and operations;
- Procedures for reporting, assessment, notification and subsequent control of risks.

The main underlying principles in the Bank's risk management policy are:

- separation of responsibilities between those taking the risk and those managing risk;
- the principle of caution, which presumes the consideration of the worst case scenario for each of the risk weighted assets;
- the principle of source risk management.

The risk management organizational structure is centralized and structured in terms of competency levels as follows:

- Management Board - determines the acceptable levels of risk for the Bank within the adopted development strategy;
- Special collective bodies – prepare proposals to MB, the Executive directors and the Procurator regarding the Bank's risk management framework and activity parameters;
- Executive directors and Procurator – fulfil the general control, organize and manage the approval process and application of adequate policies and procedures within the frameworks of the risk management strategy, adopted by the Bank;
- Heads of structural units within the Bank - implement the adopted risk management policy in the organization of the activities of the respective organizational units.

The Bank's exposures in derivative financial instruments are presented at fair value transactions for the purchase and sale of foreign currency, securities, forward contracts and foreign currency swaps on the open market. These transactions traded by the Bank for its own account are insignificant in amount and the Bank is not exposed to significant risks originating from these instruments.

The nature and the essence of the risks, inherent to financial instruments of the Bank are as follows:

FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of loss due to the probability that a counterparty will be unable to pay its obligations when due or at all. The Bank manages the credit risk inherent for banking portfolio and trade portfolio. For the individual business segments the Bank applies individual credit policies.

For credit risk limitation, the Bank has implemented system of limits by classes, exposures, business sectors, geographical regions, client's profile and credit groups bearing common risk. The limits define the risk appetite and tolerance to credit risk and the capital planned allocation needed for its covering.

To mitigate credit risk, respective collaterals and guarantees are required according to the internal credit rules, the applied approach for calculating the capital requirements and the Bulgarian legislation in effect.

Cash and balances with the Central bank at the amount of BGN 1,301,490 thousand does not bear credit risk to the Bank due to their nature and the fact that they are at the Bank's disposal.

Placements with, and advances to banks at the amount of BGN 263,847 thousand comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. Generally, according to the policy of the Bank, these financial assets bear some credit risk as its maximum exposure as per the Bank's policy can be 20%, 50% and 100%, as the percentage is defined based on the quality characteristics of the financial institution.

Receivables under repurchase agreements of securities at the amount of BGN 199,258 thousand bear credit risk for the Bank depending on the provided collateral. Part of the receivables at the amount of BGN 70,624 thousand does not bear credit risk for the Bank due to the fact that they are secured by Bulgarian government securities, guaranteed by the Republic of Bulgaria. The residual part of the receivables at the amount of BGN 128,634 thousand are secured with corporate securities and bears 100% risk.

Financial assets held for trading at the amount of BGN 115,047 thousand bear mainly market risk for the Bank which is discussed in the market risk disclosures.

Equity securities, available for sale at the amount of BGN 83,788 thousand, represent shares in financial and non-financial enterprises and mutual funds which bear maximum credit risk exposure of 100% as a percentage or of BGN 83,788 thousand as an absolute amount.

Debt securities available for sale and issued by the Republic of Bulgaria at the amount of BGN 427,890 thousand do not bear credit risk as they are guaranteed by the Bulgarian state. Debt securities available for sale and issued by other European countries in the amount of BGN 109,922 thousand bear credit risk for the Bank depending on the country issue.

Debt securities available for sale and issued by local companies at the amount of 42,589 thousand, bear credit risk for the Bank with maximum exposure 100% or BGN 42,589 thousand as an absolute amount.

The investments in the subsidiaries of the Bank, Central Cooperative Bank AD, Skopje, in the Republic of Macedonia, ZAO IK "Bank", city of Kazan, republic Tatarstan, Russian federation and Management company "CCB Assets Management" EAD, Sofia, Republic of Bulgaria amount to BGN 84,333 thousand bear a credit risk, the maximum exposure of which is 100% or BGN 84,333 thousand as an absolute amount.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Loans and advances to customers with carrying amount of BGN 2,160,083 thousand bear credit risk for the Bank. In order to determine the Bank's exposure to this risk, an analysis of each individual risk for the Bank, arising from each particular exposure is conducted by applying criteria for risk exposures assessment and classification in compliance with the banking legislation of the Republic of Bulgaria and IFRS. According to these criteria and the conducted analysis, the maximum exposure to credit risk of the Bank is at the amount of BGN 1,767,920 thousand. For credit risk mitigation purposes, detailed procedures for analysis of the economic reasonableness of every project, types of collateral acceptable to the Bank, control over granted funds and the respective administration are applied in the lending process.

The Bank keeps ratio of total capital adequacy above the regulatory requirements, generally as a precaution against the risk from concentrations. The acceptance and control over the limits for credit risk restrains the concentrations of risk exposures by geographical regions, sectors, business segments and credit groups bearing common risk.

The Bank has adopted methodology for calculation of allowances for impairment of loans and advances to customers in compliance with the requirements of IFRS.

As of December 31, 2016 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 90,937 thousand.

Quality of the credit portfolio

Classification groups as of December 31, 2016:

Debt	By granted loans		Undrawn commitment	By provided letters of guarantee	
Group	Amount	Allowances	Amount	Amount	Allowances
Regular	2,030,192	13,434	88,381	55,831	-
Non-performing	220,828	77,503	403	61	-
Total	2,251,020	90,937	88,784	55,892	-

Classification groups as of December 31, 2015:

Debt	By granted loans		Undrawn commitment	By provided letters of guarantee	
Group	Amount	Allowances	Amount	Amount	Allowances
Regular	1,884,660	6,975	81,546	79,302	-
Non-performing	258,991	49,598	11,646	61	-
Total	2,143,651	56,573	93,192	79,363	-

FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

The loans granted by the Bank can be summarized in the following table:

Group Group	31.12.2016		31.12.2015	
	Loans, granted to non-financial customers	Loans, granted to banks and receivables under repurchase agreements	Loans, granted to non-financial customers	Loans, granted to banks and receivables under repurchase agreements
	BGN'000		BGN'000	
Neither past due nor impaired	1,933,467	199,258	935,255	152,449
Past due but not impaired	133,978	-	987,073	-
Impaired on individual basis	183,575	-	221,323	-
Total	2,251,020	199,258	2,143,651	152,449
Allowances for impairment provided	(90,937)	-	(56,573)	-
Net loans	2,160,083	199,258	2,087,078	152,449

As of December 31, 2016 and 2015 the prevailing part of the loans classified as past due but not impaired consist of loans overdue within 30 days. The Bank considers that such delays are not an indication for impairment of the respective loans.

Loans and advances, which are neither overdue, nor impaired, are presented in the following table:

	As of 31.12.2016	As of 31.12.2015
Individuals		
Credit cards and overdrafts	19,792	21,270
Consumer loans	270,748	188,462
Mortgage loans	143,308	82,305
Corporate clients	1,499,620	643,218
Total	**1,933,468**	**935,255**

The carrying amount of loans, which are overdue, but have not been impaired is stated below. These loans are not impaired due to the fact that the nature of the overdue loans is accidental and the overdue period is within 30 days, which dismisses the necessity of their impairment.

	As of 31.12.2016	As of 31.12.2015
Individuals		
Credit cards and overdrafts	11,836	12,042
Consumer loans	31,583	32,810
Mortgage loans	15,143	18,976
Corporate clients	75,416	923,245
Total	**133,978**	**987,073**

FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

The carrying amount of the loans, which have been provided allowances for on an individual basis as of December 31, 2016 and 2015 is BGN 183,575 thousand and BGN 221,323 thousand. These amounts exclude cash flows from utilization of collaterals under these loans

December 31, 2016	Carrying amount before impairment	Impairment	Carrying amount after impairment
Consumer loans	12,350	9,657	2,693
Mortgage loans	1,996	-	1,996
Corporate clients	169,229	58,423	110,806
Total	**183,575**	**68,080**	**115,495**

December 31, 2015	Carrying amount before impairment	Impairment	Carrying amount after impairment
Consumer loans	12,803	4,990	7,813
Mortgage loans	1,957	-	1,957
Corporate clients	206,563	32,550	174,013
Total	**221,323**	**37,540**	**183,783**

The total amount of the net exposure for 2016 and 2015 of the five largest exposures is BGN 318,549 thousand and BGN 339,487 thousand respectively, and represents 14,75% and 16,27% from the loans and advances of the Bank's customers.

Business sector, classification group and overdue as of December 31, 2016:

Sector	Amount Group	Number of transactions	Liability	Including overdue on: principal	interest	Court receivables	Allowances	Unutilized
Retail	Regular	77,703	467,342				2,121	45,937
	Non-performing	5,088	40,688	2,078	2,038	15,514	17,043	296
Total		82,791	508,030	2,868	2,260	15,514	19,164	46,233
Corporate	Regular	705	1,549,924	5,933	3,011	-	11,313	41,887
	Non-performing	199	180,140	43,790	10,401	55,625	60,460	107
Total		904	1,730,064	49,723	13,412	55,625	71,773	41,994
Budget	Regular	7	12,926	-	-	-	-	557
	Non-performing	-	-	-	-	-	-	-
Total		7	12,926	-	-	-	-	557
	Total	83,702	2,251,020	52,591	15,672	71,139	90,937	88,784

FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

Business sector, classification group and overdue as of December 31, 2015:

Sector	Amount Group	Number of transactions	Liability	Including overdue on: principal	interest	Court receivables	Allowances	Unutilized
Retail	Regular	72,845	329,557	646	279	-	2,542	42,182
	Non-performing	5,223	40,774	1,861	1,667	15,205	13,750	277
Total		78,068	370,331	2,507	1,946	15,205	16,292	42,459
Corporate	Regular	682	1,540,846	41,347	14,779	-	4,433	39,286
	Non-performing	191	218,217	27,209	6,177	41,351	35,848	11,369
Total		873	1,759,063	68,556	20,956	41,351	40,281	50,655
Budget	Regular	9	14,257	-	-	-	-	78
	Non-performing	-	-	-	-	-	-	-
Total		9	14,257	-	-	-	-	78
	Total	78,950	2,143,651	71,063	22,902	56,556	56,573	93,192

Loan exposures for restructuring

The Bank accepts as exposures for restructuring those loan exposures on which the initial contract terms have been changed due to deterioration of the debtor's financial position, which leads to impossibility to repay on time the full amount of the debt, and which compromise the Bank would not make at other circumstances.

The changes to the initial contract terms in case of restructuring measures may include:

- Decrease/writing off/ of the debt or a part of it;
- Replacement of part of the debt by property;
- Refinancing of exposures, which the debtor cannot service with the current contract terms;
- When the contract contains more favourable terms for repayment of liabilities compared to the terms, which the Bank would offer to customers with similar risk profile;
- Decrease of the interest rate on the contract, except for change of the interest rate originated by changes in market interest rates.

The information of Forborne loan exposures is as follows:

2016	Corporate customers	Physical persons
Amount before impairment	150,854	1,297
Impairment	(26,339)	(533)
Amount after impairment	124,515	764

2015	Corporate customers	Physical persons
Amount before impairment	121,365	1,952
Impairment	(17,974)	(816)
Amount after impairment	103,391	1,136

FINANCIAL RISK MANAGEMENT (CONTINUED)

Collaterals on loans granted

Housing mortgage loans to individuals

The table below presents the carrying amount of reported housing mortgage loans to individuals based on loan-to-value. The ration is calculated as a correlation of the gross amount of loan exposure to the collateral value. Collateral value on housing mortgage loans is determined upon loan granting and is updated in case of significant changes in the prices of real estate market,

Loan-to-value	2016	2015
Below 50%	40,993	32,900
From 50% to 75%	62,458	37,761
From 75% to 90%	47,978	23,662
From 90% to 100%	6,157	4,442
Above 100%	2,284	3,040
Total	**159,870**	**101,805**

Loans granted to legal entities

With regard to loans granted to legal entities the Bank determines as a most appropriate indicator for risk exposure the creditability of each client. Therefore, the Bank has adopted an approach for individual credit evaluation and test of impairment of loans granted to companies. For additional security purposes along with the regular monitoring of the financial position of the companies-borrowers, the Bank requires collaterals on credit exposures to be established. The Bank accepts loans to companies to be secured by mortgages on real estates, pledges on going concern, special pledges on tangible assets, as well as other guarantees and titles.

The Bank analyses and updates on a regular basis the collateral value considering any significant changes in the market environment, regulatory framework and other circumstances incurred. If there is a decrease in the collateral value, as a result of which the Bank believes it is no more sufficient, the borrower is required to establish further collaterals within a given term.

Liquidity risk

Liquidity risk arises from the mismatch of the assets' and liabilities' maturity and the lack of sufficient funds for the Bank to meet its obligations on its current financial liabilities, as well as to provide funding for the increase in financial assets and the potential claims on off-balance sheet commitments

Adequate liquidity is achieved if the Bank is able to provide enough funds for the above purposes by increasing liabilities and transforming assets as soon as possible and at relatively low costs through potential sale of liquid assets or attraction of additional funds from cash, capital or currency markets. The preventive function in the liquidity risk management comprises maintaining of reasonable level of liquidity to avoid potential loss at unexpected sale of assets.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The Bank observes its responsibilities and limitations resulting from the Law on Credit Institutions and Ordinance No. 11 of the Bulgarian National Bank on liquidity management and supervision of banks. The special collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It applies the adopted by the Bank policy on liquidity risk management.

Quantity measure of the liquidity risk according to the BNB regulations is the liquid assets coefficient being the ratio between the liquid assets (cash in hand and at accounts with the Central bank, unencumbered government securities of the Republic of Bulgaria, deposits at financial institutions with maturity up to 7 days) to the attracted funds by the Bank.

Traditionally, the Bank maintains high volume of liquid assets – cash in hand and at BNB, which guarantees it to meet easily its liquid needs. As of December 31, 2016 their share is over 26.19% of the Bank's total assets. As additional instrument to provide high liquidity, the Bank uses placements with and advances to financial institutions. These comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity within 7 days. As of December 31, 2016 such deposits represent approximately 5.31% of total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise over 8% of total assets. By maintaining above 40% of its assets in highly liquid assets the Bank is able to meet all payment needs on matured financial liabilities.

The allocation of the Bank's financial liabilities as of December 31, 2016, according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	12,451	-	-	-	-	12,451
Liabilities to other depositors	2,027,669	387,632	1,079,796	961,955	463	4,457,515
Other attracted funds	4	21	14	-		39
Issued bonds	-	-	-	-	70,126	70,126
Provisions for liabilities	-	-	1,034	-	-	1,034
Other liabilities	10,410	-	-	-	-	10,410
TOTAL FINANCIAL LIABILITIES	**2,050,534**	**387,653**	**1,080,844**	**961,955**	**70,589**	**4,551,575**

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – deposits from individuals and legal entities.

The allocation of the Bank's financial liabilities as of December 31, 2015, according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	9,282	-	-	-	-	9,282
Payables under repurchase agreements of securities	9,000	-	-	-	-	9,000
Liabilities to other depositors	1,941,726	368,887	1,051,160	796,791	8,283	4,166,847
Other attracted funds	4	8	53	40	-	105
Issued bonds	-	-	-	70,055	-	70,055
Other liabilities	8,261	-	-	-	-	8,261
TOTAL FINANCIAL LIABILITIES	**1,968,273**	**368,895**	**1,051,213**	**866,886**	**8,283**	**4,263,550**

FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The tables above feature part of the attracted funds in current accounts without residual maturity amounting to BGN 952,262 thousand as of December 31, 2016 and BGN 769,720 thousand as of December 31, 2015 and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2016 and 2015.

Market risk

Market risk is the risk, at which it is possible that the changes in the market prices of the financial assets, the interest rates or the currency rates have an unfavourable effect on the result of the Bank activity. Market risk arises on opened exposures on interest, currency and capital products, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Bank in accordance with risk limits, stipulated by management.

Interest rate risk

Interest rate risk is the possibility of potential fluctuation of the net interest income or the net interest rate margin, due to changes in the general market interest rates. The Bank manages its interest rate risk through minimizing the risk of decrease of the net interest income in result of changes in the interest rates.

For measurement and evaluation the interest rate risk the Bank applies the method of the GAP analysis (analysis of mismatch/imbalance). By this analysis the sensitivity of the expected income and expenses toward the interest rate development is identified.

The method of the GAP analysis aims to determine the Bank position, in total and separately by financial assets and liabilities types, regarding expected changes in interest rates and the influence of this change on the net interest income. It helps the management of the assets and liabilities and is an instrument for assurance of sufficient and stable net interest rate profitability.

The gap of the Bank between the interest-bearing assets and liabilities as of December 31, 2016 is negative and amounts to BGN 1,321,150 thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 37,89%.

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	247,633	-	13,280	2,934	-	263,847
Receivables under repurchase agreements of securities	73,275	41,626	84,357	-	-	199,258
Financial assets held for trading	1,172	-	1,954	12,266	-	15,392
Loans and advances to customers, net	98,451	126,489	295,270	1,055,601	584,272	2,160,083
Financial assets available for sale	-	5,815	84,381	76,399	413,806	580,401
Financial assets held to maturity	**420,531**	**173,930**	**479,242**	**1,147,200**	**998,078**	**3,218,981**
TOTAL INTEREST-BEARING ASSETS						
INTEREST-BEARING LIABILITIES	12,451	-	-	-	-	12,451
Deposits from banks	2,027,669	387,632	1,079,796	961,955	463	4,457,515
Liabilities to other depositors	4	9	26	-	-	39
Issued bonds	-	-	-	-	70,126	70,126
TOTAL INTEREST-BEARING LIABILITIES	**2,040,124**	**387,641**	**1,079,822**	**961,955**	**70,589**	**4,540,131**
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	**(1,619,593)**	**(213,711)**	**(600,580)**	**182,245**	**930,489**	**(1,321,150)**

FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

The maintenance of negative imbalance exposes the Bank to risk of decrease of the net interest income when interest rates increase. The effect of the imbalance, reported as of December 31, 2016 on the net interest income, with forecast for 2% increase in interest rates in a period of one year is decrease of the net interest income by BGN 2,048 thousand (2015: BGN 1,872 thousand).

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2015 is negative and amounts to BGN 939,295 thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 26,24%.

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	194,124	269	-	6,682	2,934	204,009
Receivables under repurchase agreements of securities	48,297	49,152	54,999	-	-	152,448
Financial assets held for trading	3,554	-	-	12,657	86,971	103,182
Loans and advances to customers, net	173,437	50,956	302,110	535,274	1,025,301	2,087,078
Financial assets available for sale	-	16,062	34,145	41,122	31,606	122,935
Financial assets held to maturity	**-**	**-**	**-**	**90,841**	**555,501**	**646,342**
TOTAL INTEREST-BEARING ASSETS	**419,412**	**116,439**	**391,254**	**686,576**	**1,702,313**	**3,315,994**
INTEREST-BEARING LIABILITIES						
Deposits from banks	9,282	-	-	-	-	9,282
Payables under repurchase agreements of securities	9,000	-	-	-	-	9,000
Liabilities to other depositors	1,941,726	368,887	1,051,160	796,791	8,283	4,166,847
Issued bonds	-	-	-	70,055	-	70,055
Other attracted funds	4	8	53	40	-	105
TOTAL INTEREST-BEARING LIABILITIES	**1,960,012**	**368,895**	**1,051,213**	**866,886**	**8,283**	**4,255,289**
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	**(1,540,600)**	**(252,456)**	**(659,959)**	**(180,310)**	**1,694,030**	**(939,295)**

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 952,262 thousand as of December 31, 2016 and BGN 769,720 thousand as of December 31, 2015 and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2016 and 2015.

Foreign currency risk

Foreign currency risk is the risk for the Bank to realize loss as a result of fluctuations in the foreign exchange rates.

In the Republic of Bulgaria the rate of the Bulgarian lev to the Euro is fixed by the Currency Board Act due to which the Bank's long position in EUR does not bear risk for the Bank. The risk weighted net currency position as of December 31, 2016 in financial instruments, denominated in other currencies, different from BGN or EUR is below 2% of the capital base and capital requirements for currency risk shall not be applied by the Bank.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2016 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	17,013	**57,271**	148,693	40,870	263,847
Receivables under repurchase agreements of securities	149,637	49,621	-	-	199,258
Financial assets held for trading	100,146	14,844	43	14	115,047
Loans and advances to customers, net	1,244,255	899,103	12,451	4,274	2,160,083
Financial assets available for sale	150,855	506,401	6,933	-	664,189
Financial assets held to maturity					
Investments in subsidiaries	3,200	46,216	-	34,917	84,333
TOTAL FINANCIAL ASSETS	**1,665,106**	**1,573,456**	**168,120**	**80,075**	**3,486,757**
FINANCIAL LIABILITIES					
Deposits from banks	485	7,291	3,905	770	12,451
Amounts due to other depositors	3,014,378	1,157,266	226,817	59,054	4,457,515
Other attracted funds	39	-	-	-	39
Issued bonds	-	70,126	-	-	70,126
Provision for liabilities	2	831	180	21	1,034
TOTAL FINANCIAL LIABILITIES	**3,014,904**	**1,235,514**	**230,902**	**59,845**	**4,541,165**
NET POSITION	**(1,349,798)**	**337,942**	**(62,782)**	**20,230**	**(1,054,408)**

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2015 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	22,017	57,683	101,465	22,844	204,009
Receivables under repurchase agreements of securities	124,021	28,427	-	-	152,448
Financial assets held for trading	124,526	77,613	462	65	202,666
Loans and advances to customers, net	1,096,956	943,097	43,256	3,769	2,087,078
Financial assets available for sale	114,227	84,945	3,803	24,545	227,520
Financial assets held to maturity	54,645	591,697	-	-	646,342
Investments in subsidiaries	3,200	46,216	-	10,372	59,788
TOTAL FINANCIAL ASSETS	**1,539,592**	**1,829,678**	**148,986**	**61,595**	**3,579,851**
FINANCIAL LIABILITIES					
Deposits from banks	1,672	5,827	1,300	483	9,282
Payables under repurchase agreements of securities	-	9,000	-	-	9,000
Amounts due to other depositors	2,749,410	1,162,698	218,136	36,603	4,166,847
Issued bonds	-	70,055	-	-	70,055
Other attracted funds	105	-	-	-	105
TOTAL FINANCIAL LIABILITIES	**2,751,187**	**1,247,580**	**219,436**	**37,086**	**4,255,289**
NET POSITION	**(1,211,595)**	**582,098**	**(70,450)**	**24,509**	**(675,438)**

Price risk

Price risk is related to changes in market prices of the financial assets and liabilities, for which the Bank can suffer a loss. The main threat for the Bank is the decrease of the market prices of its equity instruments for trading, which could lead to a slump in the net profit. The Bank does not have material exposures in derivative instruments, based on equity instruments or indexes, so its exposure to price risk is related to the carrying amount of equity instruments and shares in mutual funds from the portfolio of financial assets held for trading at the amount of BGN 99,634 thousand (2015: BGN 98,993 thousand).

36. INFORMATION REGARDING THE FAIR VALUE OF THE ASSETS AND LIABILITIES

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, whether that price is directly regardless of whether that price is directly observable or estimated using another valuation technique. Sufficient market experience, stability and liquidity do not currently exist for purchases and sales of loans and advances to customers and for some other assets and liabilities, for which published market information is not easily accessible. Accordingly, their fair values cannot be reliably determined. Management considers that their carrying amounts are the most valid and useful reporting amounts under these circumstances.

The fair value of the financial assets and liabilities, distributed in accordance with the hierarchy of the fair values as of December 31, 2016 and 2015 is as follows:

2016	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment – non-observed market levels
ASSETS				
Financial assets held for trading	115,047	113,515	21	1,511
Financial assets available for sale	664,189	656,725	-	7,464
TOTAL ASSETS	**779,236**	**770,240**	**21**	**8,975**
LIABILITIES				
Derivative financial instruments	209	-	209	-
TOTAL LIABILITIES	**209**	**-**	**209**	**-**

2015	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment – non-observed market levels
ASSETS				
Financial assets held for trading	202,666	202,174	491	1
Financial assets available for sale	227,520	191,404	-	36,116
TOTAL ASSETS	**646,342**	**646,342**	**-**	**-**
LIABILITIES				
Derivative financial instruments	578	-	578	-
TOTAL LIABILITIES	**578**	**-**	**578**	**-**

37. RELATED PARTY TRANSACTIONS

The Bank has conducted a number of transactions with related parties as it has granted loans, issued guarantees, attracted cash, realized repo deals and others. All deals are completed at common trade conditions, in the course of activity of the Bank and do not differ from the market conditions, as loans are granted and guarantees are issued only in the presence of sufficient collateral.

RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2016 and 2015 the Bank has receivables from, payables and contingent commitments to related parties as follows:

Related parties and balances	As of 31.12.2016	As of 31.12.2015
Parent company		
Deposits received	10	20
Issued bonds	-	44,758
Companies under common control		
Loans granted	81,611	95,036
Guarantees issued	7,413	26,388
Receivable under repurchase agreements	11,272	30,585
Other receivables	3,365	3,246
Deposits received	51,831	86,567
Issued bonds	50,779	5,460
Subsidiaries		
Deposits received	5,086	3,728
Deposits granted	26,568	28,652
Key management personnel of the Bank or its main shareholder		
Loans granted	2,078	3,777
Other receivables	8	-
Deposits received	2,987	3,276

Income and expenses realized by the Bank in 2016 and 2015 from transactions with related parties are as follows:

Related parties and transactions	Turnover in 2016	Turnover in 2015
Parent company		
Interest income	-	52
Income from fees and commissions	15	1
Companies under common control		
Interest income	5,652	7,743
Income from fees and commissions	1,257	1,260
Income from services	210	110
Interest expense	(2,420)	(403)
Expenses for services	(6,541)	(8,615)
Subsidiaries		
Interest expense	(24)	(87)
Interest income	184	500
Income from fees and commissions	18	8
Dividends	770	771
Income from services	132	-
Expenses for services	(59)	-
Key management personnel of the Bank or its main shareholder		
Interest income	89	161
Income from fees and commissions	7	8
Interest expense	(8)	(18)
Expenses for services	(109)	(86)

RELATED PARTY TRANSACTIONS (CONTINUED)

The remunerations of the members of the Supervisory Board paid in 2016 are BGN 240 thousand (2015: BGN 307 thousand). The remunerations of the members of the Management Board paid in 2016 are BGN 305 thousand (2015: BGN 307 thousand).

38. OTHER REGULATORY DISCLOSURES

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, banks are required to make certain quantitative and qualitative disclosures related to major financial and other indicators separately from the business originating from Republic of Bulgaria, countries part of the European Union and third countries in which the bank has active subsidiaries and/or branches.

As disclosed in note 1, Central Cooperative Bank AD carries out its activities based on banking licence issued by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

The Bank has obtained bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks.

The summarized quantitative indicators in connection with the obligatory disclosers required by the Law on Credit Institutions are as follows:

	Republic of Bulgaria		Republic of Cyprus	
	2016	2015	2016	2015
Operating income	183,427	149,862	702	304
Financial result before tax	30,422	8,575	199	(149)
Tax expense	(4,023)	(1,722)	-	-
Return on assets (%)	0.54	0.15	1.93	(0.45)
Number of employees at December 31	2,105	2,083		4
Received government grants	-	-		-

39. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred subsequent to the preparation of the separate financial statements for 2016 that may have significant impact on the future development of the Bank.

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