

2018' THIRD QUARTER
INTERIM FINANCIAL REPORT
ON THE ACTIVITIES OF
CENTRAL COOPERATIVE BANK /CCB/

At the end of third quarter of 2018, CCB's balance sheet total assets were BGN 5,593,443 thousand. As of 30 September 2018, the Bank's net profit amounted to BGN 21,781 thousand.

CCB is developing sustainably and as of the end of September was at 8th position in the Bulgarian Banking System, based on the balance sheet total amount of assets, according to BNB.

The bank's total amount of assets grew by 7.35% or by BGN 382,781 thousand in absolute terms, against BGN 5,210,662 thousand a year ago. From the end of previous quarter, assets increased by 3.06% or BGN 166,082 thousand.

At the end of the third quarter of 2018 the amount of granted loans and advances reached BGN 2,269,116 thousand so their amount increased by 1.79% on an annual base and increased by 1.30% compared to the end of previous quarter.

The CCB's net profit as of the end of 2018' third quarter is BGN 21,781 thousand and is decreasing by 21.33%, compared to BGN 27,685 thousand a year ago.

At the end of September 2018, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 5,007,020 thousand. For the 12-month period, they increased by 7.33% compared to BGN 4,665,269 thousand as of end-September 2017 and compared to the end of previous quarter increased by 2.80%.

The liquid coverage ratio of the bank reached 619.27% at the end of September 2018.

At the end of the 2018 third quarter, the Bank is complying with all applicable minimum regulatory requirements.

I. Information related to significant events that occurred during the reported period of financial 2018, accumulated and its impact on the financial result.

On 27 June 2018 a General Meeting of the Shareholders of CCB Plc took place and the following important decisions were taken at this meeting:

The annual financial statements and the annual consolidated financial statements of Central Cooperative Bank Plc for 2017 were approved and a proposal was made the accumulated profit of CCB Plc for 2017 to the amount of BGN 36 813 920.83 (thirty-six million eight hundred thirteen thousand nine hundred twenty leva and eighty-three stotinkas) to be transferred to the Reserve fund.

The following persons were elected as members of the Supervisory Board with a 5-year mandate, as from the election date: Ivo Kamenov Georgiev, Marin Velikov Mitev, Rayna Dimitrova Kuzmova and Central Cooperative Union

"Deloitte Audit" OOD, UIC 121145199 and "Grant Thornton" OOD, UIC 831716285 were elected as auditing companies, which make a verification and certify the annual financial statements of the Bank for 2018 and the supervisory reports, determined by the Bulgarian National Bank.

II. Information about major risks and instability during the fourth quarter of 2018.

Bulgarian economy is growing rapidly and economic activity is vivid in general, so the Bank will pursue its goals of sustainable development, while preserving the achieved results and market share.

Potential differences between observed and expected results are the major source of risks and instability during the fourth quarter of 2018. Therefore, the most significant risks are detailed in the following list:

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

The level of CCB's risk ratios and indicators is similar to the average values of the Bulgarian banking system. The Bank's Management do not expect any adverse movement in the above mentioned level of risks during the next quarter of 2018.

George Kostov
Executive director

Sava Stoynov
Executive director

Tihomir Atanasov
Procurator



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2018

All amounts are in thousand Bulgarian Levs

	As at 30.09.2018	As at 31.12.2017
ASSETS		
Cash and balances with the Central Bank	1,749,896	1,797,053
Placements with and advances to banks	272,651	281,016
Receivables under repurchase agreements	244,826	196,910
Financial assets held for trading	3,517	81,775
Financial assets, recorded at fair value in the profit or loss	57,301	-
Loans and advances to customers, net	2,269,116	2,214,894
Other assets	60,084	59,009
Financial assets available for sale	-	589,318
Financial assets, recorded at fair value in other comprehensive income	551,371	-
Financial assets, recorded at amortised value	193,060	-
Investments in subsidiaries	84,333	84,333
Fixed assets	91,297	91,020
Investment properties	15,991	16,519
TOTAL ASSETS	5,593,443	5,411,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	35,044	8,434
Amounts owed to other depositors	5,007,020	4,859,073
Issued bonds	72,213	70,235
Provisions for liabilities	429	-
Other liabilities	8,979	12,490
TOTAL LIABILITIES	5,123,685	4,950,232
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	230,190	205,059
Revaluation reserve	25,189	27,144
Current year profit	21,781	36,814
TOTAL SHAREHOLDERS' EQUITY	469,758	461,615
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	5,593,443	5,411,847
Commitments and contingencies	154,550	162,747

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Yordan Hristov
Chief accountant



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

AS OF 30 SEPTEMBER 2018

All amounts are in thousand Bulgarian Levs

	As at 30.09.2018	As at 30.09.2017
Interest income	97,165	109,945
Interest expenses	(14,483)	(19,586)
Net interest income	82,682	90,359
Fees and commissions income	40,290	38,883
Fees and commissions expenses	(7,002)	(5,908)
Net fees and commissions income	33,288	32,975
Gains from transactions with securities, net	185	3,413
Foreign exchange rate gains, net	1,189	29
Other operating income, net	3,072	4,140
Operating expenses	(87,976)	(83,945)
Expenses for liabilities provisions	95	-
Impairment and uncollectability income (expenses), net	(7,957)	(16,210)
Profit for the period before taxes	24,578	30,761
Taxes	(2,797)	(3,076)
PROFIT FOR THE PERIOD	21,781	27,685
Earnings per share (in BGN)	0.19	0.24
Earnings per share with decreased value (in BGN)	0.17	0.22
Other comprehensive income		
Components, which are reclassified in the profit or loss:		
Financial assets available for sale, net of taxes	-	8,373
Debt instruments, evaluated at fair value in other comprehensive income after taxes	(2,662)	-
Components, which are not reclassified in profit or loss		
Capital instruments, evaluated at fair value in other comprehensive income after taxes	707	-
Other comprehensive income after taxes	(1,955)	8,373
TOTAL COMPREHENSIVE INCOME AFTER TAXES	19,826	36,058

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS

AS AT 30 SEPTEMBER 2018

All amounts are in thousand Bulgarian Levs

	As at 30.09.2018	As at 30.09.2017
Cash flows from operating activities:		
Profit before taxes	24,578	30,761
Change in operating assets:		
Increase in placements with, and advances to, banks with maturities above 90 days	(2,001)	(3,935)
Decrease / (increase) in receivables under repurchase agreements	(47,939)	5,451
Decrease and reclassification of the financial assets held for trading	77,980	45,245
(Increase) and reclassification of financial assets, recorded at fair value in the profit or loss	(56,403)	-
(Increase) in loans and advances to customers	(72,200)	(85,395)
(Increase) /Decrease in other assets	(3,099)	1,963
(Increase) in non-current assets held for sale	-	1,811
	(103,662)	(34,860)
Change in operating liabilities:		
Increase in deposits from banks	26,610	(2,720)
Increase in liabilities to other depositors	147,947	207,754
(Decrease) in other attracted funds	-	(39)
Increase in liabilities for provisions	429	-
(Decrease) in other liabilities	(3,511)	(1,473)
	171,475	203,522
Other noncash transactions, included in the profit before taxes:		
Net (profit)/ loss from investing activity	(620)	(1,103)
Increase in the adjustment for devaluation of loans and advances to clients	7,957	16,210
Depreciation	7,119	6,931
Effect of the depreciation of a financial liability	1,978	1,985
	16,434	24,023
Paid profit tax	(1,884)	(5,570)
NET CASH FLOWS FROM OPERATING ACTIVITIES	106,941	217,876
Cash flows from investing activity		
Sale and reclassification of financial assets available for sale, net	589,318	116,155
Acquisition and reclassification of financial assets, reported at fair value in other comprehensive income	(553,326)	-
Acquisition of financial assets, recorded at amortised value	(193,060)	-
Payments for the purchase of fixed assets	(6,984)	(2,492)
Revenues from the sale of fixed assets	115	-
Acquisitions) of investment properties	(527)	(527)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(164,464)	113,136
Cash flows from financing activity	-	-
NET CASH FLOW FROM FINANCING ACTIVITY	-	-
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS, NET	(57,523)	331,012
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	2,064,006	1,549,123
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,006,483	1,880,135

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2018

All amounts are in thousand Bulgarian Levs

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Profit for the year	Total
BALANCE AS OF 1 JANUARY 2017	113,154	79,444	178,461	20,899	26,598	418,556
Net profit for the period ended 30 September 2017	-	-	-	-	27,685	27,685
Other comprehensive income for the period ended 30 September 2017 after taxes	-	-	-	8,373	-	8,373
Total comprehensive income for the period ended 30 September 2017	-	-	-	8,373	27,685	36,058
Transfer of net profit for the year ended 31 December 2016, to retained earnings	-	-	26,598	-	(26,598)	-
BALANCE AS OF 30 SEPTEMBER 2017	113,154	79,444	205,059	29,272	27,685	454,614
BALANCE AS OF 1 JANUARY 2018	113,154	79,444	205,059	27,144	36,814	461,615
Effect of the adoption of IFRS 9 RECALCULATED BALANCE AS OF 1 JANUARY 2018	-	-	(12,229)	-	-	(12,229)
Net profit for the period ended 30 September 2018	-	-	-	-	21,781	21,781
Other comprehensive income for the period ended 30 September 2018 after taxes	-	-	-	(1,955)	-	(1,955)
Total comprehensive income for the period ended 30 September 2018	-	-	-	(1,955)	21,781	19,826
Transfer of net profit for the year ended 31 December 2017, to retained earnings	-	-	36,814	-	(36,814)	-
Other movements	-	-	546	-	-	546
BALANCE AS OF 31 JUNE 2018	113,154	79,444	230,190	25,189	21,781	469,758

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EXPLANATORY NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2018 OF CENTRAL COOPERATIVE BANK AD /THE BANK/

1. Selected positions from the financial statements

The financial assets, held for trading and recorded in fair value in the profit or loss, are acquired with the aim of receiving a profit, which stems from short-term fluctuations in the prices or the dealing margin or are financial assets, included in a portfolio, for which there is a probability for a short-term realization of a profit. These include the acquired capital investments in non-financial companies, in which the Bank does not have a control participation, as well as investments in government securities. The structure of these assets at the end of the quarter in thousand BGN is as follows:

<i>Derivatives, held for trading</i>	385
<i>Equity instruments</i>	3 131
<i>Debt instruments</i>	1

In relation to the application of IFRS 9 from 1 January 2018 a reclassification was made of a significant part of the equity and debt securities in this position in the report as at 31.12.2017, as follows:

-reclassified in financial assets, recorded at fair value in other comprehensive income, whereas the reclassification has a certain forecasted effect of BGN 526 thousand.

The financial assets, recorded at fair value in the profit or loss, are equity investments in financial or non-financial companies, in which the Bank does not have a control participation. The significant part of the financial assets, reflected in this position in the report as at 30.09.2018 is the reclassified part of the financial assets, held for trading. The structure of these assets at the end of the quarter is as follows:

<i>Equity instruments</i>	57 301
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The financial assets, recorded at fair value in other comprehensive income are acquired interest-bearing government and corporate securities, as well as acquired equity investments in financial and non-financial companies, whereas some of these assets are the reclassified portion of the financial assets, held for trading. The structure of these assets at the end of the quarter in BGN thousand is as follows:

<i>Equity instruments</i>	93 664
<i>Debt instruments</i>	457 707

The financial assets, recorded at amortised value according to the effective interest rate method are acquired debt interest bearing government and corporate securities, whose value at the end of the quarter is BGN 193 060 thousand.

The loans and advances that initially originated at the Bank with a fixed maturity are financial assets, created via a direct provision by the Bank of money or services to certain clients with a fixed maturity.

During the third quarter of 2018 the loans with a fixed maturity, which initially originated at the Bank, are recorded at amortized value according to the effective interest rate method.

CCB Plc works with specialized financial institutions, registered under Ordinance N 26 of BNB for the acquisition of loan receivables, due to which the share of the non-performing loans in the Bank portfolio is lower than that of the system.

The receivables under securities repurchase agreements are recorded at acquisition price, which is equal to the fair value of the funds placed by the Bank, secured by the value of the securities. The securities, received as collateral under securities repurchase agreements, are not recorded in the financial statements of the Bank in the cases, when the risks and the profits from their ownership have not been transferred. The reflected receivables under securities repurchase agreements at the end of the third quarter of 2018 have been secured by a pledge of Bulgarian government securities and corporate securities.

Fixed tangible and intangible assets

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

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

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

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

During the third quarter of 2018 a devaluation of inventories, a devaluation of the fixed tangible and intangible assets was not performed, due to the lack of indicators for a potential devaluation of these assets.

Assets acquired from collateral

Real estates and movables, acquired by the Bank, associated with granted and non-performing loans are classified as assets acquired from collateral and are recorded initially

at acquisition price. After their initial recognition, these assets are recorded at the lower of their current book value or their net realisation value. The amount of each devaluation of these assets up to their net realization value is recognized as an expense for the period of devaluation. No depreciation accrues for these assets. In the statement of the financial position these assets are presented as part of the position Other assets.

Investment properties

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

2. Transactions with related parties

The Bank performed a number of transactions with related parties, whereas it granted loans, issued guarantees, attracted funds, made repo transactions, etc. All transactions have been concluded under ordinary commercial conditions in the course of the activity of the Bank and do not differ from the market conditions, when the loans were granted, and the guarantees were issued only against sufficient collateral.

At the end of the third quarter of 2018 the receivables of the Bank from subsidiaries are to the amount of BGN 7 251 thousand, which stem from placed deposits. At the end of the third quarter of 2018 the liabilities of the Bank to subsidiaries are to the amount of BGN 24 535 thousand, which stem from received deposits. At the end of the third quarter of 2018 the receivables of the Bank from companies under common control are to the amount of BGN 71 670 thousand, whereas the predominant part stems from granted loans. At the end of the third quarter of 2018 the liabilities of the Bank to companies under common control are to the amount of BGN 54 123 thousand, of which BGN 27 150 thousand come from obtained funds from an issue of convertible bonds, issued by the Bank, to the amount of EUR 36 000 thousand and the remaining part comes mainly from obtained deposits. At the end of the third quarter of 2018 the Bank does not have receivables from the mother company. At the end of the third quarter of 2018 the Bank has liabilities to the mother company to the amount of BGN 93 thousand.

3. Accounting policy

During the third quarter of 2018 compared to the first and second quarters of 2018 the Bank did not make changes in its accounting policy.

During the first quarter of 2018 the Bank made changes to its accounting policy as follows:

- With respect to the classification of the financial assets

IFRS 9 introduces a new approach for the classification of financial assets, based on the characteristics of the cash flows and business model. This universal approach based on principles substitutes the existing requirements, based on rules.

- With respect to the review for devaluation

IFRS 9 introduces a new model for devaluation based on the expected loss, which requires more timely recognition of the credit losses. The standard requires reporting of the expected credit losses from the moment of the initial recognition of the financial instruments.

For the purposes of defining the model of the expected credit losses the Bank management analysed the current state with respect to the requirements of IFRS 9, as well as the quantitative measurement of the expected effect. The quantitative impact of IFRS 9 has been determined in compliance with the adopted by the Bank methodology for calculating the expected credit losses and the defined parameters for measuring risk.

The evaluation of the impact upon the initial application of IFRS 9 on the individual financial statements of the Bank is related to applying a new methodology for determining the expected credit losses. Upon the performance of the analysis of the financial assets held by the Bank no significant effect was identified in relation to a change in the classification characteristics of the new groups of financial assets, defined in compliance with IFRS 9. This is due to the fact that the definition for non-performance, applied for the purposes of the internal risk management is preserved without a change compared to the definition used so far under IAS 39 and a significant change in the business model of management of the Bank assets is not applied.

The expected effect of the recognition of provisions for credit risk associated with unutilised credit commitments and financial guarantees is in the amount of BGN 524 thousand.

As at the date of applying the standard for the first time, the main effect of IFRS 9 on the Bank is as a result of the application of the new model for devaluation, based on the expected credit loss, which leads to an increase in the devaluations of financial assets and the provisions for conditional liabilities.

The effects of the implementation for the first time of IFRS 9 Financial instruments for the Bank are as follows:

1. The determined by the Bank forecasted at the moment net effect of the reclassification with respect to certain financial assets, is in the amount of BGN 526 thousand;
2. The forecasted at the moment net effect of the implementation of the model of the expected credit losses in relation to financial assets, classified as evaluated at amortised value and at fair value via other comprehensive income is in the amount of BGN 11,703 thousand, of which the unutilized commitments are BGN 524 thousand.

With regard to the implemented Regulation (EU) 2017/2395, laying down the transitional measures to mitigate the impact of the introduction of IFRS 9 with respect to the shareholders' equity of the Bank for regulatory purposes, Central Cooperative Bank Plc plans to use fully this regime. In the analysis of the capacity of the equity to cover the

expected credit losses (CRD/CRR), the announced, forecasted at the moment of introduction of the standard, effects of the devaluation under IFRS 9 will have an insignificant impact on the regulatory capital indicators (without taking into account the tax effect) – a decrease in common equity tier 1 capital (CET1) – below 0.2% and a decrease in the capital adequacy indicators – below 0.02 %.

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

During the third quarter of 2018 no interim operations were performed, stemming from the specific seasonality or cycles. All interim operations during this period stem from the ordinary activity of the Bank.

5. Information about usual in amount and character assets, liabilities, shareholders' equity, income and expenses.

During the third quarter of 2018 there are no new positions with respect to the assets, liabilities, shareholders' equity, income and expenses. The total amount of the assets in the financial statements of the Bank as at 30.09.2018 increased compared to the total amount of the assets in the financial statements of the Bank as at 31.12.2017 by 3.36 % and reached BGN 5 593 443 thousand. The increase in the assets of the Bank is related to the increase in the funds, attracted from other depositors. Within this quarter no operations of extraordinary character have been recorded in the income statement as a result of which the accumulated financial result as at 30.09.2018 stems only from income and expenditure, concerning the ordinary activity of the Bank.

6. Information about issued, repurchased and repaid debt and equity securities.

During the third quarter of 2018 the Bank does not have issued, repurchased or repaid debt securities, as well as issued and repurchased equity securities.

7. Information about accrued /paid/ dividend.

During the third quarter of 2018 the Bank did not accrue or pay dividend to its shareholders.

8. Events after the date of the financial statements

After the end of the third quarter of 2018 no events occurred, which have a significant influence on the future development of the Bank.

9. Information about changes in the conditional assets and liabilities

At the end of the third quarter of 2018 compared to 31.12.2017 there are changes in the amount in the direction of an increase in the conditional assets of the Bank concerning the assets, provided by clients as loan collateral. With respect to the conditional liabilities during the period there are changes in the direction of an increase in their amount compared to 31.12.2017, whereas the increase concerns commitments for the granting of loans by the Bank and guarantees, issued by the Bank.

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