



Central Cooperative Bank

Our clients feel important

2017' FOURTH QUARTER INTERIM FINANCIAL REPORT

ON THE ACTIVITIES OF

CENTRAL COOPERATIVE BANK /CCB/

At the end of fourth quarter of 2017, CCB's balance sheet total assets were BGN 5,411,304 thousand. As of 31 December 2017, the Bank's net profit amounted to BGN 35,830 thousand.

CCB is developing sustainably and as of the end of November 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 8.88% or by BGN 441,173 thousand in absolute terms, against BGN 4,970,131 thousand a year ago. From the end of third quarter, assets increased by 3.85% or BGN 200,642 thousand.

At the end of the fourth quarter of 2017 the amount of granted loans and advances reached BGN 2,214,781 thousand so their amount increased by 2.53% on an annual base and decreased by 0.65% compared to the end of previous quarter.

The CCB's net profit as of the end of 2017' fourth quarter is BGN 35,830 thousand and is increasing by 34.71%, compared to BGN 26,598 thousand a year ago.

At the end of December 2017, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 4,859,125 thousand. For the 12-month period, they increased by 9% compared to BGN 4,457,515 thousand as of end-December 2016 and compared to the end of previous quarter by 4.16%.

The ratio of liquid assets to total liabilities reached 46.28% in December 2017. The average ratio on annual base is 43.09%.

At the end of the 2017 fourth 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 2017, accumulated and its impact on the financial result.

At the annual regular General Meeting of the Shareholders of CCB Plc the annual financial statements and the annual consolidated financial statements of Central Cooperative Bank Plc for 2016 were approved and a proposal was made the profit of CCB Plc for 2016 at the amount of BGN 26 598 200,51 (twenty-six million five hundred ninety-eight thousand two hundred leva and fifty-one stotinkas) to be transferred to the Reserve fund.

In relation to an amendment of the Law on the Independent Financial Audit, the General Meeting of the shareholders of CCB Plc elects "Deloitte Audit" OOD, UIC 121145199 and "Grant Thornton" OOD, UIC 831716285 as certified auditors that perform a verification and certification of the annual financial statements of the Bank for 2017 and the supervisory reports, determined by the Bulgarian National Bank.

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

TIHOMIR ATANASOV
PROCURATOR

GEORGI KOSTOV
EXECUTIVE DIRECTOR



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017

All amounts are in thousand Bulgarian Levs

	As at 31.12.2017	As at 31.12.2016
ASSETS		
Cash and balances with the Central Bank	1,797,053	1,301,490
Placements with and advances to banks	281,016	263,847
Receivables under repurchase agreements	196,910	199,258
Financial assets held for trading	81,803	115,047
Loans and advances to customers, net	2,214,781	2,160,083
Other assets	59,178	61,801
Financial assets available for sale	588,694	664,189
Investments in subsidiaries	84,333	84,333
Fixed assets	91,017	96,044
Investment properties	16,519	17,222
Non-current assets held for sale	-	6,817
TOTAL ASSETS	5,411,304	4,970,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	8,434	12,451
Amounts owed to other depositors	4,859,125	4,457,515
Other attracted funds	-	39
Issued bonds	70,235	70,126
Provisions for liabilities	-	1,034
Other liabilities	12,810	10,410
TOTAL LIABILITIES	4,950,604	4,551,575
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	205,059	178,461
Revaluation reserve	27,213	20,899
Current year profit	35,830	26,598
TOTAL SHAREHOLDERS' EQUITY	460,700	418,556
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	5,411,304	4,970,131
Commitments and contingencies	162,747	174,810

George Kostov
Executive Director

Yordan Hristov
Chief accountant

Tihomir Atanasov
Procurator



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2017

All amounts are in thousand Bulgarian Levs

	As at 31.12.2017	As at 31.12.2016
Interest income	144,824	150,140
Interest expenses	(25,976)	(39,836)
Net interest income	<u>118,848</u>	<u>110,304</u>
Fees and commissions income	52,330	50,498
Fees and commissions expenses	(8,277)	(7,161)
Net fees and commissions income	<u>44,053</u>	<u>43,337</u>
Gains from transactions with securities, net	20,656	20,367
Foreign exchange rate gains, net	495	5,955
Other operating income, net	5,149	4,167
Operating expenses	(118,663)	(117,753)
Expenses for liabilities provisions	-	(1,034)
Impairment and uncollectability income (expenses), net	(30,727)	(34,672)
Profit for the period before taxes	39,811	30,671
Taxes	(3,981)	(4,200)
PROFIT FOR THE PERIOD	<u><u>35,830</u></u>	<u><u>26,471</u></u>
Earnings per share (in BGN)	0.32	0.23
Other comprehensive income after taxes	6,314	12,040
Revaluation of financial assets held for sale	6,314	12,040
TOTAL COMPREHENSIVE INCOME AFTER TAXES	<u><u>42,144</u></u>	<u><u>38,511</u></u>

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2017

All amounts are in thousand Bulgarian Levs

	As at 31.12.2017	As at 31.12.2016
Cash flows from operating activities:		
Profit before taxes	39,811	30,671
Depreciation and amortization	9,187	9,306
Paid profit tax	(6,181)	(240)
Unrealized (gains) from revaluation of securities held for trading	(8,754)	(6,201)
Increase of provisions for liabilities and loans impairment allowances	30,727	35,706
	<u>64,790</u>	<u>69,242</u>
Net cash flows before working capital changes		
Change in operating assets:		
(Increase) / decrease in placements with, and advances to, banks with maturities above 90 days	2,151	(6,598)
Decrease / (increase) in receivables under repurchase agreements	2,348	(46,810)
Increase in financial assets held for trading	41,998	93,820
(Increase) in loans and advances to customers	(85,425)	(107,646)
Decrease / (Increase) in other assets	3,789	3,748
Decrease / (Increase) in non-current assets held for sale	6,817	(15,720)
	<u>(28,322)</u>	<u>(79,206)</u>
Change in operating liabilities:		
Increase in deposits from banks	(4,017)	2,778
Increase/(decrease) in the liabilities under securities repurchase agreements	-	(9,000)
Increase in liabilities to other depositors	401,610	290,914
(Decrease) in other attracted funds	(39)	(66)
Increase in other liabilities	2,400	2,234
	<u>399,954</u>	<u>286,860</u>
	<u>436,422</u>	<u>276,896</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from investing activities		
(Acquisitions) of property, plant, and equipment, net	(3,457)	(6,025)
Acquisitions) of investment properties	-	(17,737)
(Acquisitions) of financial assets available for sale, net	81,809	(28,470)
(Acquisitions) of financial assets held to maturity, net	-	221,678
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>78,352</u>	<u>169,446</u>
Cash flows from financing activities		
Increase in the issued bonds	109	71
NET CASH FLOW FROM FINANCING ACTIVITY	<u>109</u>	<u>71</u>
INCREASE IN CASH AND CASH EQUIVALENTS, NET	<u>514,883</u>	<u>446,413</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,549,123</u>	<u>1,102,710</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>2,064,006</u>	<u>1,549,123</u>

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2017

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 31 DECEMBER 2015	<u>113,154</u>	<u>79,444</u>	<u>171,757</u>	<u>8,859</u>	<u>6,704</u>	<u>379,918</u>
Transfer of net profit for the year ended 31 December 2015, to retained earnings	-	-	6,704	-	(6,704)	-
Net profit for the period ended 31 December 2016	-	-	-	-	26,471	26,471
Other comprehensive income for the period ended 31 December 2016	-	-	-	12,040	-	12,040
BALANCE AS OF 31 DECEMBER 2016	<u>113,154</u>	<u>79,444</u>	<u>178,461</u>	<u>20,899</u>	<u>26,471</u>	<u>418,429</u>
BALANCE AS OF 31 DECEMBER 2016	<u>113,154</u>	<u>79,444</u>	<u>178,461</u>	<u>20,899</u>	<u>26,598</u>	<u>418,556</u>
Transfer of net profit for the year ended 31 December 2016, to retained earnings	-	-	26,598	-	(26,598)	-
Net profit for the period ended 31 December 2017	-	-	-	-	35,830	35,830
Other comprehensive income for the period ended 31 December 2017	-	-	-	6,314	-	6,314
BALANCE AS OF 31 DECEMBER 2017	<u>113,154</u>	<u>79,444</u>	<u>205,059</u>	<u>27,213</u>	<u>35,830</u>	<u>460,700</u>

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EXPLANATORY NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2017 OF CENTRAL COOPERATIVE BANK AD /THE BANK/

1. Selected positions from the financial statements

The financial assets, held for trading, 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 for the purpose of trading discount and interest-bearing government and corporate securities, as well as acquired capital investments in financial and non-financial companies, in which the Bank does not have a control participation. The structure of these assets at the end of the quarter in thousand BGN is as follows:

<i>Derivatives, held for trading</i>	1 025
<i>Equity instruments</i>	67 754
<i>Debt instruments</i>	13 024

Compared to the previous year the Bank decreased its investments in the capital of Bulgarian public commercial companies, which are traded on the Bulgarian Stock Exchange.

The financial assets available for sale are those financial assets, which are not held by the Bank for trading, to maturity and are not loans and receivables, which initially occurred at the Bank. The financial assets available for sale are acquired interest-bearing government and corporate securities, as well as acquired capital investments in financial and non-financial companies. The structure of these assets at the end of the quarter in BGN thousand is as follows:

<i>Equity instruments</i>	79 326
<i>Debt instruments</i>	509 368

Compared to the previous year the Bank decreased its investments in Bulgarian government securities in the amount of BGN 116 584 thousand.

Compared to the previous year the Bank increased its investments in government securities of EU member states in the amount of BGN 55 188 thousand.

During the fourth quarter of 2017 the financial assets, held for trading and for sale are evaluated at fair value, whenever for them there is a quotation on an active market, and when this quotation was not present, they are evaluated at acquisition price.

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 fourth quarter of 2017 the loans with a fixed maturity, which initially originated at the Bank, are recorded at amortized value according to the effective interest rate method and are devaluated under conditions, which prove the decrease in the loans value.

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 fourth quarter of 2017 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 fourth quarter of 2017 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.

Noncurrent assets held for sale

Real estates and movables, acquired by the Bank, associated with granted and non-performing loans are classified as non-current assets, held for sale 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 fair value, decreased by the realization expenses. No depreciation accrues for these 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 fourth quarter of 2017 the receivables of the Bank from subsidiaries are to the amount of BGN 6 823 thousand, which stem from placed deposits. At the end of the fourth quarter of 2017 the liabilities of the Bank to subsidiaries are to the amount of BGN 2 556 thousand, which stem from received deposits. At the end of the fourth quarter of 2017 the receivables of the Bank from companies under common control are to the amount of BGN 90 262 thousand, whereas the predominant part stems from granted loans. At the end of the fourth quarter of 2017 the liabilities of the Bank to companies under common control are to the amount of BGN 90 153 thousand, of which BGN 45 136 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 fourth quarter of 2017 the Bank does not have receivables from the mother company. At the end of the fourth quarter of 2017 the Bank has liabilities to the mother company to the amount of BGN 109 thousand.

3. Accounting policy

During the fourth quarter of 2017 the Bank applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual individual financial statements for 2016.

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

During the fourth quarter of 2017 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 fourth quarter of 2017 there are no extraordinary positions with respect to the assets, liabilities, shareholders' equity, the income and expenditure.

The total amount of the assets in the financial statements of the Bank as at 31.12.2017 increased compared to the total amount of the assets in the financial statements of the Bank as at 31.12.2016 by 8.88% and reached BGN 5 411 304 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 31.12.2017 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 fourth quarter of 2017 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 fourth quarter of 2017 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 fourth quarter of 2017 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 fourth quarter of 2017 compared to 31.12.2016 there are changes in the amount in the direction of a decrease 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 a decrease in their amount compared to 31.12.2016, whereas the decrease concerns commitments for the granting of loans by the Bank and guarantees, issued by the Bank.

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