



Central Cooperative Bank

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2017 FIRST QUARTER INTERIM FINANCIAL REPORT

ON THE ACTIVITIES OF

CENTRAL COOPERATIVE BANK /CCB/,

ON A CONSOLIDATED BASIS

Banking group on a consolidated basis include Central Cooperative Bank AD, Sofia and its controlled subsidiaries Central Cooperative Bank AD Skopje (Subsidiary), AMC CCB Assets Management JSC. (Subsidiary) and ZAO "IK Bank" Kazan city, Republic of Tatarstan, Russian Federation (Subsidiary) as a reporting entity (the Group).

At the end of the first quarter of 2017, the parent Bank owns 87.35% of the capital of Central Cooperative Bank AD Skopje, investments of BGN 3,200 thousand in the subsidiary AMC "CCB Assets Management" JSC and 86.273% of the share capital of ZAO "IK Bank", Kazan, Republic of Tatarstan, Russian Federation as well.

ASSETS

At the end of the first quarter of 2017, CCB's balance sheet total assets were BGN 5,295,569 thousand. From the start of the quarter they recorded an increase by 2.09% or by BGN 108,292 thousand in absolute terms. Compared to a year ago, the assets grew by 7.89% or by BGN 387,334 thousand.

Cash and cash balances with central banks formed 28.30% of the total assets of the Group, against 26.14% at the end of December 2016. Loans and receivables to banks were 5.89% of total assets, against 5.49% a year ago. Investments in financial assets held for trading, available-for-sale financial assets and held-to-maturity financial assets include government bonds of Republic of Bulgaria, NBRM bonds, government bonds of countries in the EU and other European countries, government bonds of the Russian Federation, corporate bonds, stocks and compensatory tools which are used to improve the profitability of the Group, and represented 18.94% of its assets against 15.63% at the end of December 2016.

At the end of 2017' first quarter the amount of granted loans and advances reached 44.03% share in the structure of balance sheet assets on consolidated basis, compared to a year ago, when it was 45.64%.

The parent bank works with specialized financial institutions, registered according to Ordinance N 26 of BNB on the acquisition of loan receivables due to which the share of non-performing loans in the Group portfolio is lower than that for the system.

The tangible and other assets of Group were 3.86% of total amount of the assets.

LIABILITIES

At the end of March 2017, total liabilities of the Group on a consolidated basis were BGN 4,878,785 thousands. They increased by 2%, compared to the end of 2016.

The majority of these liabilities - over 98% - are liabilities due to other depositors - individuals, businesses and non-financial institutions. The increase compared to the end of March 2016 is 7.40%. The Group maintains a stable structure of borrowings, which allows independence from external funding in the time of fluctuations on the global financial markets.

The equity of the Group totaled BGN 416,784 thousand and includes shareholders' equity of the parent Bank – BGN 410,053 thousand and minority interest amounted at BGN 6,731 thousand. Compared to the end-March 2016 the equity reported an increase by 14.03%.

FINANCIAL RESULTS

As of 31 March 2017, the Group' net profit amounted to BGN 8,473 thousand. There is an increase by 622.95% compared to year ago.

The operating expenses of the Group in the first quarter of 2017 increased by 0.93%, compared to the level at the end of the first quarter of 2016 and reached absolute amount of BGN 28,740 thousands.

At the end of 2017' first quarter, the Bank was able to meet all regulatory compliance requirements.

The Bank has complied with all applicable minimum regulatory requirements during the period.

I. Information related to significant events that occurred during the reported period of financial 2016, accumulated and its impact on the financial result.

There were no significant events in the first quarter that would have a significant effect on the financial result.

II. Information about major risks and instability during the first quarter of 2017.

In terms of economic growth and the financial system as a whole, CCB will seek to continue its development while preserving performance and market share.

Potential differences between observed and expected results are the major source of risks and uncertainties during the first quarter of 2016.

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' risk ratios and indicators is similar to the average values of the Bulgarian bank system. The Bank's management does not expect any adverse progress in the above mentioned level of risks in the second quarter of 2017.

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

CCB's results on a consolidated basis at the end of 2017' first quarter reported the Bank's performance in comparison with the last year corresponding period.

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

Sava Stoyanov
Executive Director

Tihomir Atanasov
Procurator



CENTRAL COOPERATIVE BANK AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2017

All amounts are in thousand Bulgarian Levs

	As at 31.03.2017	As at 31.12.2016
ASSETS		
Cash and balances with the Central Bank	1,498,875	1,355,760
Placements with and advances to banks	312,168	256,356
Receivables under repurchase agreements	146,351	199,258
Financial assets held for trading	114,398	115,573
Loans and advances to customers, net	2,331,837	2,332,969
Other assets	66,420	65,268
Financial assets available for sale	627,758	664,951
Financial assets held to maturity	33,855	30,188
Fixed assets	134,300	136,679
Investment properties	17,046	17,222
Good will	5,638	5,638
Non-current assets held for sale	6,923	7,415
TOTAL ASSETS	5,295,569	5,187,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	8,464	8,375
Loans from banks	239	246
Amounts owed to other depositors	4,787,363	4,689,787
Other attracted funds	802	817
Issued bonds	70,779	70,126
Provisions for liabilities	1,214	1,205
Other liabilities	9,924	12,375
TOTAL LIABILITIES	4,878,785	4,782,931
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	184,681	157,577
Revaluation reserve	24,154	20,899
Current year profit	8,620	26,364
Total shareholders' equity of the shareholders of the mother Bank	410,053	397,438
Non-control participation	6,731	6,908
TOTAL SHAREHOLDERS' EQUITY	416,784	404,346
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	5,295,569	5,187,277
Commitments and contingencies	188,742	192,613

Sava Steynov
Executive Director

Yordan Hristov
Chief accountant

Tihomir Atanasov
Procurator



CENTRAL COOPERATIVE BANK AD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 MARCH 2017

All amounts are in thousand Bulgarian Levs

	As at 31.03.2017	As at 31.03. 2016
Interest income	40,357	41,841
Interest expenses	(8,237)	(13,042)
Net interest income	<u>32,120</u>	<u>28,799</u>
Fees and commissions income	13,449	12,710
Fees and commissions expenses	(1,931)	(1,787)
Net fees and commissions income	<u>11,518</u>	<u>10,923</u>
Gains from transactions with securities, net	1,241	138
Foreign exchange rate gains, net	612	2,229
Other operating income, net	915	981
Operating expenses	(28,740)	(28,476)
Impairment and uncollectability income (expenses), net	(7,966)	(13,014)
Expenses for devaluation of non-current assets	(170)	(66)
Profit for the period before taxes	<u>9,530</u>	<u>1,514</u>
Taxes	(1,057)	(342)
PROFIT FOR THE PERIOD	<u><u>8,473</u></u>	<u><u>1,172</u></u>
Revaluation of financial assets held for sale	3,255	911
Other comprehensive income after taxes	<u>3,255</u>	<u>911</u>
TOTAL COMPREHENSIVE INCOME AFTER TAXES	<u>11,728</u>	<u>2,083</u>
Share of the profit for non-control participation	(147)	(126)
Share of the profit for the mother Bank	8,620	1,298
Share of the total comprehensive income for non- control participation	(147)	(126)
Share of the total comprehensive income for the mother Bank	11,875	2,209
Earnings per share for the shareholders of the mother Bank (in BGN)	0.08	0.01

Sava Stoyanov
Executive Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief accountant



CENTRAL COOPERATIVE BANK AD
CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF 31 MARCH 2017

All amounts are in thousand Bulgarian Levs

	As at 31.03.2017	As at 31.03.2016
Cash flows from operating activities:		
Profit before taxes	9,530	1,514
Depreciation and amortization	2,739	2,725
Income tax paid	(3,759)	(25)
Unrealized (gains) from revaluation of financial assets held for trading	232	(273)
Increase of provisions for liabilities and loans impairment allowances	7,966	13,014
Devaluation of non-current assets	170	66
Other adjustments	3	69
Net cash flows before working capital changes	<u>16,881</u>	<u>17,090</u>
Change in operating assets:		
Decrease in placements with, and advances to, banks with maturities above 90 days	5,868	-
(Increase) / decrease in receivables under repurchase agreements	52,907	(44,547)
Decrease in financial assets held for trading	1,407	34,861
(Increase) in loans and advances to customers	(6,834)	(19,307)
(Increase)/decrease in other assets	(1,152)	958
(Increase) / decrease in non-current assets held for sale	492	(55)
	<u>52,688</u>	<u>(28,090)</u>
Change in operating liabilities:		
Increase/(Decrease) in deposits from banks	89	(794)
(Decrease)/Increase in loans from banks	(7)	309
Increase in liabilities under securities repurchase agreements	-	4,387
Increase in liabilities to other depositors	97,576	58,344
(Decrease) in other attracted funds	(15)	(13)
(Decrease) /Increase in other liabilities	(2,451)	742
	<u>95,192</u>	<u>62,975</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>164,761</u>	<u>51,975</u>
Cash flows from investing activities		
(Acquisitions) of property, plant, and equipment, net	(360)	(1,323)
(Acquisitions) of investment properties	176	-
(Acquisitions) / sale of financial assets available for sale, net	33,938	(6,739)
(Acquisitions) / sale of financial assets held to maturity, net	(3,667)	162,594
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>30,087</u>	<u>154,532</u>
Cash flows from financing activity		
Increase in issued bonds	653	809
NET CASH FLOW FROM FINANCING ACTIVITY	<u>653</u>	<u>809</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	<u>195,501</u>	<u>207,316</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,595,896</u>	<u>1,125,920</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>1,791,397</u>	<u>1,333,236</u>

Sava Stoynov
Executive Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief accountant



CENTRAL COOPERATIVE BANK AD
 CONSOLIDATED STATEMENT OF CASH FLOWS
 AS OF 31 MARCH 2017

All amounts are in thousand Bulgarian Levs

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Profit for the current year	Minority participation	Total
BALANCE AS OF 31 DECEMBER 2015	113,154	79,444	151,600	8,862	3,319	6,592	362,971
Transfer of net profit for the year ended 31 December 2015, to retained earnings	-	-	3,319	-	(3,319)	-	-
Net profit for the period ended 31 March 2016	-	-	-	-	1,298	(126)	1,172
Other comprehensive income for the period ended 31 March 2016	-	-	321	911	-	-	911
Other movements	-	-	(1)	(1)	-	122	442
BALANCE AS OF 31 MARCH 2016	113,154	79,444	155,240	9,772	1,298	6,588	365,496
BALANCE AS OF 31 DECEMBER 2016	113,154	79,444	157,577	20,899	26,364	6,908	404,346
Transfer of net profit for the year ended 31 December 2016, to retained earnings	-	-	26,364	-	(26,364)	-	-
Net profit for the period ended 31 March 2017	-	-	-	-	8,620	(147)	8,473
Other comprehensive income for the period ended 31 March 2017	-	-	-	3,255	-	-	3,255
Other movements	-	-	740	-	-	(30)	710
BALANCE AS OF 31 MARCH 2017	113,154	79,444	184,681	24,154	8,620	6,731	416,784

Sava Stoynov
 Executive Director

Yordan Hristov
 Chief accountant

Tihomir Atanasov
 Procurator



EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2017 OF CENTRAL COOPERATIVE BANK AD

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

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 Group 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>	13
<i>Equity instruments</i>	99 373
<i>Debt instruments</i>	15 012

Compared to the previous year there are no significant changes in these financial assets.

The financial assets available for sale are those financial assets, which are not held by the Group for trading, to maturity and are not loans and receivables, which initially occurred at the Group. 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>	78 515
<i>Debt instruments</i>	549 243

Compared to the previous year the Group decreased its investments in government securities of European Union countries in the amount of BGN 36 500.

During the first 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 financial assets, held to maturity, are with a fixed payment and fixed maturity, which the Group has the intention and possibility to keep to their maturity, regardless of any possibility to be traded in the future upon any favorable conditions. These assets are acquired interest-bearing government and corporate securities.

The debt instruments include bonds, issued by the government of the Republic of Macedonia, held by the Group to the amount of BGN 14 159 of the Republic of Macedonia, as well as bonds issued by the National Bank of the Republic of Macedonia to the amount of BGN 19 696 thousand.

During the first quarter of 2017 the financial assets, held to maturity are reported at amortized value according to the effective interest rate method and are not devaluated, due to the lack of indicators of the potential devaluation of these assets.

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

During the first quarter of 2017 the loans with a fixed maturity, which initially originated at the Group, 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.

The mother bank works with specialized financial institutions, registered according to Ordinance N 26 of BNB on the acquisition of loan receivables due to which the share of non-performing loans in the Group portfolio is lower than that for 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 Group, 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 Group in the cases, when the risks and the profits from their ownership have not been transferred. The reflected receivables under securities repurchase agreements at the end of the first quarter 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 Group discernible non-financial resource, which is used for the production and/or sale of services, for letting, for administrative or for other purposes. They are recorded at acquisition cost, decreased by the accrued depreciation and the accumulated losses of devaluation.

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

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

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

During the first 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 Group as a mortgagee 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 Group real estates, which the Group will not use in its activity and which the Group holds with the aim of receiving rent income and/or for increasing the value of the capital. As its accounting policy with regard to the investment properties reporting, the Group has adopted the model of the acquisition cost in compliance with the requirements of IAS 16. In this regard they are recorded at acquisition cost, decreased by the accrued depreciation and the accrued losses of devaluation. Depreciation accrues for the buildings, acquired as investment properties, whereas their annual depreciation rate is 4%(25 years). No depreciation accrues for the land, acquired as investment properties.

2. Transactions with related parties

The Group 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 Group and do not differ from the market conditions, when the loans were granted, and the guarantees were issued only against sufficient collateral.

At the end of the first quarter the receivables of the Group from the companies under common control are to the amount of BGN 99 285 thousand, which stem from granted loans predominantly. At the end of the fourth quarter the liabilities of the Group to companies under common control are to the amount of BGN 108 318 thousand, of which BGN 57 072 stem mainly from received deposits. The remaining part of the liabilities concerns convertible bonds issued by the mother bank to the amount of EUR 36 000 thousand.

At the end of the first quarter of 2017 the Group does not have receivables from the mother company. At the end of the first quarter of 2017 the Group has liabilities to the mother company to the amount of BGN 9 thousand, which stem from received deposits.

3. Accounting policy

During the first quarter of 2017 the Group applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual consolidated financial statements for 2016.

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

During the first 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 Group.

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

During the first quarter of 2017 there are no extraordinary positions with respect to the assets, liabilities, shareholders' equity, the income and expenses. The total amount of the assets in the financial statements of the Group as at 31.03.2017 increased compared to the total amount of the assets in the financial statements of the Group as at 31.12.2016 by 2.09% and reached BGN 5 295 569 thousand. The increase in the assets of the Group is related to the increase in the funds, attracted from other depositors.

During the first quarter of 2017 there is no change in the shareholder participation of the mother bank in the subsidiary Central Cooperative Bank AD Skopje, the Republic of Macedonia, as a result of which as at 31 March 2017 Central Cooperative Bank Plc Sofia has 483,121 ordinary shares in the capital of Central Cooperative Bank AD Skopje, the Republic of Macedonia, which is 87,35 % of the capital of the subsidiary.

During the first quarter of 2017 there is no change in the shareholder participation of the mother bank in the subsidiary "CCB Assets Management" EAD assets management company, as a result of which as at 31 March 2017 Central Cooperative Bank Plc Sofia has 500 000 ordinary shares in the capital of "CCB Assets Management" EAD assets management company, which is 100 % of the capital of the subsidiary.

During the first quarter of 2017 there is no change in the shareholder participation of the mother bank in the subsidiary ZAO "IC Bank", Kazan, the Republic of Tatarstan, Russian Federation, as a result of which as at 31 March 2017 Central Cooperative Bank Plc Sofia has 25 338 394 ordinary shares in the capital of ZAO "IC Bank", Kazan, the Republic of Tatarstan, Russian Federation, which is 86.273 % of the capital of the subsidiary.

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

During the first quarter of 2017 the Group 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 first quarter of 2017 the Group did not accrue and pay dividends to its shareholders.

8. Events after the date of the financial statements

After the end of the first quarter of 2017 no events occurred, which have a significant influence on the future development of the Group.

9. Information about changes in the conditional assets and liabilities

During the first quarter of 2017 compared to 31.12.2016 there are changes in the amount in the direction of an increase in the conditional assets of the Group concerning the assets, provided by clients as loan collateral. With respect to the conditional liabilities during the period there are changes in the direction of a decrease in their amount compared to 31.12.2016, whereas the decrease concerns commitments for the granting of loans by the Group and guarantees, issued by the Group.

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