

CENTRAL COOPERATIVE BANK AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 31.12.2016	As at 31.12.2015
ASSETS		
Cash and balances with the Central Bank	1,355,760	944,362
Placements with and advances to banks	256,362	191,372
Receivables under repurchase agreements	199,258	152,448
Financial assets held for trading	115,573	203,179
Loans and advances to customers, net	2,330,765	2,233,824
Other assets	53,819	57,073
Financial assets available for sale	664,951	204,392
Financial assets held to maturity	30,188	711,389
Fixed assets	137,545	134,525
Investment properties	17,222	-
Good will	5,638	5,638
Non-current assets held for sale	18,855	3,624
TOTAL ASSETS	5,185,936	4,841,826
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	7,570	5,770
Loans from banks	246	276
Liabilities under securities repurchase agreements	-	9,000
Amounts owed to other depositors	4,689,953	4,382,909
Other attracted funds	817	881
Issued bonds	70,126	70,055
Provisions for liabilities	1,034	-
Other liabilities	12,457	9,964
TOTAL LIABILITIES	4,782,203	4,478,855
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	157,461	151,600
Revaluation reserve	20,899	8,862
Current year profit	25,812	3,319
Total shareholders' equity of the shareholders of the mother Bank	396,770	356,379
Non-control participation	6,963	6,592
TOTAL SHAREHOLDERS' EQUITY	403,733	362,971
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	5,185,936	4,841,826
Commitments and contingencies	192,612	212,821

Georgi Kostov
Executive Director

Yordan Hristov
Chief accountant

Tihomir Atanasov
Procurator



CENTRAL COOPERATIVE BANK AD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS OF 31 DECEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 31.12.2016	As at 31.12.2015
Interest income	164,156	167,032
Interest expenses	(44,170)	(79,634)
Net interest income	<u>119,986</u>	<u>87,398</u>
Fees and commissions income	55,795	50,973
Fees and commissions expenses	(8,339)	(7,861)
Net fees and commissions income	<u>47,456</u>	<u>43,112</u>
Gains from transactions with securities, net	21,144	16,307
Foreign exchange rate gains, net	6,223	4,682
Other operating income, net	5,619	12,427
Operating expenses	(134,616)	(129,174)
Impairment and uncollectability income (expenses), net	(34,690)	(28,298)
Expenses for devaluation of non-current assets	(229)	(671)
Expenses for provisions for liabilities	(1,034)	-
Profit for the period before taxes	<u>29,859</u>	<u>5,783</u>
Taxes	(4,149)	(1,870)
PROFIT FOR THE PERIOD	<u><u>25,710</u></u>	<u><u>3,913</u></u>
Revaluation of financial assets held for sale	12,038	9,832
Revaluation of non-current assets, held for sale	-	(12)
Other comprehensive income after taxes	<u>12,038</u>	<u>9,820</u>
TOTAL COMPREHENSIVE INCOME AFTER TAXES	<u>37,748</u>	<u>13,733</u>
Share of the profit for non-control participation	(102)	(312)
Share of the profit for the mother Bank	25,812	4,225
Share of the total comprehensive income for non- control participation	(102)	(305)
Share of the total comprehensive income for the mother Bank	37,850	14,038
Earnings per share for the shareholders of the mother Bank (in BGN)	0.34	0.04

Georgi Kostov
Executive Director

Yordan Hristov
Chief accountant

Tihomir Atanasov
Procurement



CENTRAL COOPERATIVE BANK AD
 CONSOLIDATED STATEMENT OF CASH FLOWS
 AS OF 31 DECEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 31.12.2016	As at 31.12.2015
Cash flows from operating activities:		
Profit before taxes	29,859	5,783
Depreciation and amortization	11,194	8,445
Income tax paid	(361)	(923)
Unrealized (gains) from revaluation of financial assets held for trading	(6,215)	(8,519)
Increase of provisions for liabilities and loans impairment allowances	35,724	28,298
Devaluation of non-current assets	229	671
Other adjustments	113	465
Net cash flows before working capital changes	<u>70,543</u>	<u>34,220</u>
Change in operating assets:		
(Increase) in placements with, and advances to, banks with maturities above 90 days	(6,598)	(1,682)
(Increase) / decrease in receivables under repurchase agreements	(46,810)	3,753
(Increase) / decrease in financial assets held for trading	93,821	6,479
(Increase) in loans and advances to customers	(132,665)	(319,030)
(Increase) in other assets	3,254	7,969
(Increase) / decrease in non-current assets held for sale	(15,231)	(972)
	<u>(104,229)</u>	<u>(303,483)</u>
Change in operating liabilities:		
(Decrease) in deposits from banks	1,800	(11,461)
(Decrease) in loans from banks	(30)	(174)
(Decrease) in liabilities under securities repurchase agreements	(9,000)	9,000
Increase in liabilities to other depositors	307,044	467,293
(Decrease) in other attracted funds	(64)	(68)
Increase in other liabilities	2,493	(954)
	<u>302,243</u>	<u>463,636</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>268,557</u>	<u>194,373</u>
Cash flows from investing activities		
(Acquisitions) of property, plant, and equipment, net	(13,699)	(30,728)
(Acquisitions) of investment properties	(17,737)	-
(Acquisitions) / sale of financial assets available for sale, net	(23,857)	21,790
(Acquisitions) / sale of financial assets held to maturity, net	256,537	(432,618)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>201,244</u>	<u>(441,556)</u>
Cash flows from financing activity		
Increase in issued bonds	71	(109)
NET CASH FLOW FROM FINANCING ACTIVITY	<u>71</u>	<u>(109)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	<u>469,872</u>	<u>(247,292)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>1,125,920</u>	<u>1,376,166</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>1,595,792</u>	<u>1,128,874</u>

Georgi Kostov
 Executive Director

Tihomir Atanasov
 Procurator

Yordan Hristov
 Chief accountant



CENTRAL COOPERATIVE BANK AD
 CONSOLIDATED STATEMENT OF CASH FLOWS
 AS OF 31 DECEMBER 2016

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 2014	113,154	79,444	145,414	(913)	6,300	7,340	350,739
Transfer of net profit for the year ended 31 December 2014, to retained earnings	-	-	6,300	-	(6,300)	-	-
Net profit for the period ended 31 December 2015	-	-	-	-	3,319	(435)	2,884
Other comprehensive income for the period ended 31 December 2015	-	-	-	9,812	-	8	9,820
Other movements	-	-	(114)	(37)	-	(321)	(782)
BALANCE AS OF 31 DECEMBER 2015	113,154	79,444	151,600	8,862	3,319	6,592	362,971
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 December 2016	-	-	-	-	25,812	(102)	25,710
Other comprehensive income for the period ended 31 December 2016	-	-	-	12,038	-	-	12,038
Other movements	-	-	2,542	(1)	-	473	3,014
BALANCE AS OF 31 DECEMBER 2016	113,154	79,444	157,461	20,899	25,812	6,963	403,733

Georgi Kostov
 Executive Director

Yordan Hristov
 Chief accountant

Tihomir Atanasov
 Procurator



EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2016 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>	21
<i>Equity instruments</i>	99 634
<i>Debt instruments</i>	15 918

Compared to the previous year the Group has decreased its investments in the Bulgarian government securities, whereas for the period from the beginning of 2016 the decrease is to the amount of BGN 37 440 thousand. Compared to the previous year the Group decreased its investments in government securities of EU countries to the amount of BGN 52 000 thousand.

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>	84 550
<i>Debt instruments</i>	580 401

On 30.12.2016 according to a decision of the Management Board, the mother bank reclassifies the financial assets held to maturity and reflected in its individual financial statements in financial assets available for sale. As a result of the performed reclassification the difference between the book value and the fair value of the reclassified financial assets in the net positive amount of BGN 16 524 thousand is reflected as a positive revaluation reserve.

During the fourth quarter of 2016 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.

On 30.12.2016 according to a decision of the Management Board, the mother bank reclassifies the financial assets held to maturity and reflected in its individual financial statements in financial assets available for sale. As a result of the performed reclassification the difference between the book value and the fair value of the reclassified financial assets in the net positive amount of BGN 16 524 thousand is reflected as a positive revaluation reserve.

The debt instruments include bonds, issued by the government of the Republic of Macedonia, held by the Group to the amount of BGN 15 635 of the Republic of Macedonia, as well as bonds issued by the National Bank of the Republic of Macedonia to the amount of BGN 14 553 thousand.

During the fourth quarter of 2016 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 fourth quarter of 2016 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 fourth 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 fourth quarter of 2016 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 fourth quarter the receivables of the Group from the companies under common control are to the amount of BGN 96 248 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 102 620 thousand, of which BGN 51 841 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 fourth quarter of 2016 the Group does not have receivables from the mother company. At the end of the fourth quarter of 2016 the Group has liabilities to the mother company to the amount of BGN 10 thousand, which stem from received deposits.

3. Accounting policy

During the fourth quarter of 2016 the Group applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual consolidated financial statements for 2015.

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

During the fourth quarter of 2016 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 fourth quarter of 2016 there are no extraordinary positions with respect to the assets, liabilities, shareholders' equity, the income and expenses. With respect to the liabilities there is a new position "Provisions for liabilities". With respect to the expenditure there is a new position "Expenses for provisions for liabilities".

The total amount of the assets in the financial statements of the Group as at 31.12.2016 increased compared to the total amount of the assets in the financial statements of the Group as at 31.12.2015 by 7.11% and reached BGN 5 185 936 thousand. The increase in the assets of the Group is related to the increase in the funds, attracted from other depositors.

During the fourth quarter of 2016 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 December 2016 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 fourth quarter of 2016 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 December 2016 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 fourth quarter of 2016 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 December 2016 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 fourth quarter of 2016 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 fourth quarter of 2016 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 fourth quarter of 2016 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 fourth quarter of 2016 compared to 31.12.2015 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 31.12.2015, whereas the decrease concerns guarantees, issued by the Group.

Georgi Kostov
Executive Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief accountant





Central Cooperative Bank

Our clients feel important

2016' FOURTH QUARTER INTERIM FINANCIAL REPORT

ON THE ACTIVITIES OF

CENTRAL COOPERATIVE BANK /CCB/,

ON A CONSOLIDATED BASIS

Banking group on a consolidated basis include Central Cooperative Bank AD, Sofia and its controlled subsidiaries Central Cooperative Bank AD Skopje (Subsidiary), 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 fourth quarter of 2016, 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 fourth quarter of 2016, CCB's balance sheet total assets were BGN 5,186,936 thousand. From the start of the quarter they recorded an increase by 2.54% or by BGN 128,329 thousand in absolute terms. Compared to a year ago, the assets grew by 7.11% or by BGN 344,110 thousand.

Cash and cash balances with central banks formed 26.14% of the total assets of the Group, against 19.50% at the end of December 2015. Loans and receivables to banks were 4.94% of total assets, against 3.95% 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 15.63% of its assets against 23.11% at the end of December 2015.

At the end of the 2016' fourth quarter the amount of granted loans and advances reached 44.94% share in the structure of balance sheet assets on consolidated basis, compared to a year ago, when it was 46.14%.

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 tangible and other assets of Group were 3.69% of total amount of the assets.

LIABILITIES

At the end of December 2016, total liabilities of the Group on a consolidated basis were BGN 4,782,203 thousands. They increased by 6.77%, compared to the end of 2015.

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 December 2015 is 7.01%. 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 403,733 thousand and includes shareholders' equity of the parent Bank – BGN 396,770 thousand and minority interest amounted at BGN 6,963 thousand. Compared to the end-December 2015 the equity reported an increase by 11.23%.

FINANCIAL RESULTS

As of 31 December 2016, the Group' net profit amounted to BGN 25,710 thousand. There is an increase by 791.14% compared to year ago.

The operating expenses of the Group in the fourth quarter of 2016 increased by 4.18%, compared to the level at the end of the fourth quarter of 2015 and reached absolute amount of BGN 134,616 thousands.

At the end of the fourth 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.

Within the first there ended the process of the repurchase by Visa Inc of the owned by the Bank one ordinary share with a nominal value of EUR 10 of Visa Europe Ltd. As a result of the finalization of this issue the Bank received cash, privileged shares of Visa Inc and the right to receive an additional future /deferred/ payment. The effect of the finalization to the amount of BGN 12 168 thousand was reflected in the profit for the period.

At the regular annual General Meeting of the Shareholders of Central Cooperative Bank Plc that took place on 30.06.2016 a decision was taken the accumulated profit for 2015 of CCB Plc to the amount of BGN 6 703 805,78 (six million seven hundred and three thousand eight hundred and five leva and seventy-eight stotinkas) to be transferred to the Reserve Fund.

Within the third quarter Tsvetanka Donkova Krumova was released as a member of the Management Board of CCB Plc.

On 14.12.2015, at 10.00 o'clock, at the head-office of Central Cooperative Bank Plc, in the city of Sofia, Slatina region, 87 Tsarigradsko shose blvd, a General Meeting of the Bondholders of the Bank took place with regard to an issue of convertible bonds with ISIN: BG2100019137.

As a result of the voting, the General Meeting of the Bondholders took the following decisions:

The General Meeting of the Bondholders approves the changes in the conditions of the debenture loan, made by the issuer Central Cooperative Bank Plc, that is:

1. The maturity date of the bond issue is amended from 7 years after the date of the issue to 10 years after the date of the issue. The maturity date of the bond issue after the change is 10.12.2023.

2. The due interest in the bond issue is amended from 4,5% to 3,6% p.a., as from 11.12.2016 /the day, following the maturity date of the interest payment due for 2016 /.

Respectively, the text of point 4.3 of the Prospectus is amended:

“4.3 The interest, payable on each date of interest payment, is EUR 36.00 for each bond with nominal value EUR 1,000.00.”

3. The interest period and the dates of the interest payments /once a year on the maturity date of the issue/, as well as the period of conversion /once in three months/, are applicable respectively without an amendment in the three-year period, for which the maturity of the bond issue is prolonged.

On 30.12.2016, according to a decision of the Management Board, the Bank reclassified the financial assets held to maturity into financial assets available for sale. As a result of the performed reclassification the difference between the book value and the fair value of the reclassified financial assets in net positive amount of BGN 16 524 thousand, is reflected as a positive revaluation reserve.

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 fourth 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 first 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 2016' fourth 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.

Georgi Kostov
Executive Director

Tihomir Atanasov
Procurator

