

CENTRAL COOPERATIVE BANK AD

SEPARATE 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	1,301,490	908,317
Placements with and advances to banks	263,847	204,009
Receivables under repurchase agreements	199,258	152,448
Financial assets held for trading	115,047	202,666
Loans and advances to customers, net	2,160,052	2,087,078
Other assets	50,205	53,953
Financial assets available for sale	664,189	227,520
Financial assets held to maturity	-	646,342
Investments in subsidiaries	84,333	59,788
Fixed assets	96,044	98,810
Investment properties	17,222	-
Non-current assets held for sale	18,257	2,537
TOTAL ASSETS	4,969,944	4,643,468
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	12,060	9,282
Liabilities under securities repurchase agreements	-	9,000
Amounts owed to other depositors	4,457,761	4,166,847
Other attracted funds	39	105
Issued bonds	70,126	70,055
Provisions for liabilities	1,034	-
Other liabilities	10,495	8,261
TOTAL LIABILITIES	4,551,515	4,263,550
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	178,461	171,757
Revaluation reserve	20,899	8,859
Current year profit	26,471	6,704
TOTAL SHAREHOLDERS' EQUITY	418,429	379,918
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	4,969,944	4,643,468
Commitments and contingencies	174,810	197,883

George Kostov
Executive Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief accountant



CENTRAL COOPERATIVE BANK AD

SEPARATE 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	150,140	153,934
Interest expenses	(39,836)	(75,817)
Net interest income	<u>110,304</u>	<u>78,117</u>
Fees and commissions income	50,498	46,882
Fees and commissions expenses	(7,161)	(6,882)
Net fees and commissions income	<u>43,337</u>	<u>40,000</u>
Gains from transactions with securities, net	20,367	16,587
Foreign exchange rate gains, net	5,955	4,206
Other operating income, net	4,167	11,377
Operating expenses	(117,753)	(113,055)
Expenses for provisions for liabilities Impairment and uncollectability income (expenses), net	(1,034)	-
Profit for the period before taxes	<u>30,671</u>	<u>9,234</u>
Taxes	(4,200)	(1,723)
PROFIT FOR THE PERIOD	<u>26,471</u>	<u>7,511</u>
Earnings per share (in BGN)	0.23	0.07
Other comprehensive income after taxes	<u>12,040</u>	<u>9,500</u>
Revaluation of financial assets held for sale	<u>12,040</u>	<u>9,500</u>
TOTAL COMPREHENSIVE INCOME AFTER TAXES	<u>38,511</u>	<u>17,011</u>

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS

AS AT 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	30,671	9,234
Depreciation and amortization	9,306	6,813
Paid profit tax	(240)	(720)
Unrealized (gains) from revaluation of financial assets held for trading	(6,201)	(8,521)
Increase of provisions for liabilities and loans impairment allowances	35,706	27,998
Net cash flows before working capital changes	69,242	34,804
Change in operating assets:		
(Increase) / decrease in placements with, and advances to, banks with maturities above 90 days	(6,598)	(1,682)
(Increase) in receivables under repurchase agreements	(46,810)	(3,752)
Increase in financial assets held for trading	93,820	10,881
(Increase) in loans and advances to customers	(107,646)	(301,382)
Decrease (Increase) in other assets	3,748	8,761
(Increase) in non-current assets held for sale	(15,720)	(2,184)
Change in operating liabilities:		
Increase / (decrease) in deposits from banks	2,778	(12,010)
Increase in the liabilities under securities repurchase agreements	(9,000)	9,000
Increase in liabilities to other depositors	290,914	449,405
(Decrease) in other attracted funds	(66)	(66)
Increase / (decrease) in other liabilities	2,234	(2,142)
NET CASH FLOWS FROM OPERATING ACTIVITIES	276,896	197,137
Cash flows from investing activities		
(Acquisitions) of property, plant, and equipment, net	(6,025)	(30,390)
Acquisitions) of investment properties	(17,737)	-
(Acquisitions) of financial assets available for sale, net	(28,470)	18,768
(Acquisitions) of financial assets held to maturity, net	221,678	(463,459)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	169,446	(475,081)
Cash flows from financing activities		
Increase in the issued bonds	71	109
NET CASH FLOW FROM FINANCING ACTIVITY	71	109
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	446,413	(277,835)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,102,710	1,385,245
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,549,123	1,107,410

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2016

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 2014	113,154	79,444	164,502	(905)	7,255	363,450
Transfer of net profit for the year ended 31 December 2014, to retained earnings	-	-	7,255	-	(7,255)	-
Net profit for the period ended 31 December 2015	-	-	-	-	7,511	7,511
Other comprehensive income for the period ended 31 December 2015	-	-	-	9,500	-	9,500
BALANCE AS OF 31 DECEMBER 2015	113,154	79,444	171,757	8,595	7,511	380,461
BALANCE AS OF 31 DECEMBER 2015	113,154	79,444	171,757	8,859	6,704	379,918
Transfer of net profit for the year ended 31 December 2015, to retained earnings	-	-	6,704	-	(6,704)	-
Net profit for the 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	113,154	79,444	178,461	20,899	26,471	418,429

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EXPLANATORY NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE FOUR QUARTER OF 2016 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>	21
<i>Equity instruments</i>	99 634
<i>Debt instruments</i>	15 392

Compared to the previous year the Bank decreased its investments in 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 Bank 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 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>	83 788
<i>Debt instruments</i>	580 401

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.

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 Bank 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 securities.

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.

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 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 2016 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 2016 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 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 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 2016 the receivables of the Bank from subsidiaries are to the amount of BGN 26 568 thousand, which stem from placed deposits. At the end of the fourth quarter of 2016 the liabilities of the Bank to subsidiaries are to the amount of BGN 5 086 thousand, which stem from received deposits. At the end of the fourth quarter of 2016 the receivables of the Bank from companies under common control are to the amount of BGN 96 248 thousand, whereas the predominant part stems from granted loans. At the end of the fourth quarter of 2016 the liabilities of the Bank to companies under common control are to the amount of BGN 102 610 thousand, of which BGN 51 831 thousand come from received deposits. The remaining part of the liabilities concerns an issue of convertible bonds, issued by the Bank, to the amount of EUR 36 000 thousand.

At the end of the fourth quarter of 2016 the Bank does not have receivables from the mother company. At the end of the fourth quarter of 2016 the Bank 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 Bank applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual individual 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 Bank.

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 and the income. With respect to the liabilities there is a new position 'provision for liabilities'. With respect to the expenses there is a new position 'expenses for provisions for liabilities'.

The total amount of the assets in the financial statements of the Bank as at 31.12.2016 increased compared to the total amount of the assets in the financial statements of the Bank as at 31.12.2015 by 7.03% and reached BGN 4 969 944 thousand. The increase in the assets of the Bank is related to the increase in the funds, attracted from other depositors.

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

During the fourth quarter of 2016 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 2016 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 2016 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

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 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 31.12.2015, whereas the decrease concerns guarantees, issued by the Bank.

Georgi Kostov
Executive Director

Yordan Hristov
Chief accountant

Tihomir Atanasov
Procurator





Central Cooperative Bank

Our clients feel important

2016 FOURTH QUARTER INTERIM FINANCIAL REPORT

ON THE ACTIVITIES OF

CENTRAL COOPERATIVE BANK /CCB/

At the end of fourth quarter of 2016, CCB's balance sheet total assets were BGN 4,969,944 thousand. As of 31 December 2016, the Bank's net profit amounted to BGN 26,471 thousand.

CCB kept sustainable development 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 7.03% or by BGN 326,476 thousand in absolute terms, against BGN 4,643,468 thousand a year ago. From the beginning of the fourth quarter, assets increased by 2.33% (or BGN 113,206 thousand). At the end of the fourth quarter the amount of granted loans and advances reached BGN 2,160,052 thousand so their amount increased by 2.30% compared to the end of the previous quarter and increased by 3.50% on annual base.

The CCB's net profit as of the end of 2016' fourth quarter reported an increase by 294.85%, reaching the amount of BGN 26,471 thousand against BGN 6,704 thousand a year ago.

At the end of December 2016, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 4,457,761 thousand. For the last year, they registered an increase by 6.98% compared to BGN 4,166,847 thousand as of end- December 2015.

The ratio of liquid assets to total liabilities reached 42.82% in December 2016. The average value on annual base is 41.57%.

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 reported 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.

During the Bulgaria economic activity and the positive growth, 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 uncertainties during the first quarter of 2017.

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 bank system. The Bank's management do not expect any adverse progress in the above mentioned level of risks during the first quarter of 2017.

George Konstantinov
Executive director

Tihomir Atanasov
Procurator

