



Central Cooperative Bank

Our clients feel important

2016 THIRD QUARTER INTERIM FINANCIAL REPORT ON THE ACTIVITIES OF CENTRAL COOPERATIVE BANK /CCB/, ACCUMULATED

At the end of third quarter of 2016, CCB's balance sheet total assets were BGN 4,856,738 thousand. As of 30 September 2016, the Bank's net profit amounted to BGN 30,107 thousand.

CCB kept sustainable development and as of the end of August 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 5.72% or by BGN 262,850 thousand in absolute terms, against BGN 4,593,888 thousand a year ago. From the beginning of the second quarter, assets increased by 3.44% (or BGN 161,507 thousand). At the end of the third quarter the amount of granted loans and advances reached BGN 2,111,565 thousand so their amount increased by 0.89% compared to the end of the previous quarter and increased by 10.67% on annual base.

The CCB's net profit as of the end of 2016' third quarter reported an increase by 478%, reaching the amount of BGN 30,107 thousand against BGN 5,208 thousand a year ago.

At the end of September 2016, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 4,339,759 thousand. For the last year, they registered an increase by 5.07% compared to BGN 4,130,441 thousand as of end-September 2015.

The ratio of liquid assets to total liabilities reached 40.87% in September 2016. The average value on annual base is 41.47%.

At the end of the third 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.

II. Information about major risks and instability during the fourth quarter of 2016.

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 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'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 fourth quarter of 2016.

III. Information about transactions with related parties.

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

At the end of the third quarter of 2016 the receivables of the Bank from subsidiaries are to the amount of BGN 28 359 thousand, which stem from placed deposits. At the end of the third quarter of 2016 the liabilities of the Bank to subsidiaries are to the amount of BGN 5 746 thousand, which stem from received deposits. At the end of the third quarter of 2016 the

receivables of the Bank from companies under common control are to the amount of BGN 104 310 thousand, whereas the predominant part stems from granted loans. At the end of the third quarter of 2016 the liabilities of the Bank to companies under common control are to the amount of BGN 96 760 thousand, of which BGN 44 257 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 third quarter of 2016 the Bank does not have receivables from the mother company.

At the end of the third quarter of 2016 the Bank has liabilities to the mother company to the amount of BGN 10 thousand, which stem from received deposits.



GEORGE KOSOV
EXECUTIVE DIRECTOR



SAVA STOYNOV
EXECUTIVE DIRECTOR

