



Central Cooperative Bank

Our clients feel important

2016' THIRD 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 third 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 third quarter of 2016, CCB's balance sheet total assets were BGN 5,057,607 thousand. From the start of the quarter they recorded an increase by 3.38% or by BGN 165,574 thousand in absolute terms. Compared to a year ago, the assets grew by 4.65% or by BGN 224,852 thousand.

Cash and cash balances with central banks formed 25.47% of the total assets of the Group, against 21.04% at the end of September 2015. Loans and receivables to banks were 5.03% of total assets, against 4.73% 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 15.89% of its assets against 24.17% at the end of September 2015.

At the end of the 2016' third quarter the amount of granted loans and advances reached 44.92% share in the structure of balance sheet assets on consolidated basis, compared to a year ago, when it was 42.42%.

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 3.81% of total amount of the assets.

LIABILITIES

At the end of September 2016, total liabilities of the Group on a consolidated basis were BGN 4,670,761 thousands. They increased by 4.28%, compared to the end of 2015.

The majority of these liabilities - approximately 98% - are liabilities due to other depositors - individuals, businesses and non-financial institutions. The increase compared to the end of September 2015 is 4.54%. The Group maintains a stable structure of borrowings, which allows independence from external funding during the crisis in global financial markets.

The equity of the Group totaled BGN 386,846 thousand and includes shareholders' equity of the parent Bank – BGN 380,276 thousand and minority interest amounted at BGN 6,570 thousand. Compared to the end- September 2015 the equity reported an increase by 1.38%.

FINANCIAL RESULTS

As of 30 September 2016, the Group' net profit amounted to BGN 27,650 thousand. There is an increase by 833.81% compared to year ago.

The operating expenses of the Group in the third quarter of 2016 increased by 11.99%, compared to the level at the end of the third quarter of 2015 and reached absolute amount of BGN 95,497 thousands.

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 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 mother 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.

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 fourth quarter of 2016.

III. 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 defer 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 the receivables of the Group from the companies under common control are to the amount of BGN 104 320 thousand, which stem from granted loans predominantly. At the end of the third quarter the liabilities of the Group to companies under common control are to the amount of BGN 96 760 thousand, of which BGN 44 257 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 third quarter of 2016 the Group does not have receivables from the mother company. At the end of the third quarter of 2016 the Group has liabilities to the mother company to the amount of BGN 10 thousand, which stem from received deposits.

GEORGI KOSTOV
EXECUTIVE DIRECTOR



TIHOMIR ATANASOV
PROCURATOR