Central Cooperative Bank
Our clients feel important

ANNUAL REPORT
2019

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Our clients feel important

MESSAGE FROM THE MANAGEMENT

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to use this opportunity to inform you about our achievements and accolades in 2019. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2019 the Bank assets are BGN 6,1 billion, shareholders' equity amounts to BGN 568 million and the net profit is BGN 34,2 million.

Last year was our 12th year as a member of the European Union and we ranked on the 8th place among Bulgarian banks in terms of total assets.

Among our goals for 2020 are: increasing the total assets of the Bank, respectively the market share; developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products; streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing; deploying the positions in retail banking; increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans; profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank; offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU and increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

We make our clients feel important. The Bank management and staff have committed their efforts to defending the already achieved position and further improving in the banking field. We look forward to continue working with you and sharing best practices and recommendations.

Sincerely yours,

Gerogi Kostov
Executive Director

George Konstantinov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

FINANCIAL HIGHLIGHTS AS AT 31.12.2019

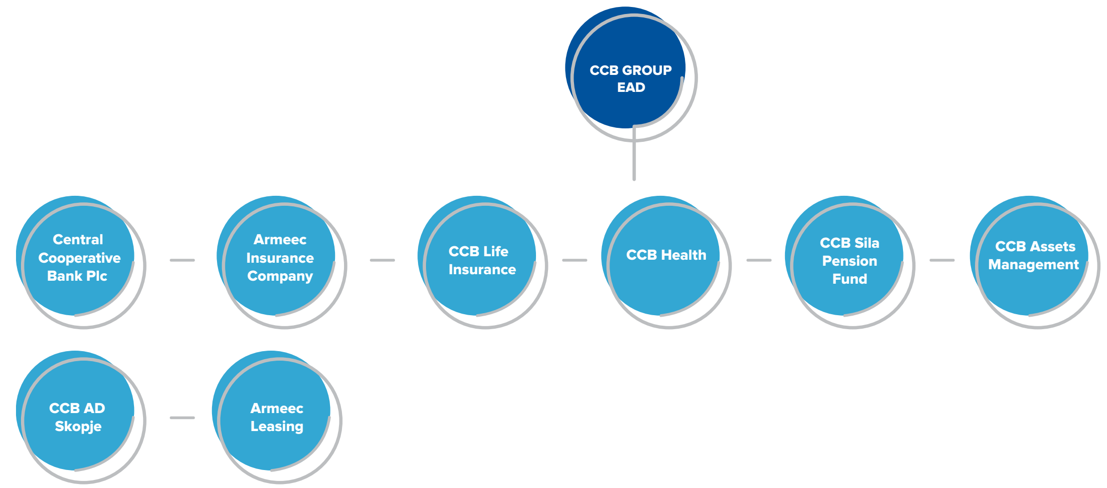
Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2019 Thousand BGN	As at 31.12.2018 Thousand BGN
Total assets	6,105,407	5,617,692
Share capital	127,130	113,154
Shareholders' equity	568,200	527,308
Total deposits	5,448,416	5,054,179
Deposits from non-financial institutions	5,422,254	5,013,739
Advanced loans and advances to customers, net	2,442,619	2,258,072
Net interest income	117,295	114,439
Non-interest income	63,897	54,136
Total income	181,192	168,575
Operating expenses	135,453	125,286
Net profit	34,242	33,770

Financial highlights	As at 31.12.2019	As at 31.12.2018
ROaE %	6.25 %	7.20%
ROaA %	0.58 %	0.61%
Shareholders' equity / total assets %	9.30 %	9.39%
Operating expenses / total assets %	2.21 %	2.23%
Operating expenses / total income %	74.75 %	74.32%
Loans to customers / total assets %	40%	40.20%
Total deposits / total assets %	89.23 %	89.97%
Deposits from non-financial institutions / total assets %	88.81 %	89.25%
Total capital adequacy	16.27 %	17.56%

Recourses	As at 31.12.2019 Number	As at 31.12.2018 Number
Number of customers	1,831,666	1,785,326
Foreign correspondents	204	282
Nostro accounts	17	19
Locations, including branches	305	309
Personnel	1909	2149

TODAY

Central Cooperative Bank Plc is a universal commercial bank, belonging to the financial structure of CCB Group EAD. Together with the remaining companies, the bank comprises the full array of services in the field of financial intermediation, products and services with an emphasis on SME lending and retail banking for its clients.



As a universal commercial bank CCB Plc offers an array of financial products and services, which correspond to the competitive requirements of the dynamically changing market environment. The Bank constantly strives to deploy the spectrum of financial intermediation and works hard to create new and develop the known products and services.

CCB Plc. is a full member of the International Cooperative Banking Association and the European Association of Cooperative Banks.

The Bank is a full member of MasterCard Europe and Visa International, offers the Maestro and MasterCard cards and the family of Visa cards.

Central Cooperative Bank Plc is an indirect member of **EBA STEP2 SCT** and a direct member of **TARGET2**.

The Bank is an indirect member of **International Swaps and Derivatives Association, Inc – ISDA**.

CCB Plc maintains good relationships with a number of correspondent banks, improving the business contacts with them. The Bank has over 204 correspondents and 17 Nostro accounts, as well as a number of lines for documentary operations for various amounts and trade finance for the import of investment products, made in EU. Through the MM and FX limits, the bank maintains the wide spectrum of the offered products and services.

CCB Plc has a license to carry out transactions as an investment intermediary on the Bulgarian capital market, acting on its behalf and at its expense, as well as on behalf and at the expense of its clients.

CCB Plc. is a primary dealer of government securities on the Bulgarian domestic market.

The Bank provides an easy access to all range of its products via a well-developed branch network, offering quick and modern solutions to its customers. At present, the Bank has 305 branches and offices all over the country and abroad.

On 28 March 1991 Central Cooperative Bank was registered with a resolution of the Sofia City Court. At first the Bulgarian National Bank Management Board issued a license to CCB Plc for carrying out bank activity on the territory of the country.

The founders of the bank were Central Cooperative Union, the regional cooperative unions and more than 1100 cooperative organizations. In the beginning its mission was to contribute to the development of the cooperative system in Bulgaria. Passing through different development periods, the Bank established itself as a universal commercial bank nowadays.

Since 12 March 1993 the Bank is authorized to carry out operations abroad as well.

Since July 1993 CCB Plc is an associate member of the European Association of Cooperative Banks, domiciled at Brussels.

On 4 March 1999 CCB Plc received the statute of a publicly listed company, and in this way became one of the two Bulgarian banks, the shares of which were traded on the Bulgarian Stock Exchange - Sofia.

Up to 2001 CCB Plc shareholders included: Central Cooperative Union, Bulbank AD, the State Agricultural Fund, the Bank Consolidation Company etc.

At the beginning of 2002 the share of Bank Consolidation Company AD amounting to 32.77 % was acquired through bidding by Chimimport JSC, which became the main shareholder of Central Cooperative Bank Plc.

In 2002 CCB Plc received a license from **MasterCard Europe** – a prestigious international card organization for the issuance and acceptance of the international Maestro debit cards and Mastercard credit cards.

In 2003 CCB Plc acquired a license for a Bulgarian agent of Western Union, the international fast money transfer company.

In September 2004 Central Cooperative Bank Plc became a member of the Management Board of the International Cooperative Banking Association, together with over 52 credit institutions from 36 countries.

At the end of 2004 CCB Plc increased its capital from BGN 16 169 564 to BGN 32 338 128 via the issuance of 16 168 564 shares, having a par and issue value of BGN 1. The Bank's main shareholder is CCB Group Assets Management EAD, which is 100 % property of Chimimport Plc.

On 27 May 2005 the Bank became a principal member of Visa International and at the beginning of 2006 we started offering the family of Visa cards.

In September 2005 CCB Plc took a decision to increase its share capital by 50 % and as of the end of the year it amounted to BGN 48 507 186, and the shareholders' equity was BGN 80,928 thousand.

In December 2005 CCB Plc received a permit from the Central Bank of Cyprus to open its first foreign branch in Nicosia.

On 11 May 2006 CCB Plc signed a second Syndicated Term Loan Facility, whereas the initial amount of EUR 11.000.000 was increased to EUR 27.500.000 with the participation of 12 foreign banks. The syndicated loan was arranged by HSH Nordbank AG and Raiffeizen Zentralbank Österreich AG.

At the end of June 2006 the General Meeting of Shareholders of CCB Plc took a decision to increase the capital by 50% and at the end of the year the Bank share capital amounted to BGN 72 760 779.

Since 1 January 2007, with Bulgaria's accession to EU, CCB Plc has acquired the statute of a full member of the European Association of Cooperative Banks.

In June 2007 the General Meeting of Shareholders of CCB Plc. took a decision to increase the capital and at the end of the year it amounts to BGN 83 155 092.

In September 2007 the first foreign branch of CCB Plc. was opened in Nicosia, Cyprus.

On 28 February 2008 CCB Plc acquired the Macedonian bank Sileks Bank AD Skopje, which was renamed to Central Cooperative Bank AD Skopje on 22 October 2008. At present CCB Plc has 82.63 % of the voting shares of the capital of CCB AD Skopje.

On 15 August 2008 Central Cooperative Bank Plc joined ISDA - International Swaps and Derivatives Association as a user.

In October 2008 CCB Plc became an indirect member of EBA STEP2 SCT.

In February 2010 CCB Plc became an direct member of TARGET2.

In December 2010 the Bulgarian Credit Rating Agency awarded to Central Cooperative Bank Plc a long-term credit rating, grade: BBB, outlook: stable and a short-term rating: A-2.

As at 31.12.2010 CCB Plc ranks among the first 10 Bulgarian banks in terms of total assets according to the BNB classification.

On 3 January 2011 "Stater Banka" AD, Kumanovo, the Republic of Macedonia merged with CCB Plc, Skopje.

At the beginning of 2011 CCB Plc became the main shareholder of ZAO AKB Tatinvestbank, Kazan, the Republic of Tatarstan, Russian Federation.

On 28 March 2011 CCB Plc celebrated twenty years of its establishment.

On 21.07.2011 the Management Board of CCB Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092, whereas as at 31.12.2011 the total equity of the Bank amounts to BGN 332,781 thousand.

In the second quarter of 2012 CCB Plc started the issuance of international Visa Platinum credit cards.

In 2012 CCB Plc continued implementing the project for the establishment of a second foreign branch on the territory of EU.

In 2013 CCB introduced new products and services in retail banking and the card business, among which the Mobb service and promotional conditions for the product "Home for you".

At the end of 2013 CCB ranked on the eight place among Bulgarian banks in terms of total assets.

In 2014 the Bank started offering contactless Visa payWave debit and credit cards and contactless Maestro PayPass debit cards.

In October 2014 CCB started offering the CashM service to its clients.

In 2014 CCB Plc preserved the eight place among Bulgarian banks according to total assets.

Since February 2015 the Bank started the offering of debit cards of high class Visa Debit.

April 2015 Successfully and on time we finalized the process of the full migration of all IT systems to move the head-office of the Bank to the new administrative building (former Pliska Hotel) at: the city of Sofia, 87 Tsarigradsko shose blvd;

The administration of the Bank carries out its activity in the new office building at 87 Tsarigradsko shose blvd.

In May 2015 the Bank started issuing Emotion contactless cards, where the client is entitled to choose the design of his/her card.

In July 2015 the Bank started offering a new type of credit card of exceptionally high class, intended for the most special clients - World MasterCard.

In 2015 new traders, offering rebates to the clients with club cards joined the CCB Club loyalty program.

In 2015 during the whole year there continued the update of the parameters and the conditions of the credit products for individuals.

As at 31.12.2016 the financial result of CCB Plc increases 4 times compared to the previous year.

As at 31.12.2017 the assets of the Bank increased by 9 % and the financial result increased by 38 % compared to 2016.

In 2018 the Bank offered new products and services in the field of retail banking, as well as more advantageous conditions for consumer and mortgage loans.

In October 2019 CCB joined the initiative of SWIFT "GPI – Global Payments Innovation" and in this way it became the second bank, which implemented GPI in Bulgaria.

MANAGERIAL TEAM

Central Cooperative Bank Plc has a two-tier system of management, which consists of a Supervisory Board and a Management Board.
The Supervisory Board consists of three members and elects the Management Board and a Procurator. The Management Board on its part elects the Executive Directors with the approval of the Supervisory Board.

At present the following members are included in the Supervisory Board and the Management Board:

1. Supervisory Board:

Chairperson:	Ivo Kamenov
Members:	Marin Mitev
	Rayna Kuzmova
	Central Cooperative Union,
	Represented by Peter Stefanov

2. Management Board:

Chairperson:	Prof. Dr. Aleksander Vodenicharov
Members:	Tsvetan Botev – Deputy-Chairperson
	George Konstantinov – Executive Director
	Sava Stoynov – Executive Director
	Georgi Kostov – Executive Director
	Aleksander Kerezov
	Prof. Dr. Bisser Slavkov

3. Procurator: Tihomir Atanassov

SHARE CAPITAL AND SHAREHOLDERS

On 21.07.2011 the Management Board of Central Cooperative Bank Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092 via the issuance of 30 000 000 ordinary book-entry voting shares with a nominal value BGN 1 and an issue value of BGN 1,50.

Till the end of the subscription 29 999 199 shares were subscribed and paid. As a result of this the amount of BGN 44 998 798.50 was credited to the capital raising account of CCB Plc.

The capital of the Bank to the amount of BGN 113 154 291 after the increase was entered in the Companies Register on 15.12.2011.

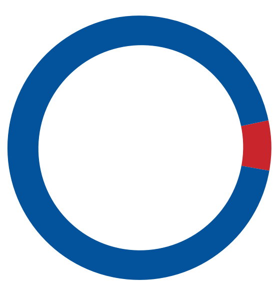
As at 31 December 2019 the shareholders' equity amounts to BGN 568,200 thousand. The capital adequacy is 16.27 %, which is above the requirements according to Ordinance No. 8 of BNB on the capital adequacy of Banks.

Shareholders of CCB Plc as at 31 December 2019	Share (%)
CCB Group EAD, Sofia	61.03
Armeec insurance company JSC	9.43
UPF Suglasie	6.98
Chimimport JSC	5.88
Total	**100,00**

As at December 31, 2019 the shareholders of CCB Plc are 5,140 individuals and 1,133 legal entities.

The shares of CCB Plc are traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 20 years the CCB Plc shareholders' structure has significantly changed three times – in June 1999, when Bulbank AD sold to the State Agricultural Fund its share of 35 %; in June 2001 when the share of the State Agricultural Fund, which had been acquired by the Bank Consolidation Company, was purchased by "Chimimport" JSC and at the end of 2004, when the shares of Central Cooperative Union were acquired by "Chimimport" JSC through CCB Group EAD.

BREAKDOWN OF SHARE CAPITAL



Central Cooperative Bank Plc is a universal commercial bank, offering a broad spectrum of financial products and services. The Bank endeavors to follow the competitive requirements of the constantly changing environment and deploys its array of products and services in the field of financial intermediation, putting an emphasis on financing SMEs and servicing its retail clients.

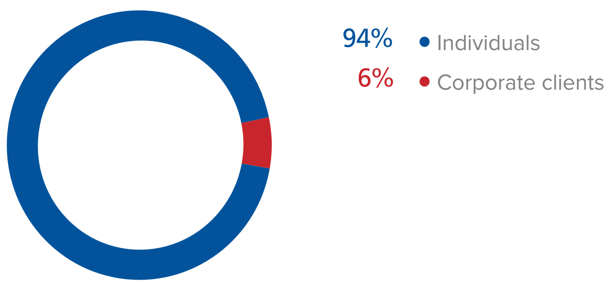
The Bank is one of the leaders on the market in rendering services to the agricultural sector and the related production activities. In 2019 CCB Plc continued to offer the array of credit products and services in the field of consumer lending, as well as lending to SMEs. Following the set goals, the Bank deployed its activity as a "retail bank" and achieved good positions in the market of SMEs, attracting more and more clients in this sector.

CLIENT STRUCTURE

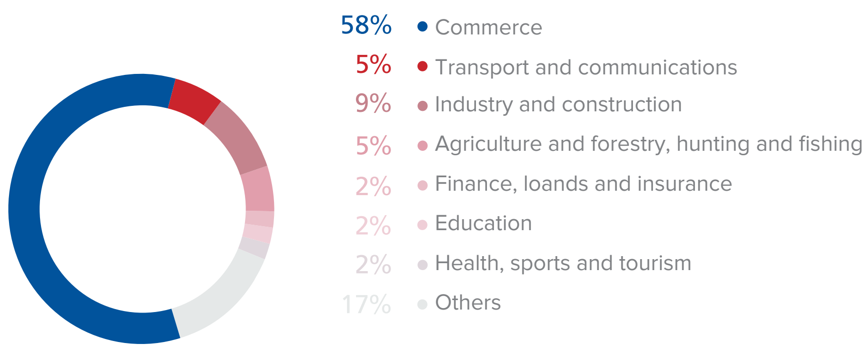
A considerable contribution for the success and established market positions of the Bank belongs to its clients. For this reason CCB Plc attracted more clients, especially individuals, households, SMEs. The Bank's portfolio is entirely subordinated to the needs and desires of clients. The efforts are concentrated on offering competitive and attractive products.

Sector	31.12.2019	31.12.2018
Individuals	1,720,773	1,678,842
Commerce	63,869	61,398
Transport and communications	5,691	5,581
Industry and construction	10,360	10,035
Agriculture and forestry, hunting and fishing	5,175	5,145
Finance, loans and insurance	2,176	2,123
Education	2,414	2,285
Healthcare, sports and tourism	2,293	2,194
Other	18,915	17,723
Total:	**1,831,666**	**1,785,326**

The clients of the Bank again increased and reached 1,831,666 at the end of 2019. Compared to the previous year the increase is in the amount of 2,6 %, whereas the results take into consideration mainly the increase in individuals. Their share increased by 41,931 or by 2.5 % compared to 2018. The positive growths that is observed in the last several years is mainly due to the ambition of the Bank to develop in one of the most competitive for the banking sector segment, namely retail banking. There is a growth in lending to SMEs.



BRANCH STRUCTURE OF CLIENTS LEGAL ENTITIES AS AT 31.12.2019



RETAIL BANKING

Card products

In 2019 CCB Plc preserved its positions as one of the biggest issuers of credit and debit cards in the country. The Bank issues international Mastercard and Visa credit cards, the cobranded Visa CCB - Bulgaria Air credit card and Visa Platinum credit card. The portfolio of debit cards, which the Bank offers, consists of international debit cards of high class World Debit Mastercard, Debit Mastercard and Visa Debit debit cards, Debit Mastercard cobranded cards with A1 Bulgaria EAD and the local BCard debit card. The Bank also offers EMOTION debit and credit cards, where the client can select the vision of his card from the proposed gallery with over 50 designs.

The Bank makes possible for its clients to take advantage of the exceptionally fast contactless payments with all major card brands.

The Bank offers a credit card of exceptionally high class - World Mastercard. The card is intended only for significant and solvent clients of the Bank. The World Credit Mastercard credit card is a Premium product of Mastercard, which is positioned at a level higher than the Platinum credit cards.

Besides the exceptionally attractive financial parameters of the World Credit Mastercard card, it brings a number of additional perks and privileges to its holders:

- Free membership in the Priority Pass program – ensures access to over 700 business lounges at airports in over 100 countries all over the world;

- Special rebates from Bulgaria Air;

- Free access to Vitosha and Preslav business lounges at Sofia Airport and Sky Lounge and Jet Lounge in Vienna;

- Insurance upon travelling abroad with Armeec insurance company JSC – 22 insurance coverages with a maximum amount of the coverage in the amount of USD 50 000;

- Additional insurance, which provides protection upon theft of the card together with personal belongings and documents, protection upon incident or theft of goods, purchased with the card, as well as the best price upon shopping;

- Rebates in the CCB Club program;

- Rebates upon shopping at selected traders in Bulgaria, included in the CCB World Offers catalogue;
- Additional attractive rebates abroad at hotels, famous shops and rent-a-car companies, provided by Mastercard;

- Many more rebates upon shopping at the trade shops, included in the CCB Bonus program.

At the end of 2019 CCB Plc started offering the Concierge service, which it offers to the holders of World Mastercard debit and credit cards, immediate personal assistance at any time and place, privileged access to exclusive services and experience and individual solutions only with one telephone call. Clients receive advice, recommendations, a possibility to book hotels, restaurants, sale of tickets for various events: music, theatre, sports, booking airplane tickets, package holidays, cruise, sight-seeing, assistance upon planning a trip. For the World Credit Mastercard credit cards CCB Plc ensures a higher level of the service, whereas in addition to the enumerated services, we offer to cardholders the possibility to receive information of antique and art commerce, the possibility to book package holidays, flights, hotels, rent a car and/or organizing special trips, including charter of airplanes or yachts, assistance upon choosing a gift, access to guides for various destinations, information of preparing a trip, information of the customs provisions and visas, information of foreign exchange. The Bank provides access and recommendations for various sports clubs. It provides access to guides for various destinations, information of the preparation of trips, information of customs provisions and visas, information of the foreign exchange.

Since the end of 2019 CCB Plc provides to all its cardholders of VISA Platinum credit cards a free access to the LoungeKey program – a service, which provides access to the conveniences of over 1000 special business lounges, situated at the airports all over the world, without a preliminary booking and without consideration of the air company used and the class of the trip, where passengers can take advantage of convenient zones for rest, while they wait for their flight, WiFi Internet access, TV, drinks and snacks, shower, etc.

All debit and credit cards of the Bank are open for registration in advance for the E-Secure service for secure payments on the Internet. In this way the Bank provides to all its clients with international debit and credit cards additional security, when they shop online.

The Bank continues offering various preferences to the holders of credit and debit cards. In 2019 the holders of Visa Platinum cards of CCB could use free of charge Vitosha business lounge at the Sofia airport, regardless with which air company they travel. The holders of World Debit Mastercard, Visa Platinum, Visa Gold and Mastercard Gold cards can use free of charge the Vitosha business lounge at the Sofia airport for the international flights, as well as in the cases, when the fly along the internal lines. Since the beginning of March 2019 clients, who have World Credit Mastercard, Visa Platinum, Visa Gold and Mastercard Gold credit cards can use free of charge the business lounges of Varna and Burgas airports. CCB Plc provides a free access to the cardholders of the specified cards and to their companions:

- A free access to the business lounges of Varna and Burgas airports is provided to the cardholders of Visa Platinum and one companion of theirs;
- For the cardholders of World Mastercard and two companions of theirs a free access is provided to the business lounges of the Varna and Burgas airports.

New card products

In 2019 the Bank continued working on several new products and changes, related to card products:

- **World Elite Mastercard** – A credit card of a very high class, which is intended only for the most special clients of the Bank and will bring a number of additional privileges;

- **Mastercard Identity Check Mobile (IDCM)** – A biometric technology of Mastercard for the identification of users according to fingerprints, face and voice parameters for operation in our mobile banking, which covers the requirements of Directive 2015/2366 (PSD2) in the SCA (Strong Customer Authentication) section. IDCM will give priority to the security of users upon the performance of mobile payments. We simultaneously work for the implementation of the new version of the security protocol in the Internet payments – 3D Secure v.2.1;

- **Mastercard MoneySend** – A service that makes possible sending and receiving money from bank cards via a mobile phone;

- **VISA FAST FUNDS** – Fast and secure transfers from and to VISA debit and credit cards.

Market positions and statistics

In 2019 CCB Plc affirmed its market positions in the issuance of bank cards, whereas the total number of the cards issued by the Bank as at 31.12.2019 amounts to 552 251. The issued international credit cards at the end of December 2019 are 31 380, of which 16 776 Mastercard cards and 14 604 Visa cards.
CCB Plc managed to keep good market shares with respect to the development of its network of ATMs and POS terminals: the number of virtual POS terminals at the end of 2019 reached 586, and the total number of CCB ATMs is 580. The total number of the Bank POS terminals is 4 843, including the POS terminals in the bank rooms. The POS terminals that provide a possibility for contactless payments are 4 080.

The table below presents summarized information of the card products and services, offered by CCB Plc.

ATMs, POS terminals, credit and debit cards	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
ATMs					
ATMs	571	578	578	580	580
POS terminals					
POS terminals at the trade shops	4 483	4 557	4 678	4 764	4 843
POS terminals at the bank branches	330	330	330	330	330
Virtual POS terminals	514	537	541	583	586
Total POS	4 767	4 388	4 533	4 578	5 341
Credit cards					
Mastercard Standard	18 021	17 546	16 807	16 334	16 179
Mastercard Gold	346	349	351	356	385
Mastercard New World	121	133	144	148	148
Mastercard Business	68	68	62	63	64
Visa Classic	13 590	13 229	12 877	12 753	12 490
Visa Gold	1 630	1 607	1 568	1 569	1 564
Visa Platinum	452	446	445	444	458
Visa Business	93	91	91	91	92
Total credit cards	34 3218	33 469	32 345	31 758	31 380
Debit cards					
Debit MasterCard	336 219	338 687	337 708	335 859	322 211
Debit MasterCard Commercial	1 532	1 701	1 909	1 962	2 083
Gold Debit MasterCard	1 366	1 481	1 644	1 797	2 126
World Debit MasterCard	9 901	10 126	10 437	10 839	11 642
Maestro	12 638	4 045	729	550	453
MasterCard Prepaid	2 723	2 186	1 805	1 236	1 191
VISA Debit	162 648	160 360	157 606	156 521	151 900
Visa Debit Commercial	2 216	2 451	6 640	2 698	2 731
Visa Electron	35 809	33 866	30 575	26 536	24 401
VISA Prepaid	6 648	2 384	2 094	1 617	1 556
BCard	503	558	571	576	577
Total debit cards	**572 203**	**557 845**	**547 718**	**540 191**	**520 871**

Promotions for cardholders of CCB with Visa and Mastercard debit and credit cards

In 2019 the Bank again organised various marketing initiatives to stimulate the payments, and also to increase the number of debit and credit cards.

Intended campaigns for the promotion of card payments

• Visa promotion from 1 May 2019 to 30 September 2019, especially intended for Visa Premium cardholders, in which Visa cards, issued before 20 August 2019 participated.

• Upon payment with Visa Gold cards at restaurants abroad clients receive 4 % of the paid amount on their accounts, and upon payment with Visa Platinum cards - 7 %.

• In the period 13 May 2019 – 30 June 2019, together with Mastercard the Bank launched a campaign to promote the contactless payments with Mastercard credit and debit cards of CCB Plc with awards for clients. Awards were allocated every week during the campaign – weekend for two people at “Gradina” camp, 2 rucksacks and 3 Bluetooth speakers.

• In the period 29 August 2019 – 30 September 2019 there was a Visa campaign upon payment of fuel with a Visa debit or credit card. Every week during the campaign the Bank allocated two awards – holidays in Portugal.

• In the period 30 August 2019 – 17 October 2019 there was a Visa campaign to stimulate the payments with Visa cards at www.ozone.bg under the motto “Be up-to-date with Ozone&Visa”. Upon each payment with a Visa debit or credit card on the web site, clients receive 10 % rebate, including for the items in the promotion.

• In addition, the Bank launched a TV campaign with preferential conditions for newly issued Mastercard credit cards. All newly issued Mastercard Favourite credit cards, claimed in the period 11 November 2019 – 29 February 2020 and activated till 16 March 2020, will be at preferential conditions – without an annual fee for the first year and without interest for the first six months, as from the activation date. The TV campaign was broadcast in the period 27 November 2019 – 31 December 2019. The TV commercial was broadcast on Nova TV, BTV, BG on Air, Discovery, Travel Channel, Fine Living. The following channels were used as part of the commercial campaign:
  • commercials at YouTube;
  • advertising through banners at popular web sites;
  • advertising in the press;
  • external advertising, including advertisement in the metro;
  • radio commercial.

• With the aim of promoting Visa company debit cards, the Bank introduced a new product for legal entities – a package for companies with mobile banking. In the period 18 November 2019 – 31 December 2019 the Bank launched a campaign, which included external commercials, advertising in the metro, digital commercials, radio commercials and print advertising.

• With the aim of promoting the Concierge service at the end of 2019, the Bank launched a campaign, covering the press, digital and radio commercials. The Bank organized a private cinema event –

premiere of Star Wars. On this occasion the Bank invited clients of Private Banking, representatives of Mastercard and other important clients of the Bank.

- In the period 21 October 2019 – 29 December 2019, with the financial support of Mastercard, the Bank launched a campaign to stimulate the payments with Mastercard debit and credit cards. The following awards were allocated every week during the campaign:
    - 1 Robot /vacuum cleaner/
    - 2 Fitbit fitness bracelets
    - 3 digital photo frames

- After the end of the campaign, especially for the contactless payments, an additional lottery with a big award – voucher from POSOKA.com at the amount of BGN 3000 to a destination, chosen by the winner, was played.

- CCB Plc participated in the Visa national campaign to stimulate the payments with credit cards that took place in the period 20 November 2019 – 31 December 2019. Every week three awards were allocated, whereas each award included airplane ticket "Sofia – Viena – Sofia" for two people, two nights stay with breakfast included in Viena for two people at 4 star hotel, two-way transfer "airport – hotel – airport", "Assistance upon travelling abroad" insurance policy and BGN 1000 for shopping.

- CCB Plc participated in several promotions, organized by Mastercard together with IKEA, Metro and OMV to promote the payments with Mastercard cards.

Realised campaigns for the promotion of cards issuance

- In the period 12 April 2019 – 30 June 2019 the Bank launched a campaign for the issuance of Mastercard contactless debit cards with a bonus for the employees in the amount of BGN 3 gross for each newly issued card, given to the client.

- In the period 12 April 2019 – 30 June 2019 the Bank launched a campaign for the issuance of Mastercard contactless credit cards with a bonus for the employees in the amount of BGN 15 gross for each newly issued card, given to the client upon a minimum number of 3 cards.

- In the period 16 September 2019 – 31 December 2019 the Bank launched a campaign for the sale of Mastercard credit and debit cards with bonuses for the employees. The purpose of the campaign is increasing the number of the issued cards, as well as promoting the Bank's cards.

The holders of debit and credit cards of CCB had the opportunity to participate in other campaigns with awards, organized by the Visa and Mastercard card organisations.

CCB Bonus program

CCB Plc continued developing the CCB Bonus program. Its main objective is to direct the cardholders of the Bank to the trade shops of selected partners, where they can take advantage of special rebates. The CCB Bonus program is an important advantage for clients upon selecting a bank, not only for credit, but also for debit cards. It is oriented to stimulating the card payments and creating relationships of permanent partnership, with clients and merchants. The mobile version of CCB Bonus provides a possibility for clients to have access to the catalogue via mobile devices and at any moment to be informed about trade shops, where they can take advantage of the rebate. In 2019 the Bank issued the 18-th edition of the CCB Bonus catalogue with included 214 merchants with over 650

trade shops across the country.

CCB Club loyalty program

In 2019 CCB Club preserved its stable development. 14 partners participate in this program and offer the following rebates:

- Bulgaria Air provides to clients the attractive rebate of 5 % on the price of the airplane tickets, to which is added the rebate upon payment with the cobranded CCB–Bulgaria Air credit card. Clients benefit from the preference in the form of free transportation of additional luggage with every flight of Bulgaria Air;
- Armeec provides a possibility for the calculation of bonus points in the program along with using various other rebates from the insurance company;
- Lukoil, due to the nature of its business, provides the greatest frequency of the bonus sales:
    - CCB Club gold card – a rebate of 4 %;
    - CCB Club silver card – a rebate of 3.5 %;
    - CCB Club business card - a rebate of 3.5 %;
    - CCB Club standard card – the rebate of 3 % is preserved;
- HomeMax hypermarket chain – 5 % rebate;
- The Etap-Address and Group Plus bus companies offer a rebate of 10 %, exceptionally attractive to the program clients;
- COOP commercial chain – 3 % rebate;
- BM Market food chain – 3 % rebate;
- Sport Depot sports shops – 5 % rebate;
- Grand Optics & Joy Optics chain – 20 % rebate;
- Frant men's fashion shops – 10 % rebate;
- Hush Puppies shoe shops – 5 % rebate;
- Special proposals from A1 for the members of the CCB Club program;
- CEZ Electro Bulgaria - 25 Kwh daily electricity upon payment of the bills to the company via "Subscription for utility bills" service of CCB Plc.

At the end of 2019 the number of the clients that participate in the CCB Club loyalty program reached 567 908, and the bonus amount of the sales is over BGN 52 million.

Consumer and mortgage lending

In 2019 lending to individuals continued to be a main priority in the work of Central Cooperative Bank Plc, whereas in this segment the Bank ranked on the 8th place in absolute growth of the portfolio. The year was especially good for the mortgage loan, which have a growth of about 30 % compared to the previous year. The Bank continued focusing on clients with a good risk profile and high income. The market of consumer and mortgage loans preserved its activity level and banks competed for clients, improving the parameters and prices of their products. With its competitive sales policy and attractive products, CCB managed keep its good positions in retail lending.

In 2019 the Bank focused on segmenting the clients and splitting them into several target groups, to which to offer highly competitive offers. The Bank has worked actively to attract corporate and institutional clients with attractive conditions for servicing the remuneration of their staff. The Bank applied a personal approach and offering special, individual for the distinct client transaction parameters. We continued the offering of credit products with special conditions for the employees of generally known and stable companies, with which we do not have a contract for transferring salaries. The Bank employees maintain a close contact with the key employers in the distinct regions and periodically organize presentations of the Bank products for the employees.

The tendency that started 2 years ago of increasing the portfolio of mortgage loans and preserving the portfolio of consumer loans continued. Periodically during the year we updated and improved the conditions of the loans to individuals. The emphasis in retail lending during the year was mortgage loans.

An analysis of the activity of CCB Plc in 2019 shows:

From the beginning of the year the Bank has new retail loans for approximately **BGN 338,4 million**, of which:

- **BGN 192,6** million mortgage loans;

- **BGN 145,8** million consumer loans, (including overdraft on electronic debit cards, credit cards and goods on credit);

- As a result of the sales activity, the net increase in the retail portfolio (the increase after deducting the repayments) compared to 2018 is **BGN 120,65** million.

In 2019 the Bank continued to stimulate the initiative and the development of its employees, organizing training to streamline their sales skills. More and more active is the participation of the Front Office employees and the experts servicing and sales in the activity, associated with attracting new clients, making presentations and realising retail sales, in the bank rooms, as well as via visits at employers and other partners of the Bank.

CCB Cyprus branch

In December 2005 the Bank obtained a banking license, issued by the Central Bank of Cyprus, by virtue of which the Bank is authorized to perform banking operations as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Banking Law. The Branch started its banking activities on the territory of Cyprus on 1 September 2007. One of the main purposes of opening the first branch of the Bank overseas, apart from going abroad, is to grasp the big Bulgarian community that lives and works on the island. Unofficial sources inform that there are more than 30 000 Bulgarians in Cyprus at present. CCB Plc is a long established bank with traditions, expertise and extremely good reputation and Bulgarians have complete trust in it.

The core competence of the Bank is retail banking. The Cyprus Branch offers maintaining and transactions on current and deposit accounts in Euro, USD and BGN, transferring funds from the Cyprus branch to the rest of the 271 locations in Bulgaria at the most favourable rate on the island, granting of both consumer and mortgage loans to physical and legal persons, debit and credit cards, payment of consumables in Bulgaria, payment to numerous suppliers of a variety of services in Bulgaria, Internet banking facilities, cash in Bulgarian leva and others.

The Branch joined the local payment system JCC Transfer, as well as the check clearing house in Cyprus, which allowed a broader assortment of services. Moreover, the wish of numerous clients who would like to deposit their salaries into their accounts is a reality.

All staff are highly educated and speaking several languages, amongst which are Bulgarian, Greek, English, Russian and Persian. Two of the staff have previous experience in serving the Cyprus International Business Companies, which increases the array of offered services.

Last but not least, the Cyprus Branch is conveniently located at the main artery of Nicosia – Makarios Avenue, which facilitates the clients, arriving from other towns and villages in Cyprus.

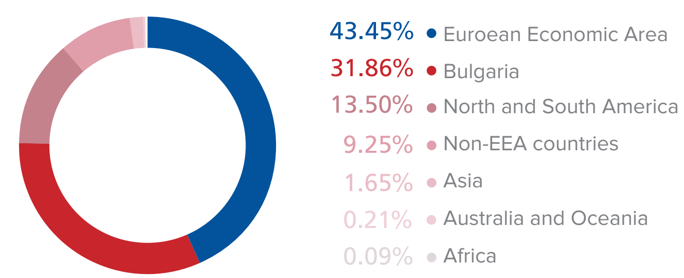
International payments

The outgoing and incoming customer wire transfers are processed by a department at the Bank head-office, which consists of highly qualified professionals, specialized in several directions:

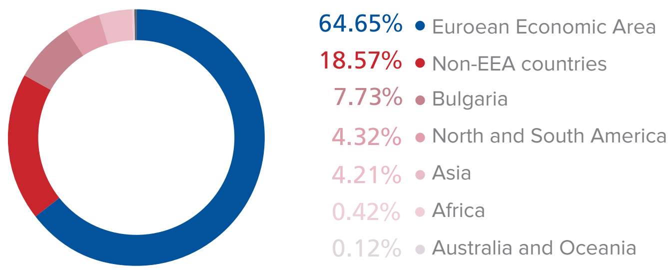
- Transfers
- Documentary operations and trade finance
- Western Union

Credit transfers are the most common form of payment, used by clients individuals and by our business clients. For their quality and efficient performance in 2019 the Bank maintains 17 correspondent Nostro accounts in 16 foreign banks in 14 of the currencies most used by business and the population - EUR, USD, GBP, CHF, DKK, SEK, NOK, JPY, CAD, PLN, RON, RUB, TRY and MKD. The correspondent banks, where CCB maintains its Nostro accounts are some of the most reputable and stable international financial institutions, including Bank of New York Mellon, New York, KBC Bank NV, Brussels, UniCredit S.p.A., Milan, Landesbank Baden-Wuerttemberg, Stuttgart, Raiffeisen Bank International AG, Vienna, Bank of New York Mellon, London, PostFinance AG, Berne, Sumitomo Mitsui Banking Corporation, Tokyo, Danske Bank, Copenhagen, DnB NOR Bank ASA, Oslo, PKO Bank Polski SA, Warsaw, Raiffeisenbank S.A., Bucharest, T.C. Ziraat Bankasi A.S., Ankara. Via its subsidiaries in Russia and Macedonia, CCB Plc provides direct access to the local payment systems in RUB and MKD, which facilitates the payments of our clients to and from these countries. Besides, by virtue of special negotiations with Bank of New York Mellon, CCB effects transfers in over 120 rarely used currencies, such as Australian and New Zealand dollars, Czech Republic korunas, Hungarian Forints, Chinese renminbi, Indian rupee, Indonesian rupee, South African Rand, Israeli shekel, Korean Republic Won, Malaysian ringgit, Philippine peso, etc.

Breakdown of the outgoing tranfsers according to geographic regions



Breakdown of the outgoing tranfsers according to number of transactions



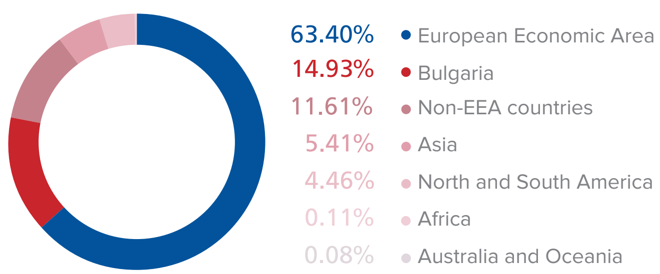
Since November 2008 CCB is an indirect member of the Trans-European payment system for SEPA transfers EBA STEP2, and since February 2010 CCB is a direct participant in the Trans-European Automated Real-time Gross settlement Express Transfer system TARGET2. From the beginning of 2010 our Bank participates in the local SEPA-compatible payment system for transfers in EUR BISERA7-EUR.

Regarding the outgoing customer transfers in foreign exchange in 2019 the most important countries were Germany, Great Britain, Turkey, USA, North Macedonia, Greece, Italy, Netherlands, Belgium, Austria, Russia, Spain, France, Poland, Romania, Switzerland and China. During the year transfers were ordered to 111 countries.

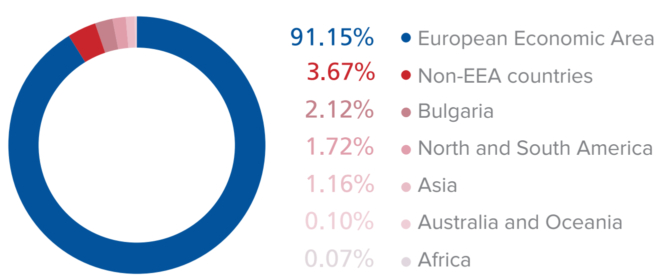
The main countries for incoming customer transfers in 2019 were Germany, Great Britain, France, Netherlands, Italy, Belgium, USA, Spain, Austria, Greece, Switzerland, Romania, Ireland, Russia, Poland, Norway, Sweden and Israel. In 2019 CCB received customer transfers from 122 countries.

The diagram below presents the share of the distinct geographic economic regions all over the world with respect to the received transfers in terms of value.

Breakdown of the incoming transfers according to value



Breakdown of the incoming transfers according to number of transactions



In October 2019 CCB joined the initiative of SWIFT "GPI – Global Payments Innovation" and in this way it became the second bank, which implemented GPI in Bulgaria. The integration of GPI in the system of CCB was the consequent serious step to improving the quality and the speed of the wire transfers of the Bank's clients. GPI provided additional possibilities for tracking the transfers in real time and it also guarantees transparency with respect to the bank fees and FX rates in the performance of wire transfers via SWIFT.

The transactions concerning documentary operations (documentary LCs and documentary collections) have significantly smaller share compared to the credit transfers, due to the greater complexity and higher price. In 2019 our corporate clients many times used the services of the documentary payments and trade finance department of CCB, which in addition to the quality processing of the documentary transactions, provided expert consulting for import and export LC transactions.

In 2019 the transactions related to confirmed LCs – import and counter guarantees were effected in collaboration with first-class banks, such as UniCredit S.p.A., Milan and Raiffeisen Bank International AG, Vienna, with which CCB has negotiations for short-term and mid-term commercial confirmations.

Financial markets

In 2019 financial markets continued to be one of the important segments in the activity of CCB Plc. The Bank affirmed its position as one of the most active banks on the interbank FX market and banknote trade. Being a primary dealer of government securities on the domestic primary market, CCB Plc. effects transactions on its behalf and at its expense and also at the expense of its clients. It maintains excellent relationships with first class foreign banks and places a huge amount of deposits on the Bulgarian and the international markets.

Foreign exchange

In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, derivatives, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2019 CCB Plc continued to use the full capacity of its trading lines, provided by leading financial institutions such as KBC Bank, Brussels, RZB, Austria and Danske Bank, Denmark. The Bank has ISDA agreements with leading European financial institutions such as KBC Bank, Brussels and RZB, Austria, which make it possible for the Bank to provide a wider spectrum of services to its clients.

The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts for margin trade. These lines allow the Bank to conclude speculative transactions at its expense upon limited risk.

Securities

In 2019 CCB Plc continued to actively participate in the primary and secondary market of government securities. In the commerce with government securities of leading importance to the Bank was the acquisition of securities at higher yield, whereas income generating alternatives were sought. During last year the Bank increased its portfolio of securities. Besides the commerce with government securities, CCB Plc was active in the commerce with state bonds, issued by member countries of the European Union.

Capital markets

CCB Plc has a full license of an investment intermediary since 1997 and offers the following investment services:

• effecting orders for the purchase or sale of securities at the expense of clients or at its own expense;

• preparing prospectuses for initial public offering of securities;

• accepting securities issues.

Information technology

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units to keep and extend the market share of the Bank in the country and abroad. In 2019 the Bank information technologies were concentrated on the following main aspects:

• Deploying the features of the centralized information system “AIS 2” used at CCB Plc, a development of “Datamax” AD. Using the advantages of “AIS 2”, the Bank offers to its customers complete bank servicing. From intrabank payments in BGN and foreign currency in real time, international payments, lending, card payments, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange.

• Development of the electronic channels for banking, including mobile banking and under PSD2.

• CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 200 positions for Western Union transactions within the Bank information network.

• CCB Plc is a licensed agent of the EasyPay fast money transfer system, whereas in the information network of the Bank there are over 150 positions for working with EasyPay.

• CCB Plc is a registration operator of the Info notary universal electronic signatures system, whereas in the information network of the Bank there are over 200 positions for working with Info notary.

• CCB Plc is an operator of the system for loyal clients “CCB Club”. In the system there are leading companies from various sectors of the country economy.

• Increasing the average accessibility of the information services via an automatisation of the processes for the services reserving.

Personnel

CCB Plc human resource is the main pillar for effecting the Bank policy and strategy. At the same time via a proper selection, evaluation, qualification, payment and stimulation, the necessary staff is provided for the performance of tasks with regard to the bank’s competitiveness. Considering the specifics of the business of CCB Plc, the requirements to the quality of the work of the employees are especially high with the aim of reaching the goals set by the Bank. The Bank management aims at creating the conditions for improving the quality of personnel, the personnel professional growing up and development. The ultimate goal is motivating qualified and loyal personnel, unsparing to the objectives of the institution. High-quality experts with the necessary educational background and linguistic qualification work at the Bank.

As at 31.12.2019 the Bank branches of CCB Plc are 48, including a foreign branch in Cyprus. The Bank representative offices and outlets are 258, compared to 261 as at 31.12.2018.

The total staff number of CCB Plc as at 31.12.2019 is 1909 people. The security of the Bank is provided by an external company. In 2018 the total staff number is 2149 people, including 206 security guards.

The total number of staff at the head-office in 2019 is 409 people, compared to 632 people, including 206 security guards in 2018. The decrease in the total staff at the head-office is due to the fact that the Bank’s security is now provided by an external company.

In 2019 the staff at the bank branches is 1500 people, compared to 1311 people in 2018.

As at 31.12.2019 the total number of the employees /without cleaners, drivers and kitchen workers/ at the head-office and the branches is 1876 people.

Within the Bank in 2019 the employees /without cleaners, drivers and kitchen workers/ at the age up to 40 years old are 790 people or 41.4 % of the total number /without cleaners, drivers and kitchen workers/. These are the employees at the most vital and creative age and with a certain potential for results in work, also employees, working directly with clients of the Bank, for whom care and efforts are rendered for their motivation for future work at the Bank.

The total number of Bank’s employees aged between 40 and 50 years old as at 31.12.2019 is 597 or 31.3 %. The Bank’s employees above 50 years old are 489 or 25.6 %.

The employees /without cleaners, drivers and kitchen workers/ with bank work experience up to 5 years are 399 people or 21.3 %. These are mainly employees, servicing clients and cashiers.

As at 31.12.2019 the employees with work experience 5-15 years in the bank system are 943 people / without security guards, cleaners, drivers and kitchen workers/ or 50.3 % of all employees, compared to 986 in 2018. These are mainly management staff at the head-office and the branches, employees of the head-office with methodological functions, managers and sales experts, loan officers, heads front office and other employees with high bank qualification at the branches.

In 2019 the employees with work experience above 15 years in the bank system are 535 employees or 28.5 % of the total bank staff.

CCB Plc pays special attention to the education of employees. The share of the employees /without security guards, cleaners, drivers and kitchen workers/ with university education in all its degrees is especially big – 1410 people or 73.9 %. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates.

In 2019 the Bank employees women /without security guards, cleaners, drivers and kitchen workers/ are 1511 or 79.2 %. Among them 81 women are at managerial positions.

The financial stimulus is dominant in creating and maintaining the interest and motivation of employees. With determining the remuneration at CCB Plc we aim at reaching even better relationship between the labor results and the individual remuneration and stimulate the initiative and the ideas of employees, reach better technological and employment discipline, as well as responsibility in the performance of their work functions. The main aspects in determining the employment remuneration consist of the objective evaluation of the labor of employees and determining their individual work salaries.

The long-term Concept for Training and Development of the Bank Personnel is the basis for carrying out the training and qualification of employees. On that grounds we developed a Program for Training and Qualifying Employees within the Bank System for 2019, with the following emphasis: loan operations and credit risk, retail banking, international payments, money markets and securities; information technologies, client servicing, sales skills, etc.

In 2019 special attention was devoted to training with the collaboration of the International Banking Institute, different centres for qualification and training of staff, as well as other Bulgarian and international institutions. The Bank employees participated in many international conferences and courses in our country and abroad with regard to the new requirements of the European Union in the field of banking.

Branch network

During last year, via the huge branch network, CCB Plc managed to offer competitive financial products and services to its clients, not only in Bulgaria, but also in Cyprus. In 2019 the Bank put an emphasis on increasing the efficiency and functionality of the built up network, the good servicing of its clients and an easy access to the array of products.

Via its branch network the Bank aims to be at the disposal of its clients to a maximum extent, to be able to provide to them convenient, quick and quality servicing.

Structural units	31.12.2019	31.12.2018	31.12.2017
Bank locations	305	309	311

The Bank in the future

Central Cooperative Bank Plc has always endeavored to increase the number of its clients via maintaining an optimum level of risk and excellent financial results.

The goals of the Bank for the future are:

- Increasing the total assets of the Bank, respectively the market share.
- Development and streamlining the control systems and the systems harmonization with the changes in the BNB regulations.
- Developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products.
- Streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing.
- Optimizing the branch network of the Bank.
- Deploying the positions in retail banking. Increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans.
- Deploying the operations with debit and credit cards. Profiting from the full membership and the accepting rights in the two card associations – Mastercard and Visa International. Optimizing the Bank network of POS terminals and ATMs. Defending the third place in the card business.
- Profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank.
- Offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU.
- Deploying the volume of the loan portfolio of SMEs.
- Attracting the servicing of new budgetary and municipal structures and companies.
- Development of the subsidiary banks in the Republic of Macedonia and Russia.
- Increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

FINANCIAL REVIEW FOR 2019

MARKET SHARE AND POSITION OF CCB PLC*

According to the classification of BNB, Bulgarian banks are divided into three groups in terms of the amount of the assets: the first group includes the first five banks with the biggest total assets, the second group includes the next 19 banks, and the third group includes the branches of the foreign banks in Bulgaria. At the end of 2019 in terms of total assets CCB Plc occupies the 8th place among all banks, operating on the territory of Bulgaria.

As at 31.12.2019 the total assets of CCB Plc are BGN 6,105,407 thousand respectively. Compared to the same period of last year the total assets increase by BGN 487,715 thousand or 8.68 %.

The table below presents the main financial highlights of CCB Plc:

Ratio	CCB Plc
Return On Average Equity /ROaE/	**6.25 %**
'Return On Average Assets /ROaA/	**0.58 %**
Liquidity Coverage Ratio	**556.59 %**
Total capital adequacy ratio	**16.27 %**
Tier I capital adequacy ratio	**15.69 %**

RISK MANAGEMENT

The system for risk management has preventative functions to prevent losses and control the amount of losses and includes:

- policy for risk management;
- rules, methods and procedures for the evaluation and management of the risks;
- organizational structure for risk management;
- parameters and limits for making transactions and operations;
- procedures for reporting, evaluation, information and subsequent control of the risks.

The main principles within the policy of Central Cooperative Bank Plc for risk management are:

- the principle of sharing responsibilities among those who assume risk and those who manage risk;
- the precautionary principle, which assumes the reporting of the simultaneous occurrence of the most unfavourable case for each of the risk weighted assets;
- the principle of managing risk at the source.

The organizational structure for risk management is centralized and has been structured according to the levels of competence as follows:

- **Management Board** – determines the acceptable levels of risk of the Bank within the adopted strategy for development.
- **Specialised collective authorities** – affirm the frameworks and parameters of the bank activity in risk management:
- **Executive Directors and Procurator** – control the process of approval and implementation of adequate policies and procedures within the Strategy for risk management, adopted by the Bank.
- **Directors of the structural units at the bank** – apply the adopted policy for risk management in organizing the activity of the respective organizational units.

Risk concerns the probability for the factual revenues of a given investment not to correspond to the expected revenues. The specifics of the banking necessitate the implementation of adequate systems for the timely identification and management of the various types of risk. Of special significance are the procedures for managing the risks, the mechanisms for maintaining risks in acceptable boundaries, via an evaluation of the external and internal environment, optimum liquidity, diversification of the portfolio, profitability of the operations. In the activity associated with risk management, CCB Plc applies the new agreement Basel II with the principally new requirements for the management of credit risk and the capital coverage of operational risk.

Credit risk – the probability for the counterparty or borrower not to be able to perform the assumed commitments under contracts with the bank under the conditions and terms specified in the contracts. Detailed procedures are applied in the process of lending concerning the analysis of the economic soundness of each project, the type of collateral, acceptable to the Bank, control over the use of the advanced funds and the associated administration. Every month the Bank makes an evaluation of the risk exposure, stemming from the loan portfolio, classifying and making provisions for loans in the portfolio, according to the requirements of Ordinance Nº 9 of BNB. The big loan exposures under Ordinance Nº 7 of BNB are subject to constant supervision and reporting. The Bank has adopted and follows the compliance of limits for credit exposure according to regions and branches. The above limits aim at limiting the concentration of the loan portfolio in one or another region and branch, which could lead to an increased credit risk.

Liquidity risk – the probability of a difficulty in the payments due to a mismatch in time of the incoming and outgoing cash flows. The Bank manages its assets and liabilities in a way, which guarantees to it that it can regularly and without any delay perform its everyday commitments, in the normal banking environment and in the conditions of a crisis.

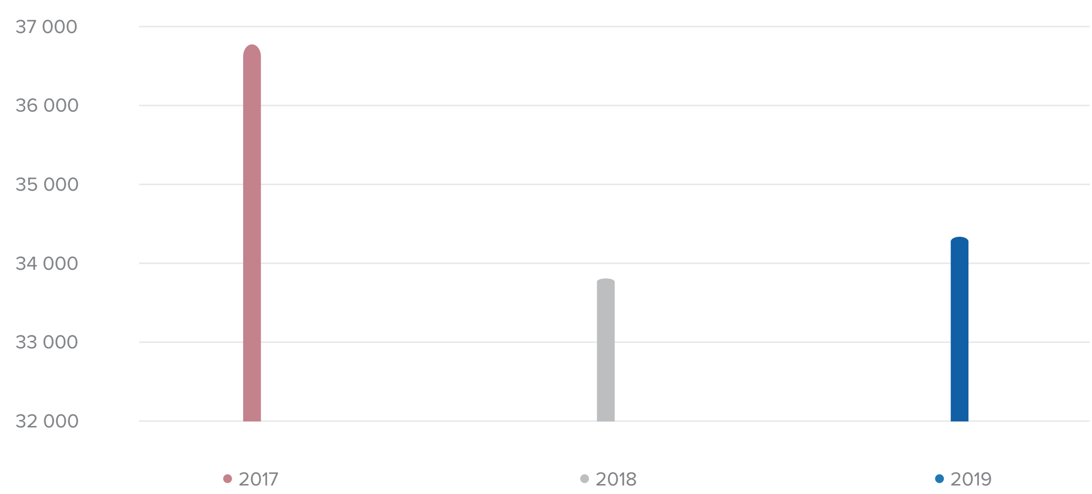
Market risk – the probability of the occurrence of a loss for the Bank as a result of the unfavorable change of the exchange rates, market prices and interest rates.

Operational risk – the probability of direct or indirect losses, stemming from the inadequate functioning or termination of the activity of the processes, systems or staff, internal to the Bank.

INCOME STATEMENT

In 2019 the net profit of Central Cooperative Bank Plc amounts to BGN 34,242 thousand. In 2018 an audited net profit to the amount of BGN 33,770 thousand was realized.

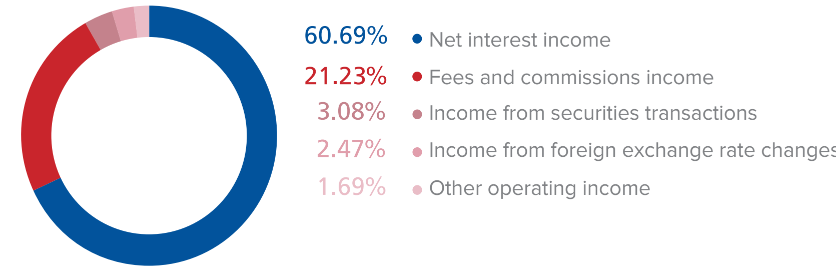
NET PROFIT



The financial indicators for return on average equity and the return on average assets are 6.25 % and 0.58 % respectively. The total capital adequacy of the Bank is 16.27 %.

In 2019 the net interest income of CCB Plc remains the main source of income and it amounts to BGN 117,295 thousand. The share of the net interest income in total income is 60.69 %. The fees and commissions income has a share of 21.23 % in total income, followed by income from securities transactions with a share of 3.08 %. The other operating income to the amount of 1.69 % includes income from dividend, cession contracts, the sale of fixed tangible assets, etc.

INCOME BREAKDOWN



The interest expenses in 2019 are to the amount of BGN 16,510 thousand, compared to their amount of BGN 19,243 thousand in 2018. The decrease of these expenses amounts to -14 %. The net fees and commissions income increase compared to 2018 and reach BGN 49,893 thousand.

At the end of 2019 there is an increase in the realized net profit from transactions in securities, which is to the amount of BGN 5,950.

The operating expenses of CCB Plc in 2019 increase by 8.11 % compared to their level at the end of 2018 and reach the absolute value of BGN 135,453 thousand.
The ratio operating expenses / total income increases to 74.75 % compared to 74.32 % in 2018.

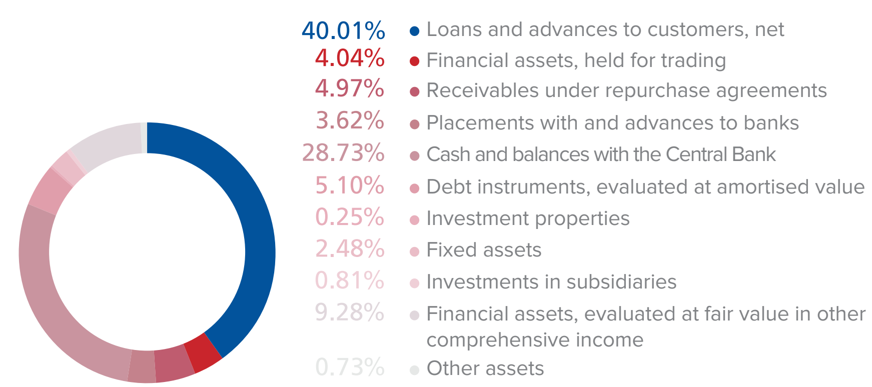
AN ANALYSIS OF THE ASSETS AND LIABILITIES

Assets

As at 31 December 2019 the book value of the assets of CCB Plc is BGN 6,105,407 thousand, whereas a year earlier they amount to BGN 5,617,692 thousand. Compared to 31 December 2018 the assets increase by BGN 487,715 thousand or 8.68 %.

The assets breakdown during last year has been reflected in the table below:

ASSETS BREAKDOWN

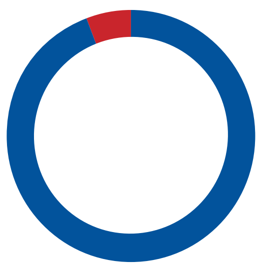


The cash and balances with BNB amount to BGN 1,753,982 thousand and are 28.73 % of total assets, compared to 30.23 % in 2018. The funds with first-class banks, correspondent accounts and short-term deposits have a weight of 3.62 % of the Bank assets, compared to 3.95 % a year earlier.

The investments in securities, including government securities, corporate bonds, shares and compensation instruments are an instrument for improving the profitability of the Bank. Their amount has 4.97 % of total assets, compared to 4.57 % in 2018. Central Cooperative Bank Plc maintains a diversified portfolio, the main purpose of which is increasing the gains and profits from the traded securities, as well as the provision of a high degree of liquidity.

The greatest share in total assets have the loans and advances granted to clients. As at 31.12.2019 the loan portfolio of the Bank amounts to BGN 2,442,619 thousand, compared to BGN 2,258,072 thousand one year earlier. In 2019 total loans have 40.01 % of the assets, whereas a year earlier they amount to 40.19 % of total assets. The Bank constantly aims at improving its market positions in retail banking, as well as financing SMEs.

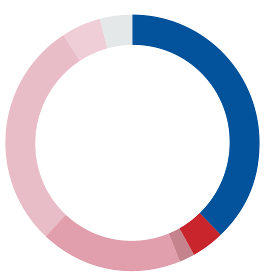
BREAKDOWN OF THE LOAN PORTFOLIO ACCORDING TO THE CLASSIFICATION OF CREDIT RISK



The quality of the loan portfolio is very good, the regular exposures are 94.40 %, and the non-performing exposures have a share of 5.60 %.

As at 31.12.2019 the breakdown of the granted loans and advances to clients at amortised value has been reflected in the table below, as follows:

GRANTED LOANS AND ADVANCES TO CLIENTS



Liabilities

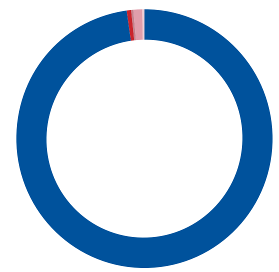
CCB Plc maintains a stable structure of the attracted funds, which allows it not to be dependent on external financing.

As at 31.12.2019 the total liabilities of CCB Plc are BGN 5,537,207 thousand. They have 90.69 % of the total liabilities, whereas their increase compared to the previous year is by 8.78 %.

The main source of attracted funds for CCB Plc are the attracted funds from other depositors – individuals, companies and other institutions. Their amount reaches BGN 5,422,254 thousand, which is 97.92 % of the total liabilities. In 2018 they were BGN 5,013,739 thousand.

The breakdown of the Bank liabilities has been illustrated in the following graph:

LIABILITIES BREAKDOWN

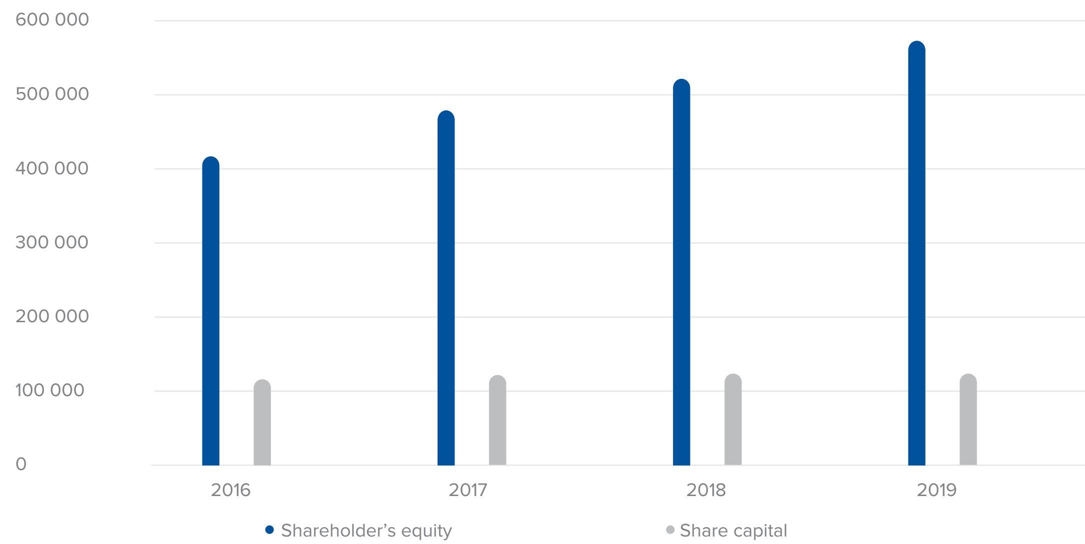


The considerable share of the funds attracted from the population is an important and stable source for the Bank. This is due to the strategy chosen by the Bank to concentrate on retail banking.

Shareholders' equity

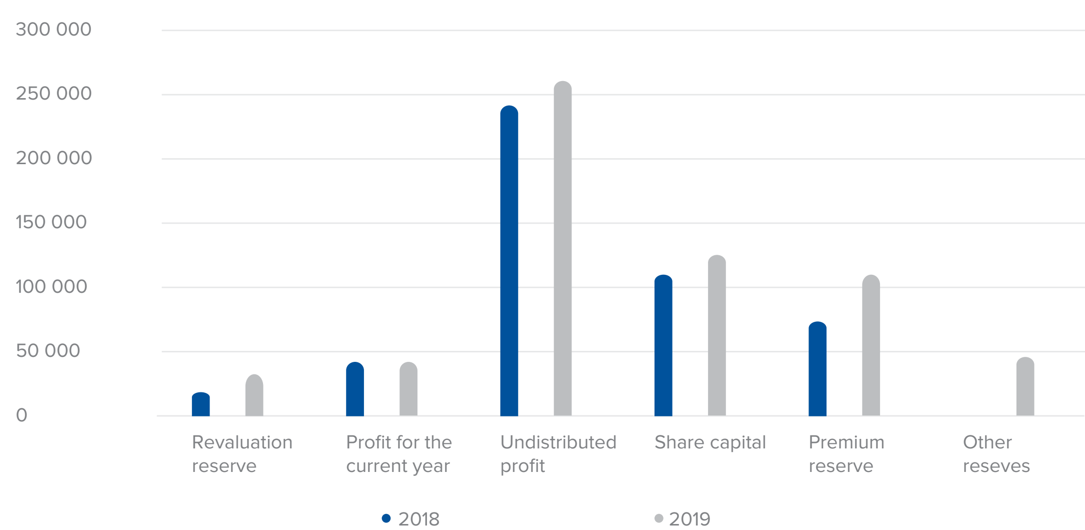
At the end of 2019 shareholders' equity of CCB Plc amounts to BGN 568,200 thousand. The increase in shareholders' equity compared to the previous year is 7.75 % and is mostly the result of the capitalized profit and the increased reserves. As at 31 December 2019 the issued, called and paid in share capital of the Bank consists of 127,129,970 ordinary voting shares, with a nominal value of BGN 1 for each share. The net profit in 2019 is to the amount of BGN 34,242 thousand, whereas at the end of 2018 it was BGN 33,770 thousand.

INCREASE IN SHAREHOLDERS' EQUITY AND SHARE CAPITAL



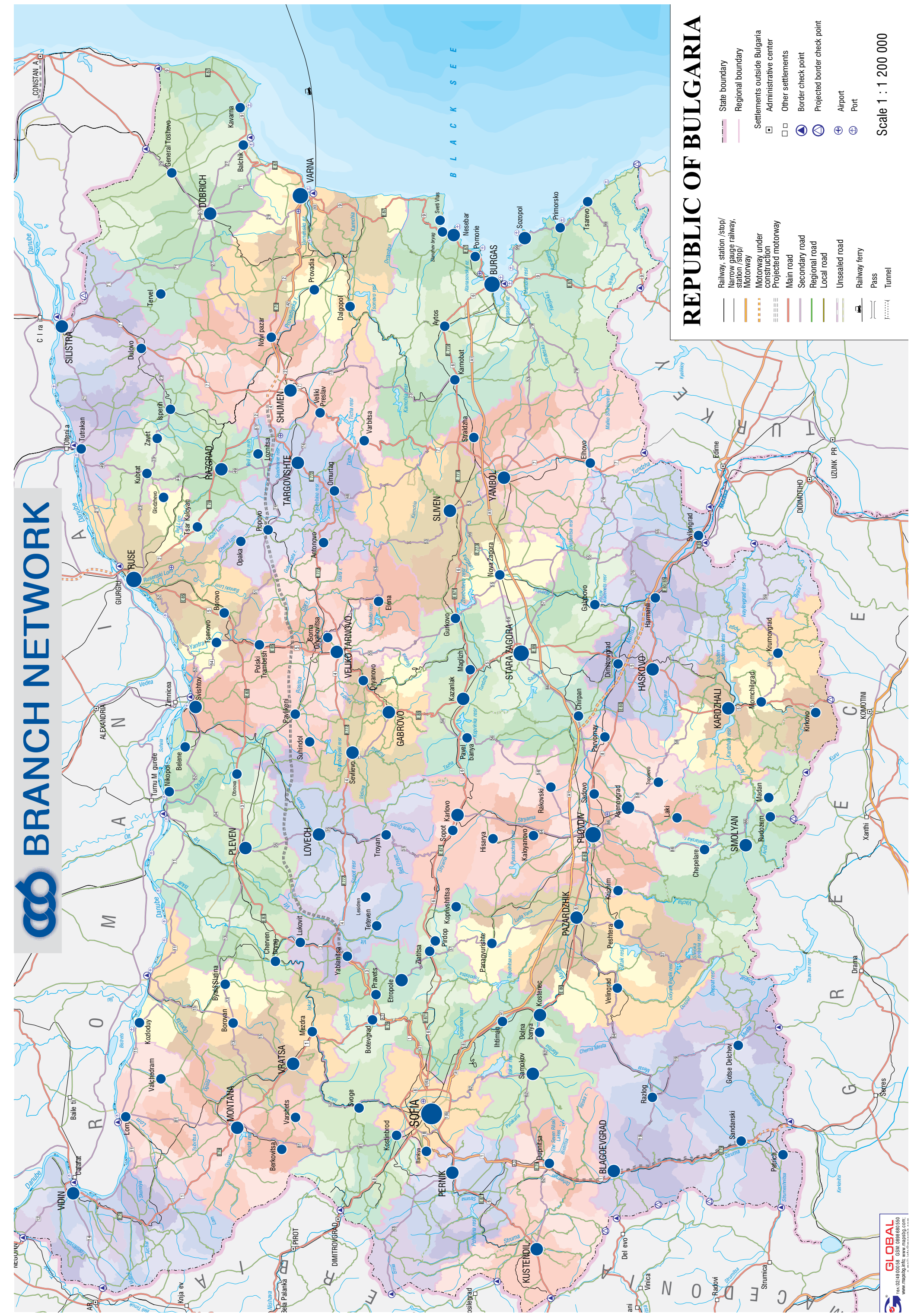
During this year the Bank continues its present policy via capitalization of the profits to assist the capital increase and its assets.

SHAREHOLDERS' EQUITY



Central Cooperative Bank Plc is a public company, the shares of which are traded on the Bulgarian Stock Exchange since March 1999.

APPENDIX N°1: BRANCH NETWORK



BRANCH NETWORK OF CENTRAL COOPERATIVE BANK

Pernik Branch
4, Krakra Pernishki Str.
2300 Pernik
phone: +359 76 688 330

Pleven Branch
150, Vasil Levski Str.
5800 Pleven
phone: +359 64 882 310

Plovdiv Branch
5, Beethoven Str.
4000 Plovdiv
phone: +359 32 654 950

Plovdiv-Bulgaria Branch
31, Bulgaria Blvd.
4003 Plovdiv
phone: +359 32 921 111

Razgrad Branch
7, Stefan Karadzha Str
7200 Razgrad
phone: +359 84 661 290

Ruse Branch
1, Han Kubrat Sq.
7000 Ruse
phone: +359 82 826 070

Samokov Branch
33, Targovska Str.
2000 Samokov
phone: +359 722 68 910

Svishtov Branch
104, Tsar Osvoboditel Str.
5250 Svishtov
phone: +359 631 61 251

Sevlievo Branch
70, Stara planina Str.
5400 Sevlievo
phone: +359 675 85 050

Silistra Branch
1, G. S. Rakovski Str.
7500 Silistra
phone: +359 86 821 236

Sliven Branch
1, Aleksander Stamboliyski Sq.
8800 Sliven
phone: +359 44 662 945

Smolyan Branch
1, Bulgaria Blvd.
1470 Smolyan
phone: +359 301 62 163

Sofia City Branch
103, G. S. Rakovski Str.
1000 Sofia
phone: +359 2 9 266 114

Sofia West Branch
442, Pancho Vladigerov Blvd.
1359 Sofia
phone: +359 2 9 238 022

Sofia South Branch
23, Emine Str., Hipodruma District
1612 Sofia
phone: +359 2 8 188 081

Stara Zagora Branch
54, Kolyo Ganchev Str.
6000 Stara Zagora
phone: +359 42 220 369

Targovishte Branch
5, Vasil Levski Str.
7700 Targovishte
phone: +359 601 69 111

Haskovo Branch
1, Skopie Str.
6300 Haskovo
phone: +359 38 607 830

Central Branch
18, Gurgulyat Str.
1463 Sofia
phone: +359 2 9 263 062

Head Office Branch
87, Tsarigradsko shose Blvd.
1113 Sofia
phone: +359 2 923 47 54

Cherno more Branch
17, Apolonia Str.
8130 Sozopol
phone: +359 550 26 372

Shumen Branch
13A, Slavyanski Blvd.
9700 Shumen
phone: +359 54 868 930

Yambol Branch
7, Osvobozhdenie Sq.
8600 Yambol
phone: +359 46 662 045

Nicosia (Cyprus)
69, Arch. Makarios III Ave.,
Tlais Tower
1070 Nicosia,Cyprus
phone: +357 22 447 757

APPENDIX N°2: NOSTRO ACCOUNTS

Bank	BIC	Currency	Account N°
KBC Bank NV, Brussels	KREDBEBB	EUR	488-5918232-05
UniCredit SPA, Milan	UNCRITMM	EUR	0995 172
Raiffeisen Bank International AG, Vienna	RZBAATWW	EUR	000-50.098.938
Landesbank Baden-Wuerttemberg, Stuttgart	SOLADEST	EUR	2809474
The Bank of New York Mellon, New York, USA	IRVTUS3N	USD	8901366536
PostFinance AG, Berne, Switzerland	POFICHBE	CHF	91-160-3
The Bank of New York Mellon (International) Limited, London, UK	IRVTGB2X	GBP	3506738260
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
DnB NOR Bank ASA, Oslo	DNBANOKK	NOK	7001.02.05172
Sumitomo Mitsui Banking Corporation, Tokyo	SMBCJPJT	JPY	4280
PKO BANK POLSKI SA	BPKOPLPW	PLN	PL09102000161201110000005877
Central Cooperative Bank AD Skopje	CECBMK22	MKD	BBAN 320-9100030020-62
T.C. ZIRAAT BANKASI A.S., Ankara	TCZBTR2A	TRY	99902050-5001
Raiffeisen Bank SA, Bucharest, Romania	RZBRROBU	RON	RO26RZBR8000000202309461
JSC IC Bank	CECBRU2K	RUB	30111810000000000001

INDEPENDENT AUDITORS' REPORT

To the shareholders of Central Cooperative Bank AD

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Central Cooperative Bank AD (the "Bank"), which comprise the separate statement of financial position as at December 31, 2019, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the separate financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers Loans and advances to customers represent significant part (40%) of Bank's total assets as of December 31, 2019 and their gross carrying amount is BGN 2,520,151 thousand and accumulated impairment amounts to BGN 77,532 thousand. The Bank applies impairment model based on the expected credit losses in accordance with the requirements of of IFRS 9 Financial Instruments (see note 3 and 8 to the separate financial statements). The measurement of impairment allowances for loans and advances to customers requires Bank management to exercise a significant level of judgment, especially in regard identifying impaired receivables and assessing the amount of loan impairment. To assess the amount of allowances for expected credit losses, the Bank applies statistical models with input parameters obtained from internal and external sources. In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and judgments of the Bank. The classification of financial instruments to impairment stages is a result of combination of quantitative and qualitative factors. The expected credit losses are calculated using available historical data and expected future development determined using macroeconomic indicators. The statistical models used are based on the probability of default and the estimated amount of the loss given default. Input data for the model and the calculation logic and its comprehensiveness depend on judgment of Bank management. As described in note 8 to the separate financial statements, the Bank has reported as at December 31, 2019 accumulated impairment on loans and advances to customers amounting to BGN 77,532 thousand. Because of the significance of the valuation of loans and advances to customers for the separate financial statements, and due to the fact that the assumptions in determining the impairment allowances include significant estimates and application of professional judgment, we identified impairment of loans and advances to customers as a key audit matter.	**To address this matter our audit procedures, among others, included:** During our audit we have obtained understanding of the processes of calculation of impairment of loans, applied by the Bank. We have assessed the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such way as to be able to address the risks of material misstatement in this area. We have assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate impairment allowances for the significant loan portfolios. We have involved in the audit our experts in the areas, which required specific expertise. We have also reviewed the quality of the historical data used in the computation of the risk parameters and recomputed the impairment on a sample of exposures based on the risk parameters resulted from the models. On a sample of exposures we have assessed the appropriateness of impairment methodology and its application. We formed an independent expectation on the levels of impairment allowances required by examining available external and internal information. We have developed independent expectation regarding impairment of loans and advances to customers as at December 31, 2019 and comparison of this expectation to actual impairment accounted by the management and reported in the financial statements. We have assessed the appropriateness of staging classification for a sample of loans, taking into consideration whether there are factors indicating a significant increase in credit risk. We have performed detailed substantive procedures on a sample of loans in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for impairment should be recorded. We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank. We have analyzed the financial condition of the borrowers and inquired about any breaches of contracts and/or changes from the original terms and conditions of the contract. For the respective exposures in our sample we performed analysis of the key assumptions and judgments of the Bank's management including assessment of the applied scenarios, as well as expected cash flow recoveries. We have considered the impact of the current and forecasted economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans. We have assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's separate financial statements with regard to the measurement of loans and advances to customers.

Information Other than the separate financial statements and Auditors' Report Thereon

The Management Board of the Bank ("the Management") is responsible for the other information. The other information which we received before the date of our auditors' report comprises the annual report on activities, the corporate governance statement and the non-financial declaration prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee of the Bank ("Those charged with governance") are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users

taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly responsible for the performance of our audit and the audit opinion expressed by us, in accordance with the requirements of the IFAA, applicable in Bulgaria. In accepting and performing the joint audit engagement, in respect to which we are reporting, we have considered the Guidelines for performing joint audits, issued on June 13, 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of the Registered Auditors in Bulgaria.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the separate financial statements and Auditor's Report Thereon", with respect to the annual report on activities, the corporate governance statement and the non-financial declaration, we have also performed the procedures required by the "Guidelines regarding new extended reports and communication by the auditor" of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, the form and the content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 8, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual separate report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.

- The annual separate report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and art. 100m, para 7 of the Public Offering of Securities Act.

- The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.

- The non-financial Declaration, covering the financial year for which the separate financial statements have been prepared, has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Information in accordance with Art. 33 of Ordinance 38/2007 and Art. 11 of Ordinance 58/2018 of the Financial Supervisory Commission (FSC) outlining the Requirements for the Activities of the Investment Intermediaries

Based on the performed audit procedures and the acquired understanding of the Bank's activities in the context and the course of our audit of the Bank's separate financial statements as a whole, we have identified that the established and applied organization related to the keeping of clients' assets complies with the requirements of art. 28-31 of Ordinance 38/2007 of FSC and art. 3-10 of Ordinance 58/2018 of FSC regarding the Bank's activity as an investment intermediary.

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed during our audit and as a result of the obtained knowledge and understanding of the Bank and the environment in which it operates, in our opinion, the description of the main features of the Bank's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10 , paragraph 1, letter "c", "d", "e", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, do not contain cases of material misrepresentations.

Additional reporting in relation to the audit of the separate financial statements under Art 100m, para 4, p. 3 of the Public Offering of Securities Act

Reporting in relation to Art 100m, para 4, p. 3, l. "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 37 to the accompanying separate financial statements. Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended December 31, 2019, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Reporting in relation to Art 100m, para 4, p. 3, l. "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements described in section "Auditor's Responsibilities for the Audit of the separate financial statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended December 31, 2019, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD and Grant Thornton OOD were appointed as statutory auditors of the separate financial statements of the Bank for the year ended December 31, 2019 by the general meeting of shareholders held on September 12, 2019 for a period of one year.
- The audit of the separate financial statements of the Bank for the year ended December 31, 2019 represents twenty-second consecutive statutory audit engagement for the Bank carried out by Deloitte Audit OOD and third statutory audit engagement for the Bank carried out by Grant Thornton OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the IFAA.
- No prohibited non-audit services referred to in Art. 64 of the IFAA were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Bank.
- For the period to which our joint statutory audit refers, we have not provided other services to the Bank in addition to the statutory audit, which have not been disclosed in the Bank's report on the activities or separate financial statements.

On behalf of Deloitte Audit OOD

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit

Одиторско дружество
София
Рег. № 033
Делойт Одит ООД

103, Al. Stambolijski Blvd
Sofia Tower (Mall of Sofia)
1303 Sofia, Bulgaria

March 30, 2020

On behalf of Grant Thornton OOD

Zornitza Djambazka,
Registered Auditor,
responsible
for the audit

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

Mariy Apostolov,
Statutory Manager

26, Cherni Vrah Blvd.
1421 Sofia, Bulgaria

SEPARATE ANNUAL ACTIVITY REPORT, INDEPENDENT AUDITORS' REPORT, AND ANNUAL SEPARATE FINANCIAL STATEMENTS

December 31, 2019

Unofficial translation from Bulgarian

ASSETS	Note	As of 31.12.2019	As of 31.12.2018
Cash and balances with the Central Bank	4	1,753,982	1,698,071
Placements with and advances to banks	5	221,182	222,106
Receivables under repurchase agreements	6	303,230	256,598
Financial assets at fair value through profit or loss	7	246,748	201,425
Loans and advances to customers	8	2,442,619	2,258,072
Other assets	9	44,349	52,912
Financial assets at fair value through other comprehensive income	10	566,292	502,607
Debt instruments at amortized cost	11	311,075	262,567
Investments in subsidiaries	12	49,416	49,416
Non-current assets and right-of use assets	13	151,402	98,102
Investment property	14	15,112	15,816
TOTAL ASSETS		6,105,407	5,617,692
LIABILITIES AND SHAREHOLDERS' EQUITY	**Note**	**As of 31.12.2019**	**As of 31.12.2018**
LIABILITIES			
Deposits from banks	15	26,162	40,440
Amounts owed to other depositors	16	5,422,254	5,013,739
Issued bonds	17	25,424	25,343
Provisions	18	1,071	690
Other liabilities	19	62,296	10,172
TOTAL LIABILITIES		5,537,207	5,090,384
SHAREHOLDERS' EQUITY			
Issued capital	20.1	127,130	113,154
Premium reserve		110,470	79,444
Reserves, including retained earnings	20.2	270,540	236,771
Revaluation reserve	20.3	25,818	19,167
Other reserves	20.4	-	45,002
Current year profit		34,242	33,770
TOTAL SHAREHOLDERS' EQUITY		568,200	527,308
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,105,407	5,617,692

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 26, 2020 by:

Georgi Kostov
Executive
Director

Sava Stoynov
Executive
Director

Tihomir Atanassov
Procurator

Yordan Hristov
Chief Accountant

Signed according to Auditors' Report dated March 30, 2020:

Deloitte Audit OOD, audit company

Rositsa Boteva,
Statutory Manager
Registered Auditor, responsible for the audit

Grant Thornton OOD, audit company

Zornitza Djambazka,
Registered Auditor,
responsible for
the audit

Mariy Apostolov,
Statutory Manager

	Note	Year ended 31.12.2019	Year ended 31.12.2018
Interest income	21	133,805	133,682
Interest expense	21	(16,510)	(19,243)
Net interest income		117,295	114,439
Fees and commissions expense	22	(12,084)	(9,909)
Net fees and commissions income		49,893	44,387
Gains from transactions with securities, net	23	5,950	3,968
Foreign exchange rate gains, net	24	4,781	2,005
Other operating income, net	25	3,273	3,776
Operating expenses	26	(135,453)	(125,286)
Expenses for provisions for liabilities		(696)	(167)
Impairment expense, net	27	(7,085)	(5,835)
Profit for the period before taxes		37,958	37,287
Taxes	28	(3,716)	(3,517)
PROFIT FOR THE PERIOD		34,242	33,770
Other comprehensive income/(loss)			
Items reclassified to profit or loss:			
Debt instruments at fair value through other comprehensive income, net of taxes		5,643	(5,487)
Items not reclassified in the profit or loss:			
Equity instruments at fair value through other comprehensive income, net of taxes		1,207	2,009
Revaluation of payables under defined benefit plans	19	(200)	(120)
Total other comprehensive income/(loss), net of taxes		6,650	(3,598)
TOTAL COMPTEHENSIVE INCOME FOR THE YEAR AFTER TAX		40,892	30,172
Earnings per share (in BGN)	29	0.27	0.30
Diluted earnings per share (in BGN)	29	0.26	0.27

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 26, 2020 by:

Georgi Kostov
Executive
Director

Sava Stoynov
Executive
Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief Accountant

Signed according to Auditors' Report dated March 30, 2020:

Deloitte Audit OOD, audit company

Rositsa Boteva,
Statutory Manager
Registered Auditor, responsible for the audit

Одиторско дружество
София
Рег. № 033
Делойт Одит ООД

Grant Thorton OOD, audit company

Zornitza Djambazka,
Registered Auditor,
responsible
for the audit

Mariy Apostolov,
Statutory Manager

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

	Year ended 31.12.2019	Year ended 31.12.2018
Cash flows from operating activities:		
Profit before taxes	37,958	37,287
Change in operating assets		
(Decrease)/Increase in placements with and advances to banks with maturity over 90 days	26,129	(15,000)
Increase in receivables on repurchase agreements	(47,518)	(59,896)
Increase in financial assets at fair value through profit or loss	(45,998)	(75,014)
Sale and reclassification of available-for-sale financial assets, net	-	589,318
Acquisition and reclassification of financial assets at fair value in other comprehensive income, net	(57,903)	(508,201)
Increase in loans and advances to customers	(189,061)	(59,476)
(Increase)/Decrease in other assets	(17,509)	6,096
	(331,860)	(122,173)
Change in operating liabilities:		
(Decrease)/Increase in deposits from banks	(14,278)	32,006
Increase in amounts owed to other depositors	408,515	154,666
Increase/(decrease) in liabilities for provisions	(315)	523
Increase /(Decrease) in other liabilities	9,788	(2,440)
	403,710	184,755
Other non-cash transactions, included in the profit before taxation:		
Net gain/(loss) from investing activities	675	(4,309)
(Decrease)/Increase of adjustment for impairment of loans and advances to banks	(117)	54
Increase of adjustment for impairment of repurchase transactions	886	185
Increase of adjustment for impairment of loans and advances to clients	4,514	6,362
Increase of adjustment for impairment of financial assets at amortized cost	239	389
Increase/(Decrease) of adjustment for impairment of financial assets at fair value through other comprehensive income	1,563	(1,155)
Increase in provision of liabilities	696	167
Depreciation and amortization	25,669	9,698
Carrying amount of assets written-off	591	593
Effects from amortization of financial liability	81	110
	34,797	12,094
Change in deferred taxes	(5)	(180)
Income tax paid	(2,640)	(2,514)
NET CASH FLOW FROM OPERATING ACTIVITIES	141,960	109,269
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost, net	(48,747)	(262,956)

Payments for purchase of non-current assets	(2,404)	(17,387)
Proceeds from sale of non-current assets	664	717
NET CASH FLOWS FOR INVESTING ACTIVITIES	(50,487)	(279,626)
Cash flows from financing activities:		
Interest paid on issued bonds	(915)	(2,535)
Lease payments	(9,442)	-
NET CASH FLOWS FOR FINANCING ACTIVITIES	(10,357)	(2,535)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	81,116	(172,892)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 31)	1,891,114	2,064,006
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 31)	1,972,230	1,891,114

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 26, 2020 by:

Georgi Kostov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanasov
Procurator

Yordan Hristov
Chief Accountant

Signed according to Auditors' Report dated March 30, 2020:

Deloitte Audit OOD, audit company

Rositsa Boteva,
Statutory Manager
Registered Auditor, responsible for the audit

Grant Thornton OOD, audit company

Zornitza Djambazka,
Registered Auditor,
responsible for the audit

Mariy Apostolov
Statutory Manager

	Issued capital	Premium reserve	Reserves, including retained earnings	Revaluation reserves	Other reserves	Current year profit	Total
BALANCE AS OF JANUARY 1, 2018	113,154	79,444	199,937	22,765	-	36,814	452,114
Convertible bonds	-	-	-	-	45,002	-	45,002
Net profit for the year ended December 31, 2018	-	-	-	-	-	33,770	33,770
Other comprehensive loss for the year ended December 31, 2018, net of taxes	-		-	(3,598)	-	-	(3,598)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018, NET OF TAXES	-	-	-	(3,598)	-	33,770	30,172
Net profit for the year ended December 31, 2017, transferred to retained earnings	-		36,814	-	-	(36,814)	-
Other movements	-	-	20	-	-	-	20
BALANCE AS OF DECEMBER 31, 2018	**113,154**	**79,444**	**236,771**	**19,167**	**45,002**	**33,770**	**527,308**
Increase in shareholders' capital and premium reserve from convertible bonds	13,976	31,026	-	-	(45,002)	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	34,242	34,242
Other comprehensive income for the year ended December 31, 2019, net of taxes	-	-	-	6,650	-	-	6,650
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019	-	-	-	6,650	-	34,242	40,892
Net profit for the year ended December 31, 2018, transferred to retained earnings	-	-	33,770	-	-	(33,770)	-
Other movements	-	-	(1)	1	-	-	-
BALANCE AS OF DECEMBER 31, 2019	127,130	110,470	270,540	25,818	-	34,242	568,200

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 26, 2020 by:

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responsible for the audit

Mariy Apostolov
Statutory Manager

1. CORPORATE INFORMATION

Central Cooperative Bank AD, Sofia (the "Bank"), UIC 831447150, was established in 1991. The Bank's activities and operations are governed by the Law on Credit Institutions. The Bank currently operates under a banking license issued by the Bulgarian National Bank (BNB), pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

In December 2005 the Bank obtained a bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks. The Bank started its banking activity on the territory of Cyprus in 2007.

The Bank is a public entity and is listed on the Bulgarian Stock Exchange – Sofia with BSE code 4CF for ordinary shares of the Bank. The Bank is a member of the European Association of Cooperative Banks. The Bank has a primary dealer status for transactions with government securities.

The Bank provides services as investment intermediary under the provisions of the Public Offering of Securities Act (POSA). As an investment intermediary, the Bank complies with specific requirements for protection of clients' interests under the Markets in Financial Instruments Act (MFIA) and Ordinance 38 issued by the Financial Supervision Commission (FSC). The Bank implements organization related to the conclusion and execution of contracts with customers involving requesting customer data, keeping records and clients' assets in compliance with the requirements under art. 28-31 of Ordinance 38. The Bank applies rules and procedures for internal control to ensure compliance with the requirements under art. 28-31 of Ordinance 38.

The Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 47 branches and 257 remote offices throughout the country and one branch in the Republic of Cyprus.

Chimimport AD is the ultimate parent company of the Bank, whose shares are listed on the Bulgarian Stock Exchange – Sofia AD.

2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

2.1. GENERAL FRAMEWORK FOR FINANCIAL REPORTING

These financial statements are separate financial statements prepared for the year ended December 31, 2019. These separate financial statements have been prepared for general purposes under the going concern principle. The amounts in the separate financial statements are stated in thousand Bulgarian levs (BGN'000). The separate financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and approved by the European Union (EU) (IFRS as approved by the EU). Within the meaning of para. 1, item 8 of the Supplementary Provisions to the Accountancy Act, applicable in the Republic of Bulgaria, the term “IFRS as approved by the EU” stands for the International Accounting Standards (IAS), adopted in compliance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The Bank controls the subsidiaries Central Cooperative Bank AD Skopje, the Republic of Macedonia and CCB Assets Management EAD, Sofia, Bulgaria.

These financial statements are separate financial statements. The Bank also prepares consolidated financial statements in accordance with IFRS, developed and published by IASB and approved by the EU, which will be published after the date of issuance of these separate financial statements.

The separate financial statements are prepared under the historical cost, modified with the fair value of financial assets and liabilities at fair value through profit or loss, and at fair value through other comprehensive income. All other financial assets and liabilities are measured at amortized cost.

2.2. CHANGES IN IFRS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 16 “Leases” – adopted by the EU on October 31, 2017 (effective for annual periods beginning on or after January 1, 2019),

- Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation – adopted by the EU on March 22, 2018 (effective for annual periods beginning on or after January 1, 2019),

- Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement – adopted by the EU on March 13, 2019 (effective for annual periods beginning on or after January 1, 2019),

- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures – adopted by the EU on February 8, 2019 (effective for annual periods beginning on or after January 1, 2019),

- Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on March 14, 2019 (effective for annual periods beginning on or after January 1, 2019),

- IFRIC 23 “Uncertainty over Income Tax Treatments” – adopted by the EU on October 23, 2018 (effective for annual periods beginning on or after January 1, 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Bank’s financial statements, except for the effects of the application of IFRS 16 Leases.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective:

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (effective for annual periods beginning on or after January 1, 2020);

- Amendments to References to the Conceptual Framework in IFRS Standards issued on March 29, 2018 (effective for annual periods beginning on or after January 1, 2020).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after January 1, 2021);

- Amendments to IFRS 3 “Business Combinations” - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period);

- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - effective for annual periods beginning on or after January 1, 2020).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

2.3. IMPACT OF INITIAL APPLICATION OF IFRS 16 LEASES

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after January 1, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is January 1, 2019.

The Bank has applied IFRS 16 using the modified retrospective approach (cumulative catch-up approach) which:

- Requires the Bank to recognize the cumulative effect of the first application of IFRS 16 as an adjustment to the opening balance of retained earnings as of the date of the first application.

- No restatement of comparative information, which is being presented according to IAS 17 and IFRIC 4, is needed.

IFRS envisions new definition of a lease. The Bank has made use of the practical expedient available on the initial application of IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before January 1, 2019.

IFRS 16 introduces a new definition of lease, according to which "a contract presents or contains elements of a lease if under the contract the right for control of the used assets is transferred for a given period of time in exchange of consideration". As per the Lessee, the new accounting standard requires recognition of all types of assets leases, representing "right-of-use" of the respective asset and at the same time recognize a liability reflecting the future lease contract payments.

At initial recognition the asset is recognized at acquisition cost including: the amount of initial measurement of the lease liability, representing the current value of future lease payments; any lease payments made at or before the commencement date, less any lease incentives received; initial direct costs incurred by the lessee and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined.

If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Subsequent measurement of the formed asset is based on the requirements of IFRS 16, and the liability is based on lease liability amortization based on the effective interest rate and decrease of lease liabilities with the due payments. The formed assets are treated similar to other non-financial assets and depreciated, unless they are classified as investment property at fair value.

In connection with application of this new accounting model of reporting of lease contracts compared to the accounting model according to IAS 17, the Bank carried out an analysis of the existing as of 01.01.2019 contractual agreements with the aim of identifying those that conform to the range of the new definition of a lease. As a result of this analysis, the lease contracts were defined, for which the Bank took action for adopting of procedures in order to determine the effects of new standard application.

In this process the Bank made a decision to take advantage of the possibilities of the new standard for release of application of the requirements of the new standard in relation to short-term lease contracts with term less than 12 months and lease contracts related to assets with low value.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Bank applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after January 1, 2019. In preparation for the first-time application of IFRS 16, the Bank has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Bank.

b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Bank accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Bank:
(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments in accordance with IFRS 16;
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Bank has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Bank has applied the following practical measures with the application of cumulative method of lease contracts, classified before as operating leasing according to IAS 17:

- The Bank has applied a discount percent to the portfolio of leasing contracts with similar characteristics.

- The Bank has elected not to recognise right-of-use assets and leasing liabilities of leasing contracts with a term of 12 months from first application.
- The Bank excludes the direct expense of the right-of-use asset measurement as of the date of first application.
- The Bank applies the subsequent measurement when determining the term of the leasing contract when it contains options for continuation or termination.

(ii) Former finance leases

For leases classified before as a finance lease according to IAS 17 leasing assets and liabilities under finance lease, measured according to IAS 17 right before the date of first application, are reclassified as right-of-use assets and lease liabilities without adjustments except when the Bank has opted to apply the exception for recognition of assets with low value.

Since January 1, 2019 right-of-use assets and lease liabilities are recognized according to IFRS 16.

(iii) Former contracts of irrevocable property rights

As of December 2018, the Bank has rights for property at the amount of BGN 25,339 thousand. As of January 1, 2019, these rights are reclassified for reporting as right-of-use assets according to IFRS 16. Due to its nature, those right-of-use assets do not cause related lease liabilities.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

(d) Financial impact of the initial application of IFRS 16

The applied the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as of January 1, 2019 is 3.6%, except the contracts where the Bank has negotiated interest rate.

The table below represents the liabilities on operating lease according to IAS 17 as of December 31, 2018, discounted with incremental borrowing rate at the date of initial application and lease liabilities, recognized in the financial statement on the date of first application.

Effect of the initial application of IFRS 16 as of January 1, 2019	
Operating lease liabilities as of December 31, 2018	**33,790**
Short-term lease contracts and lease contracts with low value assets	**(2,900)**
Effect from discount of above values	**(2,895)**
Lease liabilities, recognized as of January 1, 2019 as a result of application of IFRS 16	**27,995**
Finance lease liabilities, recognized according to IAS 17 as of December 31, 2018	**1,265**
Total lease liabilities, recognized as of January 1, 2019	**29,260**

Upon initial application of IFRS 16, the Bank recognized right-of-use assets at the amount of BGN 53,334 thousand, including BGN 25,339 thousand reclassified property rights of use of real estate and lease liabilities at the amount of BGN 27,995 thousand.

The table below presents a summary of the financial impact form application of IFRS 16 on the Bank's financial statements:

	1.1.2019	**Year ended 31.12.2019**
Right-of –use assets	**53,334**	**-**
Lease liability	**(27,995)**	**-**
Effect on the profit and loss statement:		
- Increase of amortization	**-**	**(15,794)**
- Increase interest expense	**-**	**(1,291)**
- Decrease rent expense	**-**	**9,442**
Effect on the cash flow statement:		
- Increase of net cash flow from operating activity	**-**	**9,442**
- Decease of net cash flow from finance activity	**-**	**(9,442)**

3. ACCOUNTING POLICY

3.1. SCOPE AND OBJECTIVE

The accounting policy comprises principles and basic assumptions, concepts, rules, practices, bases and procedures, adopted by management for reporting the activity of the Bank, and the preparation and presentation of the financial statements.

The purpose of the accounting policy is to provide the necessary organizational and methodological uniformity in the process of financial reporting of the Bank's activities, aimed at providing a true and fair presentation of the Bank's financial position and result of operations in the annual financial statements.

3.2. SIGNIFICANT ACCOUNTING POLICIES

3.2.1. Interest income and expenses

The interest income and interest expenses are recognized by taking into account the effective income/effective interest rate of the respective financial asset or liability in all its material aspects. Interest income and interest expense include amortization of discount, premium and other differences between the initial book value and the value at maturity of interest-bearing instruments calculated by the effective interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash flows of the financial instrument over its expected life, or if applicable, for a shorter period, to the net book value of the financial asset or financial liability. The future cash flows are estimated by taking into account the contractual terms of the instrument. The calculation of the effective interest rate includes all fees and consideration paid to or received between the parties to the contract that are directly related to the specific agreement, transaction costs and all other premiums or rebates.

The interest income and interest expenses presented in the statement of profit or loss and other comprehensive income, include:

- interest from financial assets and liabilities at amortized cost calculated on the basis of the effective interest rate;
- interest from financial assets at fair value through other comprehensive income (FVTOCI), calculated on the basis of the effective interest rate;
- interest from financial assets at fair value through profit or loss.

The Bank ceases to accrue interest in the statement of financial position and does not report interest income on receivables at the moment when the respective receivable has become “court receivable”. The receivables of the Bank on interest receivables, arising after the date on which the receivable has become “court receivable” are reported in the statement of financial position and are recognized as interest income when they are repaid.

3.2.2. Fees and commissions

All fees and commissions that are not an integral part of the effective interest rate of the financial instrument are accounted for in accordance with IFRS 15.
The following five-step model is used to determine whether and how revenue should be recognized in accordance with IFRS 15 Revenue from contracts with customers:
1. Identify the contract with a customer.
2. Identify all the individual performance obligations within the contract.
3. Determine the transaction price.
4. Allocate the price to the performance obligations.
5. Recognize revenue as the performance obligations are fulfilled.

Revenue is recognized over time when or until the Bank fulfils its obligations when it transfers the promised services to its customers.

The Bank recognizes as contract liabilities consideration received for unfulfilled performance obligations and presents them as other liabilities in the statement for financial position. Similarly, if the Bank fulfils a performance obligation before it receives the consideration it recognizes in the statement of financial position either a contract asset or receivable depending on whether or not something other than a certain time to obtain the consideration is required.

Fees and commissions consist mainly of fees for bank transfers in Bulgaria and abroad, fees for servicing accounts, fees related to loan exposures, servicing off- balance sheet commitments and

revenue as disclosed in note 22.

Commissions arising from foreign currency transactions are reported in the statement of profit or loss and other comprehensive income on their receipt. Fees and commissions for granting and management of loans when considered to be part of the effective income are amortized during the loan term and are recognized as current financial income during the period by applying the effective interest method.

3.2.3. Foreign currency transactions

Transactions denominated in foreign currency are converted into BGN at the exchange rates set by BNB for the transaction date. Receivables and liabilities denominated in foreign currency are converted into BGN as of the date of statement of financial position preparation at the exchange rates of BNB for the same date.

Net foreign exchange rate gains or losses, arising from translation at the rates of BNB as of the transaction date, are included in profit or loss and other comprehensive income for the period, when they arise.

The Bank carries out daily revaluation of all currency assets and liabilities and off-balance sheet positions at the official BNB rate for the respective day, with the exception of non-monetary positions in foreign currency within the meaning of IAS 21, which are reported at exchange rate as of the transaction date. The net gains and losses, arising from revaluation of balance sheet currency positions, are reported in profit or loss for the period, in which they arise.

As of 2002 the Bulgarian Lev is fixed to the Euro at the rate of EUR 1 = BGN 1.95583.

The exchange rates of USD and the Bulgarian Lev as of December 31, 2019 and 2018 are as follows

December 31, 2019	December 31, 2018
USD 1 =1.74099 BGN	USD 1 =1.70815 BGN

The functional currency of the Bank’s subsidiary in the Republic of Cyprus is EUR.

3.2.4. Dividend Income

Dividend is recognized by the Bank in profit or loss only when:

a) the right of the Bank to receive payment of a dividend is established;
b) there is probability that the Bank will receive economic benefit related to the dividend;
c) the amount of the dividend may be reliably measured.

3.2.5. Financial assets and liabilities

Recognition

Financial assets are recognized only when the Bank becomes a party under the contract provisions of the instrument. Their initial recognition is on the contract settlement date /payment date/.

Classification of financial instruments

Financial assets

The Bank classifies the financial assets – debt instruments at amortized cost, at fair value through other comprehensive income or fair value through profit or loss on the basis of two conditions:

a) business model for managing the financial assets; and
b) contractual cash flow characteristics of the financial assets.

Defining the business model for the management of the financial assets

The business model refers to the way in which the Bank manages its financial assets for generating cash flows, i.e. the business model of the Bank determines whether the cash flows will be generated for collecting contractual cash flows, sale of financial assets or for both.

The business models applied by the Bank are as follows:

- business model whose objective is to collect the contractual cash flows;
- business model whose objective is both to collect contractual cash flows and to sell financial assets;
- other business model of fair value measurement through profit or loss, through which the Bank manages the financial assets for the objective of realizing cash flows through sale of assets.

Characteristics of the contractual cash flows of the financial asset

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

The Bank classifies a financial asset based on the characteristics of its contractual cash flows.

The contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding, correspond to the basic lending agreement. In the basic lending agreement, the main elements that determine the interest are the time value of money and the credit risk. Interest may also include consideration for assuming other basic risks – liquidity risk, price of borrowings and amounts for covering administrative expenses for the loan, related to holding the financial asset for a certain period of time and profit margin.

Financial liabilities

The Bank classifies all financial liabilities as subsequently measured at amortised cost, with the exception of the derivative liabilities, which are measured at fair value in profit or loss.

Initial recognition of financial instruments

Except for trade receivables, upon initial recognition, the Bank measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly related to the acquisition or issue

of the financial asset or financial liability.

The transaction costs included in the acquisition cost are fees, commissions and other fees paid to agents, brokers, consultants, dealers and others directly involved in the transaction, taxes, fees, permits and other paid at exchanges and regulatory authorities. All other costs are reported as current for the period in which they arise. The cost of acquisition does not include interest in the financial asset that was not paid at the acquisition date. They are reported as receivable.

Subsequent designation of financial instruments

Financial assets

After initial recognition, classification and measurement the Bank measures a financial asset at: a) amortized cost; b) fair value through other comprehensive income; or c) fair value through profit or loss.

The Bank applies the requirements for impairment of IFRS 9 regarding debt financial assets that are measured at amortized cost and for debt financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

The Bank measures a financial asset – debt instrument at amortized cost, if the following two conditions are met: a) a financial asset is held within a business model whose objective is to collect the contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost is the asset's original carrying amount minus principal repayments plus or minus the accumulated amortization of the difference between that initial value and the maturity value calculated using the effective interest method and adjusted for each loss allowance.

For the purpose of determining the expected credit losses, the Bank groups the financial assets at the debtor level in one of the following stages:

- Stage 1 – which comprises newly originated financial assets as well as assets whose credit risk has not significantly increased since initial recognition;
- Stage 2 – which comprises financial assets whose credit risk has significantly increased since initial recognition
- Stage 3 – which comprises financial assets at default.

Credit risk on a financial asset can be defined as low on the basis of an external credit rating and the Bank's ability to meet its obligations in the short term, and any adverse changes to economic and business conditions in the long run could, but are not necessarily reduce the debtor's ability to perform his duties. Exposures with no significant deterioration in credit quality after their initial recognition include exposures where the delay of agreed payments are up to 30 days and no significant credit risk increases are identified.

The estimate for determining exposures with significant increase of credit risk is based on a combination of automatic and other internally determined indicators. The Bank has assumed that there is a significant increase in credit risk on a financial asset when the delay of the agreed payments are between 31 and 90 days and when concessions are granted to a debtor due to financial difficulties and these rebates do not lead to a significant reduction of the financial obligation or the debtor is in a period of testing after the bank has granted rebates / exposures with restructuring measures/. The estimate for determining exposures with significant increase of credit risk includes other indicators such as, for example, any changes in the debtor's financial position that are expected to lead to a significant change in his ability to perform his duties; established unfavorable data and market information related to a debtor that significantly increase credit risk; change in the Bank's approach to exposure management, etc.

For defaulted exposures, the Bank uses the guidelines of Regulation (EU) No 575/2013. The Bank has assumed that a default has occurred in respect of a particular debtor where the overdue payment is over 90 days and / or it is considered that the debtor is unlikely to fully repay its credit obligations without taking enforcement action of the collateral. All financial assets classified as non-performing exposures under regulatory requirements are considered to be non-performing financial assets.

The review of the indicators and the assessment of the exposures is performed on a monthly basis, under the control of the Risk Management Directorates of the Bank's Central Unit, and the respective decisions are taken by the Bank's management.

For financial assets in Stage 1 the 12-month expected credit loss is applied, while for financial assets in Stage 2 – the full lifetime expected credit loss of the financial asset is applied. Financial assets in Stage 3 are assets that are impaired as of the reporting date.

For the purpose of determining the impairment of financial assets, the Bank applies models of calculating the expected credit losses on collective or individual basis. The impairment models for individual measurement of financial assets are applied for debt financial instruments such as debt securities, bank balances and deposits, as well as for exposures, representing "Project financing" or exposures with unique characteristics, regardless of their amount. Impairment models for individually measured exposures, are based on discounted cash flows and reflect the different scenarios of expected cash flows, including available reasonable and supportable information without undue cost or effort, which concerns future events /including macroeconomic forecasts/. For the purpose of determining the impairment of the exposure at default /Stage 3/ or credit –impaired financial assets, the Bank applies a model for individual impairment of assets above a certain amount.

The impairment model for collectively measured financial assets is based on determining amounts for the probability of default /PD/ and for the loss given default /LGD/ for each collectively measured asset, by applying amortization through the effective interest rate /EIR/ when calculating the exposure at default /EAD/. The impairment models of the financial assets collectively measured are applied for debt securities, bank balances and deposits, repurchase agreements and exposures as a result of the Banks's loan activity – loans and off-balance exposures of individuals and legal entities. The models include available reasonable and supportable information, accessible without undue costs or efforts, for external credit rating of the counterparties, as well as 3–year scenarios for the macroeconomic development of the state, prepared by external sources /MF, BNB, NSI, WB, IMF/. The macroeconomic indicators used by the Bank are: growth of the gross domestic product /GDP/, harmonized consumer price index /HCPI/, Level of unemployment and index of prices of apartments. The Bank updates the values of the forecast indicators used in its model once per year, when the 3-year forecast data is published and disclosed by the respective institutions.

The Bank recognizes in profit or loss – the gain or loss from impairment, the amount of the expected credit losses (or reversal), arising in the period, measured by the difference between the credit loss

adjustment as of the date of the review or prior review date. The loss allowance for expected credit losses is presented as a decrease of the carrying amount of the financial asset in the statement of financial position.

Financial assets at fair value through other comprehensive income

Debt instruments

The Bank designates a debt financial asset at fair value through other comprehensive income, if the following conditions are met:

a) the financial asset is held within a business model whose objective is to collect the contractual cash flows and for selling financial assets, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gain or loss on a debt financial asset at fair value through other comprehensive income is recognized by the Bank through other comprehensive income, with the exception of gains and losses on impairment, gains and losses on foreign currency operations, interest income until the moment of derecognition or reclassification of a financial asset.

The Bank complies with the requirements for impairment of financial assets that are designated at fair value through other comprehensive income.

The Bank recognizes in profit or loss – the gain or loss from impairment, the amount of the expected credit losses (or reversal), by providing a loss allowance, which is recognized through other comprehensive income and does not decrease the carrying amount of the financial asset in the statement of financial position.

Equity instruments

The Bank may make an irrevocable election at initial recognition for particular investments that are not held for trading, in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income. This measurement is performed for each asset (for each instrument). Equity instruments are not subject to review for impairment.

Financial assets at fair value through profit or loss

The Bank measures the financial assets at fair value through profit or loss, if they are not held within a business model, whose objective is to collect the contractual cash flows or within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments. This category is also applied to instruments that do not meet the definition of principal and interest. Gains and losses on financial assets at fair value through profit or loss are recognized by the Bank in profit or loss.

Reclassification of financial instruments

The Bank reclassifies all affected financial assets only when it changes its business model for financial asset management. The Bank does not reclassify financial liabilities. The Bank reclassifies financial assets prospectively. The Bank does not restate any gains or losses recognized previously (including gain and loss on impairment losses) or interest.

Modification of contractual cash flows of a financial asset

Modification of a contractual cash flow of a financial asset occurs when the contractual cash flows of a financial asset are renegotiated or otherwise altered and those amendments have not been contracted at the initial recognition of the financial asset. When determining the existence of a modification of a financial asset, the factors for its occurrence are analyzed, as well as the accounting reflection of the effect of modification. When the contractual cash flows of a financial asset are renegotiated or modified and the renegotiation or modification does not result in the write-off of that financial asset in accordance with the policy of the Bank, the entity recalculates the gross carrying amount of the financial asset and recognizes profit or loss from modifying the gain or loss.

Derecognition of financial instruments

The Bank derecognizes a financial asset when the contractual rights for the cash flows for this financial asset have expired; or the Bank transfers the financial asset and the transfer meets the derecognition requirements.

The Bank derecognizes a financial liability (or part of the financial liability) from its statement of financial position when it has been settled - i.e. when the obligation, indicated in the contract has been fulfilled, cancelled or has expired.

3.2.6. Investments in subsidiaries

Subsidiaries are all entities under the Bank's control. Control is present, if the Bank is exposed or entitled to the variable return on investment in the enterprise, and is able to influence this return on the investment through its power over the enterprise, invested in.
In the separate financial statements of the Bank, the shares and interests in the subsidiaries are initially recognized at acquisition cost.
Subsequently, the Bank performs reviews periodically to determine whether there are indications for impairment. Impairment is recognized in the statement of comprehensive income as impairment losses of investments in subsidiaries.
Dividends in subsidiaries are recognized and reported in the statement of comprehensive income, when the right of the Bank for receiving dividend is established according to IFRS 9.

3.2.7 Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized as financial assets and liabilities at amount, which is equal to the fair value of the funds placed/obtained by the Bank, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted and recognized as interest income/expense in the period of its occurrence.

Securities pledged as collateral on repurchase agreements are not derecognized in the separate statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

Securities received as collateral under repurchase agreements are not recorded in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

3.2.8 Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flows statement preparation, include cash, balances with the Central Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to 3 months.

3.2.9 Fair value of financial assets and liabilities

IFRS 7 "Financial Instruments: Disclosure" provides for the disclosure in the notes to the financial statements of information about the fair value of the financial assets and liabilities. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique.

It is the policy of the Bank to disclose fair value information on those assets and liabilities, for which published market information is readily available and whose fair value significantly differs from their carrying amounts. The fair value of cash and cash equivalents, deposits and loans, granted by the Bank, other receivables, deposits, borrowings and other current liabilities approximates their carrying amount, in case they mature in a short period of time. In the opinion of the management, under these circumstances, the reported recoverable amounts of the financial assets and liabilities are the most reliable for the purposes of the separate financial statements.

It is the policy of the Bank to disclose fair value information on those assets and liabilities, for which published market information is readily available and whose fair value significantly differs from their carrying amounts. The fair value of cash and cash equivalents, deposits and loans, granted by the Bank, other receivables, deposits, borrowings and other current liabilities approximates their carrying amount, in case they mature in a short period of time. In the opinion of the management, under these circumstances, the reported recoverable amounts of the financial assets and liabilities are the most reliable for the purposes of the separate financial statements.

For the assets and liabilities recognized at fair value in the statement of financial position the Bank discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

Fair value hierarchy

The Bank uses the following hierarchy to measure and disclose the fair value of financial instruments through evaluation technique:

- Level 1: quoted (unadjusted) prices of active markets for identical assets or liabilities;
- Level 2: other techniques for which the whole incoming information that has material effect on the reported fair value is subject to direct or indirect monitoring;

- Level 3: techniques, which use incoming information that has material effect on the reported fair value and are not based on monitored market data.

3.2.10 Set-off

The financial assets and liabilities are set-off, and the net value is presented in the statement of financial position when the Bank is entitled by law to net the recognized values, and the transactions are intended to be settled on a net basis.

3.2.11 Retirement and short-term employee benefits

The Bank recognizes short-term payables on compensated leaves arising from unused paid annual leave in cases where they are expected to be used within 12 months of the date of the reporting period in which the employees worked for these leaves. Short-term payables to employees include wages and social security contributions.

According to the requirements of the Labour Code upon termination of the employment, after the employee has acquired the right to a retirement pension, the Bank is obliged to pay him compensation up to six gross salaries. The Bank has accrued a legal obligation to pay benefits to employees upon retirement in accordance with the requirements of IAS 19 Employee Benefits, assessed once a year at the date of preparation of the financial statements with the help of a licensed actuary in order to assess future payables for pensions due. The Bank has decided to report in the financial statements the calculated effect for a 10-year period. The period after the 10-th year is very remote in time, therefore there is considerable uncertainty about the realization of assumptions about future events and circumstances, which gives rise to insufficient reliability of the effect determined for this period. The financial assumptions used by the Bank are applied in forecasting the development of cash flows over time and affect the amount of the future liability and the determination of its present value by setting interest rates for discounting and increasing benefits. The evaluation also uses demographic assumptions about probability of withdrawal and mortality.

Actuarial gains or losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

Net interest expense related to pension liabilities is included in the statement of comprehensive income under “Interest expense”. Expenses for work length are included in “Employee benefits”.

Short-term employee benefits, including payable leaves, are included in current liabilities under “Other payables” at an undiscounted value that the Bank expects to pay.

3.2.12 Provisions for liabilities

The amount of provisions for liabilities is recognized as an expense and a liability when the Bank has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in profit or loss for the respective period.

3.2.13 Derivatives

Derivatives are stated at fair value and recognized in the statement of financial position as derivatives for trading. The fair value of derivatives is based on the market price or relevant valuation models. Derivative assets are presented as part of the financial assets held for trading, while the derivative liabilities are presented as part of other liabilities. Any change in the fair value of derivatives for trade is recognized as a part of the net trading income in profit or loss for the period. The Bank does not apply hedge accounting under IFRS 9/IFRS 39.

3.2.14 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are identifiable non-monetary assets acquired and possessed by the Bank and held for use in the production and/or rendering of services, for renting, administrative and other purposes. They are stated at acquisition cost, less charged depreciation and amortization and accumulated impairment losses.

Depreciation of property, plant and equipment and amortization of intangible assets are calculated by using the straight-line method designed to write off the assets value over their estimated useful life. The annual depreciation and amortization rates are as follows:

Buildings	**4%**	**25 years**
Fixtures and fittings	**15%**	**7 years**
Motor vehicles	**15%**	**7 years**
Other assets	**15%**	**7 years**
Special equipment, cable networks and security systems	**4%**	**25 years**
Equipment, including hardware and software	**20%**	**5 years**

Land, assets for resale, assets under construction, assets to be disposed and fully depreciated assets to their residual value are not subject to depreciation.

The management of the Bank has performed a review for impairment of property, plant and equipment and intangible assets as of the date of preparation of these separate financial statements. No evidence of impairment of property, plant and equipment and intangible assets has been identified; therefore, they have not been impaired.

3.2.15 Reporting on lease contracts in accordance with IFRS 16 from 01.01.2019

The Bank has applied IFRS 16 using the cumulative method and the comparative information is not recalculated and presented according to IAS 17. The accounting policy according IAS 17 and IFRS 16 is presented below.

The Bank as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise.

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is premeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of non-current assets in the separate statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment and Intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in profit or loss (see note 26).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has used this practical expedient.

The Bank as a lessor

The Bank enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

3.2.16 Reporting on operating leasing contracts in accordance with IAS 17 till 31.12.2018

The bank as a lessee

When the Bank is a lessee on an operating lease contract, the acquired assets are not recognized in the separate financial statements of the Bank. The payments from the Bank are recognized as expense on the linear method for the term of the contract. Expense related to operating leasing, i.e. expense for maintenance and insurance, is recognized in the profit and loss at the moment of their occurrence.

The Bank as a lessor

When the Bank is a lessor on operating lease contracts assets leased by the Bank are recognized in the statement financial position of the Bank and are depreciated according to the amortization policy, adopted by the Bank for such assets. Income from operating lease contract is recognized by the Bank directly as income in the statement of profit and loss for the current reporting period.

3.2.17 Assets acquired as collateral

Real estate and movable property acquired by the Bank as a mortgage creditor on granted and not serviced loans is classified as assets acquired from collateral and are stated initially at cost. The acquisition cost of assets acquired from collateral is the amount of all direct costs of acquiring the assets and other costs incurred in bringing them to their present location and condition. After initial recognition, these assets are reported at the lower of their current carrying amount or net realizable value. The amount of any impairment of these assets to their net realizable value is recognized as an expense for the impairment period. No depreciation/amortization is accrued for these assets.

3.2.18 Investment property

Investment property is property (land or a building) acquired or held by the Bank to earn rentals or for capital appreciation or both rather than for own use. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. As accounting policy the Bank chose the cost model in IAS 16 for subsequent measurement of such properties. Investment properties are measured at acquisition cost, less charged depreciation and accumulated losses from impairment. Depreciation of buildings, reported as investment properties, are calculated by using the straight-line method. Their annual depreciation rate is 4% (25 years). Land plots are not depreciated.

Income tax

Corporate income tax is calculated on the basis of profit for the period and includes current and deferred taxes. Taxes due are calculated in accordance with the Bulgarian tax legislation.

Current income tax is calculated on the basis of the taxable profit by adjusting the statutory financial result for certain income and expenditure items, not approved for tax purposes, as required under Bulgarian accounting legislation, applicable for banks.

Deferred income taxes are calculated using the balance sheet liability method. Deferred income taxes represent the net tax effect of all temporary differences between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are calculated at the tax rates, which are expected to apply to taxable profit for the period, when the temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the date of the statement of financial position to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognized regardless when

the temporary difference is likely to reverse.

Any tax effect, related to transactions or other events, recognized in the statement of profit or loss and other comprehensive income, is also recognized in the statement of profit or loss and other comprehensive income and tax effect, related to transactions and events, recognized directly in equity, is also recognized directly in equity.

A deferred tax liability is recognized for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that taxable profit is probable, against which the deductible temporary difference can be utilized, unless the deferred asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

3.2.19 Operating segments

The Bank does not disclose information by operating segments, because it does not prepare such information. Business activities, which constitute its bank activities, possess similar economic characteristics, lack material difference in the essence of products offered and the regulatory environment where they take place. The operating result from the activities is reviewed and evaluated by the Bank’s Management on a regular basis. The Bank does not identify separate segments meeting the requirements set out in IFRS 8 “Operating segments”.

3.3. ACCOUNTING ESTIMATES, ASSUMPTIONS AND KEY AREAS OF UNCERTAINTY

The presentation of financial statements requires management to apply certain accounting estimates and reasonable assumptions that affect some of the carrying amounts of assets and liabilities, revenues and expenses for the reporting period and disclosures of contingent assets and liabilities. Although these estimates and assumptions are based on the best estimate as of the date of the preparation of the separate financial statements, they may differ from the future actual results.

The most significant areas of uncertainty, which require estimates and assumptions in applying the accounting policies of the Bank, are as follows:

- Fair value of the financial instruments;
- Credit losses from impairment of financial instruments;
- Useful life of the depreciable assets;
- Term of the leasing contracts.

When the fair value of financial assets in the statement of financial position cannot be determined on the basis of an active market, it is determined using different valuation methods (pricing models) that include mathematical models. Information on the fair values of the financial statements is presented in the note 34.

The recoverability of the loans and the adequacy of the recognized impairment losses, as well as the maintaining of the Bank's liquidity ratios depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank's management applies the necessary procedures to manage these risks, as disclosed in note 33.

When determining the term of the lease contracts, the management shall consider all relevant facts and circumstances that create an economic incentive to exercise an option to extend a lease, or not to exercise an option to terminate a lease. Options for extending (or the periods after the options for termination) are included in the contract term only if it is certain that the lease contract will be extended (or not terminated). Most options for contract extending leases for offices are included in lease liabilities since the Bank relies on long-term relationship with its tenants.

A lessee shall reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:
The term of the lease is reassessed if the option is being exercised (or not) or the Bank is required to exercise it (or not). The assessment of the reasonable assurance is reassessed upon the occurrence of either a significant event or a significant change in circumstances, which affects this assessment and is under the control of the Lessor.

3.4. CAPITAL MANAGEMENT

The Bank defines its risk-bearing capacity as the amount of financial resources that are available for absorbing losses, which may be incurred due to the risk profile of the Bank. Financial resources are classified into Tiers of risk capital according to their ability to cover losses, ability to defer payments, and permanence.

The Bank monitors the allocation of financial resources to risk capital levels through Asset and Liability Management Committee. The Bank's capital management policy is regularly reviewed by the Bank's Management Board.

The Bank calculates, monitors and reports its risk capital for all major risk categories – credit, market and operational risk. In managing its risk capital, the Bank follows the legal framework, as well as its own objectives. For 2019 and 2018, the Bank is in compliance with the regulatory requirements for minimum capital adequacy, as the bank's capital adequacy levels exceed the regulatory requirements.

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2019	As of 31.12.2018
Cash in hand:		
In BGN	204,627	204,439
In foreign currency	92,278	79,572
Cash in transit:		
In BGN	81	-
In foreign currency	40	73
Cash in Central Bank:		
Current account in BGN	1,436,198	1,413,633
Current account in foreign currency	19,705	15
Reserve guarantee fund RINGS	1,053	339
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	1,753,982	1,698,071

The current account with BNB is used for direct participation in the government securities and money market, as well as for the purposes of interbank settlement in the country.

Commercial banks in Bulgaria are required to maintain minimum required reserves at BNB.

The minimum obligatory reserve, periodically set by BNB, is interest-free and is calculated as a percentage ratio based on the attracted funds in BGN and foreign currency. These reserves are regulated on a monthly basis as any deficit incurs interest penalties. No restrictions are imposed by the Central Bank for using the minimum reserves, as daily fluctuations within the one-month regulation period are allowed.

In compliance with the Ordinances of the Central Bank, the Bank allocates reserve guarantee fund to ensure the settlement of payments by means of the Real Time Gross Settlement system RINGS.

5. PLACEMENTS WITH, AND ADVANCES TO BANKS

	As of 31.12.2019	As of 31.12.2018
Term deposits with local banks		
In BGN	39,997	23,000
In foreign currency	15,670	29,046
Term deposits with foreign banks in foreign currency	128,147	124,705
Nostro accounts with local banks		
In BGN	141	144
In foreign currency	2,260	8
Nostro accounts with foreign banks in foreign currency	35,004	49,251
Impairment loss	(37)	(4,048)
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	221,182	222,106

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of December 31, 2019, the Bank has signed repurchase agreements at the total amount of BGN 304,324 thousand, including interest receivables. For part of them at the amount of BGN 30,601 thousand thereof the Bank has pledged Bulgarian government securities at approximately the equal value as collateral to secure the receivable. For the remaining amount of BGN 273,723 thousand the Bank has pledged corporate securities at higher value than the value of the granted funds. As of December 31, 2019, an adjustment for expected credit losses of BGN 1,094 thousand was allocated under the repurchase agreements. The maturity of these agreements is between January and June 2020.

As of December 31, 2018, the Bank has signed repurchase agreements at the total amount of BGN 256,806 thousand, including interest receivables. For part of them at the amount of BGN 74,248 thousand thereof the Bank has pledged Bulgarian government securities at approximately the equal value as collateral to secure the receivable. For the remaining amount of BGN 182,558 thousand the Bank has pledged corporate securities at higher value than the value of the granted funds. As of December 31, 2018 an adjustment for expected credit losses of BGN 208 thousand was allocated under the repurchase agreements. The maturity of these agreements is between January and June 2019.

7. FINANCIAL ASSETS AT FAIR VALUE IN PROFIT OR LOSS

Financial assets at fair value in profit or loss are as follows:

	As of 31.12.2019	As of 31.12.2018
Bulgarian corporate securities	191,904	165,766
Foreign corporate securities	54,816	35,602
Derivatives, held for trading	28	56
Long-term Bulgarian government bonds	-	1
TOTAL FINANCIAL ASSETS AT FAIR VALUE IN PROFIT OR LOSS	246,748	201,425

Bulgarian corporate securities

As of December 31, 2019, financial assets measured at fair value in profit or loss consist of corporate securities of non-financial and financial institutions. Bulgarian corporate securities consist of shares in the capital of companies amounting to BGN 67,726 thousand and units in contractual funds amounting to BGN 124,178 thousand.

As of December 31, 2018, other financial assets measured at fair value in profit or loss consist of corporate securities of non-financial and financial institutions. Bulgarian corporate securities consist of shares in the capital of companies amounting to BGN 60,737 thousand and units in contractual funds amounting to BGN 105,029 thousand.

Foreign corporate securities

As of December 31, 2019 foreign corporate securities consist of shares in the capital of credit institutions amounting to BGN 39,772 thousand, shares in the capital of a non-financial corporation amounting to BGN 581 thousand, units in contractual funds amounting to BGN 4,516 thousand and a bond in a credit institution amounting to BGN 9,947 thousand.

As of December 31, 2019 foreign corporate securities consist of shares in the capital of credit institutions amounting to BGN 34,896 thousand and shares in the capital of a non-financial corporation amounting to BGN 706 thousand.

Derivatives held for trading

As of December 31, 2019 and 2018 derivatives, held for trading, at the amount of BGN 28 thousand and BGN 56 thousand respectively, are carried at fair value and include sale-purchase transactions of foreign currency, forward agreements and currency swaps on the open market.

8. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of clients

	As of 31.12.2019	As of 31.12.2018
Individuals:		
In BGN	897,185	776,458
In foreign currency	53,374	59,748
Enterprises:		
In BGN	820,262	763,486
In foreign currency	749,330	771,689
	2,520,151	2,371,381
Allowance for impairment and uncollectibility	(77,532)	(113,309)
TOTAL LOANS AND ADVANCES TO CUSTOMERS	2,442,619	2,258,072

Loans and advances to customers as of December 31, 2019 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 14,149 thousand (2018: BGN 9,920 thousand) including result of transactions.

(b) Interest rates

Loans denominated in BGN and foreign currency carry interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate or interest index for loans in foreign currency - EURIBOR, LIBOR, plus a margin. The interest rate margin on performing (regular) loans varies from 2% to 5% based on the credit risk associated with the borrower, and an additional margin on the agreed interest rate is charged as penalty on overdue loans.

9. OTHER ASSETS

	As of 31.12.2019	As of 31.12.2018
Deferred tax assets	394	389
Current tax assets	6	459
Deferred expenses	2,834	2,526
Rights for use of buildings	-	25,339
Foreclosed assets	33,891	16,992
Other assets	7,224	7,207
TOTAL OTHER ASSETS	**44,349**	**52,912**

Deferred expenses represent prepaid amounts for advertising, rent, insurance, etc.

The rights established in favour of the Bank of use of buildings have arisen in the period 2008 - 2017, with rights set up for different periods within the range of 115 to 180 months. The carrying amount of the established rights in also includes the expenses incurred for taxes and fees in connection with their establishment. The carrying amount of each right-of-use is amortized in equal parts for the respective period of use of the buildings. No future minimum payments related to the established real rights-for-use of buildings. As of December 31, 2019 following the enforcement since January 1, 2019 of IFRS 16 Leasing, property rights are classified and presented as right-of-use assets, part of non-current assets.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income consist of equity and debt securities, including the amount of accrued interest and discount/premium, based on their original maturity, as follows:

	As of 31.12.2019	As of 31.12.2018
Medium-term Bulgarian government bonds	1,590	18,053
Long-term Bulgarian government bonds	279,890	270,181
Foreign government bonds	167,266	127,328
Equity investments in financial institutions	3	9
Equity investments in non-financial institutions	15,537	11,171
Bulgarian corporate securities	85,036	60,395
Foreign corporate securities	16,970	15,470
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**566,292**	**502,607**

As of December 31, 2019 for financial assets measured at fair value through other comprehensive income was allocated expected credit losses in the amount of BGN 3,179 thousand (2018: BGN 1,706 thousand), which is recognized in equity and has not decreased the carrying amount of assets.

Bulgarian securities pledged as a collateral

As of December 31, 2019 government bonds issued by the Bulgarian government amounting to BGN 118,279 thousand (2018: BGN 91,328 thousand) are pledged as collateral for servicing of budget accounts based on Art. 152 of the Public Finance Act.

Equity investments in financial institutions

As of December 31, 2019 and 2018 equity investments in financial institutions comprise shares in a commercial bank.

Equity investments in non-financial institutions

As of December 31, 2019 equity investments in non-financial institutions at the amount of BGN 15,537 thousand (2018: BGN 11,171 thousand) comprise shares in commercial companies.

Bulgarian corporate securities

As at December 31, 2019 the Bulgarian corporate securities at the amount of BGN 85,036 thousand (2018: BGN 60,395 thousand) represent bonds of Bulgarian corporate issuers. None of these investments is in a subsidiary or in an associated company.

Foreign government bonds

As of December 31, 2019 foreign government bonds at the amount of BGN 167,266 thousand (2018: BGN 127,328 thousand) represent mainly government bonds of EU member states.

Foreign corporate securities

As of December 31, 2019 and 2018 foreign corporate securities represent bonds in foreign commercial companies.

11. DEBT INSTRUMENTS AT AMORTIZED COST

Debt instruments at amortised cost represent Bulgarian government bonds, foreign government bonds, mainly from EU member states, Bulgarian corporate securities and foreign corporate securities, including the amount of accrued interest and discount/premium, based on their original maturity, as follows:

	As of 31.12.2019	As of 31.12.2018
Long-term Bulgarian government bonds	155,392	130,776
Foreign government bonds	135,605	114,406
Bulgarian corporate securities	7,964	7,964
Foreign corporate securities	12,743	9,811
Impairment loss	(629)	(390)
TOTAL FINANCIAL ASSETS AT AMORTISED COST	**311,075**	**262,567**

Bulgarian securities pledged as collateral

As of December 31, 2019 government bonds issued by the Bulgarian government amounting to BGN 107,654 thousand (2018: BGN 130,776 thousand) are pledged as collateral for servicing budget accounts based on Art. 152 of the Public Finance Act.

12. INVESTMENTS IN SUBSIDIARIES

12.1. INVESTMENT IN SUBSIDIARY CENTRAL COOPERATIVE BANK AD, SKOPJE, REPUBLIC OF MACEDONIA

In 2008 the Bank acquired control on the equity of the subsidiary Central Cooperative Bank AD, Skopje in the Republic of Macedonia. In October 2009 22,354 ordinary voting shares owned by the Bank were converted into privileged shares with no voting rights. In December 2009 Central Cooperative Bank AD Skopje withdrew 208 of its own privileged shares.

In 2010 by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares at the rate of one privileged share with no voting rights for one ordinary voting share. As of December 31, 2010 the Bank owns 263,696 ordinary voting shares representing 82.63% of the subsidiary's equity

In April 2010 the Bank acquired 317,864 ordinary voting shares of the share capital of Stater Bank, Kumanovo, Republic of Macedonia and obtained control of the subsidiary's equity. Before the acquisition, the Bank owned 5,975 privileged shares with no voting rights of the subsidiary. Later, within the year, by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares at the ratio of one privileged share with no voting rights for one ordinary voting share. As of December 31, 2010 the Bank owns 323,839 ordinary voting shares representing 93.79% of the subsidiary's equity.

On 9 December 2010, by resolutions of the General meetings of the shareholders of the subsidiaries Stater Bank AD Kumanovo and Central Cooperative Bank AD Skopje an agreement was reached to merge Stater Bank AD Kumanovo into Central Cooperative Bank AD Skopje. According to the agreement, a decision has been taken for issuance of a new emission of ordinary shares of Central Cooperative Bank AD Skopje. The volume of this emission is 233,944 233,944 new ordinary shares with nominal value of EUR 41.2069 or MKD 593,795,205 each.

All new shares were given only to the shareholders of Stater Bank AD Kumanovo and the coefficient of exchange of the existing shares of Stater Bank AD Kumanovo with the shares of the new issue was 1:0.6776. As a result of the exchange Central Cooperative Bank AD Sofia acquired 219,425 ordinary shares of the new issue of Central Cooperative Bank AD Skopje in place of the 323,839 ordinary shares of the equity of Stater Bank AD Kumanovo owned as of December 31, 2010. As a result of the exchange of Central Cooperative Bank AD, Sofia for 323,839 ordinary shares owned by Staterbank AD Kumanovo as at 31 December 2010, it acquires 219,425 ordinary shares from the new emission of Central Cooperative Bank AD, Skopje.

On 3 January 2011 the merger of Stater Bank AD Kumanovo in Central Cooperative Bank AD Skopje was concluded and all assets of Stater Bank AD Kumanovo were transferred to Central Cooperative Banks AD Skopje. On 3 January 2011, by decision of the Central Register of Republic of Macedonia, Stater Bank AD Kumanovo ceased to exist as legal entity. After conclusion of the merger, the capital of Central Cooperative Bank AD Skopje consists of 553,087 ordinary shares with nominal value of EUR 41.2069 each.

As of December 31, 2011 Central Cooperative Bank AD Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje, which represent 87.35% of the share capital of the subsidiary.

During the period 2012-2019, there were no changes in the shareholding of Central Cooperative Bank AD, Sofia in Central Cooperative Bank AD, Skopje, and therefore as of December 31, 2019 Central Cooperative Bank AD, Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of December 31, 2019 and 2018 the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

12.2. INVESTMENT IN SUBSIDIARY MANAGEMENT COMPANY CCB ASSETS MANAGEMENT EAD, SOFIA, BULGARIA

In December 2011 the Bank acquired 500,000 non-materialised, ordinary registered shares with voting rights and with nominal value of BGN 1.00 each, representing 100% of the capital of the Management Company CCB Assets Management EAD with which the Bank received controlling interest in the capital of the subsidiary.

During the period 2012-2019 there were no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the December 31, 2019 Central Cooperative Bank AD, Sofia owns 500,000 ordinary shares of Management Company CCB Assets Management EAD, which represents 100% of the share capital of the subsidiary. As of December 31, 2019 and 2018 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.

Subsidiary	Incorporated in	Principal activities	31.12.2019 BGN'000	Share holding %	31.12.2018 BGN'000	Share holding %
Central Cooperative Bank AD, Skopje	Republic of Macedonia	Banking activity	46,216	87.35%	46,216	87.35%
Management Company CCB Assets Management EAD	Bulgaria	Financial sector	3,200	100.00%	3,200	100.00%
			49,416		49,416	

13. NON-CURRENT ASSETS AND RIGHT-OF-USE ASSETS

13.1. NON-CURRENT ASSETS

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in process of acquisition	Other fixed assets	Total
1 January 2018	74,496	40,898	7,872	27,243	4,056	26,965	181,530
Acquisitions	-	349	2,166	512	13,354	241	16,622
Transfers	8,368	2,508	1,542	217	(13,085)	450	-
Disposals	-	(4,181)	(440)	(416)	(413)	(20)	(5,470)
31 December 2018	82,864	39,574	11,140	27,556	3,912	27,636	192,682
Effect of IFRS 16 Leasing							
Acquisitions	-	242	-	443	1,941	156	2,782
Transfers	57	877	253	112	(1,592)	293	-
Disposals	-	(474)	(320)	(430)	(121)	(6)	(1,351)
31 December 2019	82,921	40,219	11,073	27,681	4,140	28,079	194,113
Depreciation							
1 January 2018	7,457	31,502	4,680	21,941	-	24,930	90,510
Net charge for period	2,670	3,206	1,076	1,337	-	706	8,995
Depreciation on disposals	-	(4,176)	(313)	(416)	-	(20)	(4,925)
31 December 2018	10,127	30,532	5,443	22,862	-	25,616	94,580
Net charge for period	2,917	2,991	1,197	1,293	-	773	9,171
Depreciation on disposals	-	(472)	(319)	(429)	-	(6)	(1,226)

31 December 2019	13,044	33,051	6,321	23,726	-	26,383	102,525
Net book value							
31 December 2018	72,737	9,042	5,697	4,694	3,912	2,020	98,102
31 December 2019	69,877	7,168	4,752	3,955	4,140	1,696	91,588

The Fixed assets in process of acquisition include construction works, performed by the Bank, concerning the reconstruction of the leased premises into bank offices, which repair works have not been finished as at the date of preparing the separate statement of financial position.

13.2. RIGHT-OF-USE ASSETS

Right-of-use assets are as follows:

	Land and buildings	Motor vehicles	Total
1 January 2019			
Initial effect	52,552	782	53,334
Additions	27,434	1,007	28,441
Disposals	(14,402)	-	(14,402)
31 December 2019	65,584	1,789	67,373
Depreciation			
1 January 2019	-	-	-
Net charge for period	15,071	723	15,794
Depreciation on disposals	(8,235)	-	(8,235)
31 December 2019	6,836	723	7,559
Net book value			
31 December 2019	58,748	1,066	59,814

In the comparative information for 2018, the Company recognized lease assets and lease liabilities only in relation to those lease contracts that were classified as ‚finance leases' under IAS 17 ‚Leases'. Assets are presented as part of Property, plant and equipment and right-of-use assets and liabilities as part of Other liabilities in the liability of the statement of financial position. For adjustments related to the initial application of IFRS 16 Leases on 1 January 2019, see note 2.3.

14. INVESTMENT PROPERTY

	Land	Buildings	Total
January 1, 2018	159	17,578	17,737
December 31, 2018	159	17,578	17,737

December 31, 2019	159	17,577	17,736
Depreciation			
January 1, 2018	-	1,218	1,218
Charged for the period, net	-	703	703
December 31, 2018	-	1,921	1,921
Charged for the period, net	-	703	703
December 31, 2019	-	2,624	2,624
Net book value			
December 31, 2018	159	15,657	15,816
December 31, 2019	159	14,953	15,112

The investment property of the Bank as of December 31, 2019 and 2018 comprise land and commercial buildings, part of which have been rented for a period of 10 years. Income from rent of investment properties for the year ended December 31, 2019 amounts of BGN 176 thousand (2018: 176 thousand). During the reporting periods, the Bank did not incur any direct expenses arising from investment property. All direct expenses arising from investment property are covered by the lessees.

Fair value of investment property

Fair value of investment property as of December 31, 2019 amounts to BGN 18,791 thousand (2018: BGN 18,803 thousand) and is determined by licensed external appraisers with the appropriate professional qualification and experience in valuation of property in similar categories and location such as the ones of the Bank's investment properties.

15. DEPOSITS FROM BANKS

	As of 31.12.2019	As of 31.12.2018
On-demand deposits – local banks:		
- in BGN	9,709	6,163
- in foreign currency	6,983	5,827
On-demand deposits – foreign banks in foreign currency	6,239	25,512
On-demand deposits – foreign banks in BGN	297	-
Term deposits – foreign banks in foreign currency	489	490
Term deposits – local banks in foreign currency	2,445	2,448
TOTAL DEPOSITS FROM BANKS	**26,162**	**40,440**

16. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2019	As of 31.12.2018
On-demand deposits		
In BGN	1,422,652	1,152,938
In foreign currency	198,342	156,678
	1,620,994	1,309,616
Term deposits		
In BGN	1,122,914	1,205,461
In foreign currency	889,832	874,276
	2,012,746	2,079,737
Savings accounts		
In BGN	1,259,614	1,113,181
In foreign currency	516,672	499,220
	1,776,286	1,612,401
Other deposits		
In BGN	11,326	8,643
In foreign currency	902	3,342
	12,228	11,985
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	**5,422,254**	**5,013,739**

(b) Analysis by customer and currency type

	As of 31.12.2019	As of 31.12.2018
Deposits of individuals		
In BGN	2,781,982	2,524,708
In foreign currency	1,401,692	1,360,367
	4,183,674	3,885,075
Deposits of enterprises		
In BGN	1,023,198	946,872
In foreign currency	203,154	169,807
	1,226,352	1,116,679
Deposits of other institutions		

In BGN	11,326	8,643
In foreign currency	902	3,342
	12,228	**11,985**
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	**5,422,254**	**5,013,739**

17. ISSUED BONDS

In December 2013 the Bank issued through public offering convertible bonds in the amount of EUR 36,000,000, distributed in 36,000 bonds with a nominal value of EUR 1,000. The bonds are subordinated, unsecured, interest bearing, freely transferable, dematerialised, convertible into ordinary shares of the Bank. Debenture loan is signed for a period of 7 years at 4.5% annual interest rate and the principal of the loan is paid off at maturity of the issue – 10.12.2020. Interest payments are made annually with maturities as follows: 10.12.2014, 10.12.2015, 10.12.2016, 10.12.2017, 10.12.2018, 12.10.2019 and 10.12.2020. Under the terms of issue, bond holders are not entitled to early collection of interest and principal on the bond loan, including in case of default of the issuer, except under certain conditions at the time of payment and subject to prior authorization by BNB. Amendments and supplements to the conditions of the bond issue can be made only with the prior written permission of BNB.

In December 2016 the third interest payment on the bond issue was made in the amount of EUR 1,620 thousand, which amount was paid to the bondholders. The value of the liability as of December 31, 2016 is in the amount of BGN 70,126 thousand, including obligations for interest and reflected costs associated with the issuance.

In December 2016 after the initial permission of BNB, changes were made to the terms of the debenture issue according to which:
- the maturity date is changed from 7 years after the issue date to 10 years after the issue date. The maturity date of the debenture issue after the change is 10.12.2023.
- the interest due is changed from 4.5% to 3.6% effective from 11.12.2016.

In December 2018 the next consecutive interest payment on the bond issue was made at the amount of EUR 1,296 thousand, which amount was paid to the bondholders.

As of December 31, 2018, some of the bondholders have exercised their right to convert bonds held by them in shares by submitting conversion notices. Under the terms of the Prospectus for public offering and admission to trading of the issued convertible bonds of the Bank, the conversion took place on the date of its registration by the Central Depository AD (date of conversion), which took place before 31.12.2018.
The process of recording the capital increase in the Commercial Register was not completed by 31.12.2018, which is why the Bank has written off the value of the obligation for the part of the converted bonds amounting to BGN 45,002 thousand and recorded the same value as an increase in equity in „other reserves“ disclosed in note 20.4.

The value of the liability on bonds as of December 31, 2018 is at the amount of BGN 25,343 thousand, including interest payables and reflected costs associated with the issuance.

On February 25, 2019, the increase in the Bank's capital through the issuance of new shares as a result of conversion of bonds was entered in the Commercial Register in the Bank's account. The capital increase resulting from the conversion amounts to 13,975,679 ordinary voting shares, with a par value of BGN 1 for each share. Following the increase, the issued share capital of the Bank consists of 127,129,970 ordinary voting shares with a par value of BGN 1 for each share. All shares are entitled to receive dividend and liquidation share and represent one vote at the General Meeting of Shareholders of the Bank.

In December 2019, another interest payment on the bond issue at the amount of EUR 468 thousand occurred, which was paid to the bondholders.

The value of the liability on bonds as of December 31, 2019 is at the amount of BGN 25,424 thousand, including interest payables and reflected costs associated with the issuance.

18. PROVISIONS

Provisions for court proceedings are recognized when based on expert legal estimate it is established that it is probable that the Bank has to meet these obligations in the near future. As of December 31, 2018 the Bank has performed an analysis of the legal proceedings against the bank and accrued provision at the amount of BGN 316 thousand.

The provision for expected credit losses in accordance with IFRS 9 for the stated as off-balance sheet positions guarantees, letters of credit and credit commitments was determined by the Bank as of December 31, 2019 and 2018, amounting to BGN 1,071 thousand and BGN 374 thousand, respectively.

	As of 31.12.2019	As of 31.12.2018
Provisions for court proceedings	-	316
Provisions for expected credit losses on guarantees, letters of credit and credit commitments	1,071	374
TOTAL PROVISIONS FOR LIABILITIES	**1,071**	**690**

19. OTHER LIABILITIES

	As of 31.12.2019	As of 31.12.2018
Liabilities for unused paid leave	2,753	2,760
Derivatives, held for trading	10,079	1,272
Other liabilities	5,096	4,295
Liabilities for retirement benefits	1,184	1,025
Deferred income	578	550
Deferred tax liabilities	270	270
Lease liabilities (note 32)	42,336	-

TOTAL OTHER LIABILITIES	62,296	10,172

Liabilities for retirement benefits

As of December 31, 2019 and 2018 the Bank calculates the effect of future liabilities for retirement benefits and allocates and recognizes the relevant provision for the effect determined for a 10-year period. The periods after the 10th year are considerably remote in time, therefor considerable uncertainty exists regarding the realization of the assumptions of the future events and circumstances, giving rise to insufficient reliability of the effect determined for the relevant period. The financial assumptions used by the Bank are applied in forecasting the development of cash flows in time and are reflected in the amount of future liability and the calculation of its current value by determining the discount interest rates and income increase rates. When determining the liabilities for retirement benefits the Bank applies 2.25% discount rate and 0.50% annual increase in remuneration. In the process of determining the liabilities for retirement benefits, the Bank employs consultancy services, provided by a licensed actuary.

Changes in provisions for retirement benefits under the Labor Code during the year are presented as follows:

	As of 31.12.2019	As of 31.12.2018
Amount of the payable at the beginning of the period January 1	1,025	848
Interest expense	23	33
Expenses for current length of labor	85	76
Paid benefits	(149)	(52)
Actuarial gains and losses	200	120
AMOUNT OF THE PAYABLE AT THE END OF THE PERIOD DECEMBER 31	1,184	1,025

Derivatives held for trading

As of December 31, 2019 and 2018 derivatives held for trading at the amount of BGN 10,079 thousand and BGN 1,272 thousand are presented at fair value and include sale and purchase transactions of foreign currency, forward contracts and foreign currency swaps on the open market.

20. EQUITY

20.1. ISSUED CAPITAL

As of December 31, 2019 and 2018 the issued, called-up and fully paid-in share capital of the Bank comprises of 127,129,970 and 113,154,291, respectively, ordinary voting shares with a nominal value of BGN 1 each. Each of the shares has dividend and liquidating dividend rights and represent one vote at the general meeting of the shareholders of the Bank.

On February 25, 2019, the increase in the Bank's capital through the issuance of new shares as a result of conversion of bonds was entered in the Commercial Register in the Bank's account. The capital increase resulting from the conversion amounts to 13,975,679 ordinary voting shares, with a par value of BGN 1 for each share. Following the increase, the issued share capital of the Bank consists of 127,129,970 ordinary voting shares with a par value of BGN 1 for each share. All shares are entitled to receive dividend and liquidation share and represent one vote at the General Meeting of Shareholders of the Bank.

The Bank's Parent company CCB Group EAD is a subsidiary of Chimimport AD, which is a public company and its shares are traded on the Bulgarian Stock Exchange.

Principal shareholders	2019		2018	
	Share capital	Percentage	Share capital	Percentage
CCB Group EAD	77,584	61.03	77,584	68.56
Chimimport AD	7,475	5.88	7,475	6.61
ZAD Armeec AD	11,992	9.43	3,851	3.40
Universal Pension Fund Suglasie	8,872	6.98	5,542	4.90
Other	21,207	16.68	18,702	16.53
	127,130	100	113,154	100

20.2 RESERVES, INCLUDING RETAINED EARNINGS

As of December 31, 2019 reserves, including retained earnings, include undistributable portion of BGN 7,059 thousand (2018: BGN 7,059 thousand) and distributable portion of BGN 263,481 thousand (2018: BGN 229,712 thousand).

20.3 REVALUATION RESERVE

The revaluation reserve as of December 31, 2019 is formed by revaluation of financial assets at fair value through other comprehensive income at the amount of BGN 26,138 thousand (2018: BGN 19,287 thousand) and negative revaluation of retirement benefit plans at the amount of BGN (320) thousand (2018: BGN (120) thousand).

20.4 OTHER RESERVES

On February 25, 2019, the increase in the Bank's capital through the issuance of new shares as a result of conversion of bonds was entered in the Commercial Register in the Bank's account. The capital increase resulting from the conversion amounts to 13,975,679 ordinary voting shares, with a par value of BGN 1 for each share. Following the increase, the issued share capital of the Bank consists of 127,129,970 ordinary voting shares with a par value of BGN 1 for each share. All shares are entitled to receive dividend and liquidation share and represent one vote at the General Meeting of Shareholders of the Bank.

As of December 31, 2018 other reserves amounting to BGN 45,002 thousand resulted from the conversion of part of the Bank's bond issue into shares, as disclosed in note 17 Issued Bonds.

21. INTEREST INCOME/ INTEREST EXPENSE

	Year ended 31.12.2019	Year ended 31.12.2018
Interest income by source:		
Loans	113,482	117,985
Securities	15,400	11,294
Deposits in banks	4,923	4,403
TOTAL INTEREST INCOME	**133,805**	**133,682**

	Year ended 31.12.2019	Year ended 31.12.2018
Interest income by classification groups		
Financial assets at fair value through profit or loss	178	6
Financial assets at fair value in other comprehensive income	10,913	8,954
Financial assets at amortised cost	122,714	124,722
TOTAL INTEREST INCOME	**133,805**	**133,682**

	Year ended 31.12.2019	Year ended 31.12.2018
Interest expense by recipients		
Deposits to customers	6,677	9,791
Deposits to banks	825	358
Negative interest on excess reserves at BNB	6,184	6,526
Issued bonds	817	2,535
Interest on lease	1,291	-
Negative interest on placements to banks and other assets	664	-
Other	52	33
TOTAL INTEREST EXPENSES	**16,510**	**19,243**

	Year ended 31.12.2019	Year ended 31.12.2018
Interest expense by classification groups		
Financial assets measured at amortised cost	9,662	12,717
Negative interest on assets	6,848	6,526
TOTAL INTEREST EXPENSE	**16,510**	**19,243**

22. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2019	Year ended 31.12.2018
Bank transfers - domestic and international	26,841	25,518
Servicing of accounts	15,780	14,831
Fees related to loan exposures	7,683	2,976
Servicing of off-balance sheet commitments	920	837
Other income	10,753	10,134
TOTAL FEES AND COMMISSIONS INCOME	**61,977**	**54,296**

	Year ended 31.12.2019	Year ended 31.12.2018
Bank transfers - domestic and international	9,433	7,664
Servicing of accounts	1,200	971
Clearing valuable consignments	781	712
Securities transactions	52	65
Other expenses	618	497
TOTAL EXPENSES FOR FEES AND COMMISSIONS	**12,084**	**9,909**

23. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2019	Year ended 31.12.2018
Gain/(Loss) from dealing with securities reported at fair value in other comprehensive income, net	7,536	(395)
Loss from dealing with securities held for trading, net	(816)	(77)

Loss from revaluation of securities held for trading, net	(7,756)	(582)
(Loss)/Gain from dealing with securities measured at fair value in profit or loss, net	(96)	131
Gain from revaluation with securities measured at fair value in profit or loss, net	7,082	4,891
TOTAL GAIN FROM DEALING WITH SECIRITIES, NET	**5,950**	**3,968**

24. FOREIGN EXCHANGE GAINS, NET

Net gains from foreign exchange rate differences is the result of:

	Year ended 31.12.2019	Year ended 31.12.2018
Loss from foreign currency transactions, net	(697)	(629)
Gain on foreign currency revaluation, net	5,478	2,634
TOTAL FOREIGN EXCHANGE GAINS, NET	**4,781**	**2,005**

Dealing gains represent net gains arising from purchases and sales of foreign currency. Revaluation gains represent gains in BGN arising from the revaluation of assets and liabilities, denominated in foreign currency.

25. OTHER OPERATING INCOME, NET

	Year ended 31.12.2019	Year ended 31.12.2018
Income from dividends	1,469	1,253
Income from cession contracts	209	316
Income from sale of property, plant and equipment	13	49
Income from sale of collateral acquired assets	62	60
Other operating income	1,520	2,098
TOTAL OTHER OPERATING INCOME, NET	**3,273**	**3,776**

The income from cession contracts in 2019 originates from cash receivables from contracts transferred by the Bank through cession. In 2018 income from cession contracts amounted to BGN 316 thousand.

26. OPERATING EXPENSES

	Year ended 31.12.2019	Year ended 31.12.2018
Salaries and other personnel expenses	41,539	39,664
Administrative and marketing expenses	37,944	48,916
Other expenses	27,603	24,120
Depreciation/amortization	25,669	9,698
Materials and repair works	2,698	2,888
TOTAL OPERATING EXPENSES	**135,453**	**125,286**

The operating expenses include the amounts for performance of independent financial audit for 2019 and 2018 by registered auditors in the amount of BGN 1,335 thousand for 2019, including BGN 1,112 thousand for independent financial audit and BGN 223 thousand for other services, and BGN 852 thousand for 2018, including BGN 732 thousand for independent financial audit and BGN 120 thousand for other services.

27. IMPAIRMENT FOR UNCOLLECTIBILITY

Impairment costs for 2019 as per IFRS 9 are as follows:

2019	Phase 1	Phase 2	Phase 3	Total
Resources and advances to banks,	122	-	(5)	117
Receivables under repurchase agreements of securities	(886)	-	-	(886)
Granted loans and advances to customers	4,574	884	(9,972)	(4,514)
Financial assets reported at fair value in other comprehensive	(1,563)	-	-	(1,563)
Debt instruments measured at amortized cost	(239)	-	-	(239)
Total net impairment costs for uncollectibility	**2,008**	**884**	**(9,977)**	**(7,085)**

Impairment costs for 2018 as per IAS 39 are as follows:

2018	Phase 1	Phase 2	Phase 3	Total
Resources and advances to banks,	(54)	-	-	(54)
Receivables under repurchase agreements of securities	(185)	-	-	(185)

Granted loans and advances to customers	(1,740)	825	(5,445)	(6,360)
Financial assets reported at fair value in other comprehensive	(676)	-	1,830	1,154
Debt instruments measured at amortized cost	(390)	-	-	(390)
Total net impairment costs for uncollectibility	**(3,045)**	**825**	**(3,615)**	**(5,835)**

28. TAXES

Tax expenses are presented as follows:

	Year ended 31.12.2019	Year ended 31.12.2018
Current tax expenses	4,318	2,067
Deferred taxes expenses, related to the origination or reversal of temporary differences	(5)	(182)
Tax effect from reclassification in other comprehensive income from debt instruments	(463)	572
Tax effect from reclassification in other comprehensive income from capital instruments	(134)	(110)
Tax effect from reclassification in retained earnings	-	1,170
TOTAL INCOME TAX EXPENSES	**3,716**	**3,517**
Tax benefit recognized directly in other comprehensive income	597	462
Tax benefit recognized directly in retained earnings	-	1,170

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2019 and 2018. Deferred tax income and expenses result from the change in the carrying amount of deferred tax assets and liabilities. The deferred tax assets and liabilities as of December 31, 2019 and 2018 are calculated based on the tax rate of 10%, effective for 2020 and 2019.

Deferred tax assets are as follows:

	As of 31.12.2019	As of 31.12.2018
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	261	262
Liabilities for retirement benefits	86	91
Provisions for liabilities	-	31
Leases	37	-
Property, plant and equipment and intangible assets	10	5
DEFERRED TAX ASSET	**394**	**389**

Deferred tax liabilities are as follows:

	As of 31.12.2019	As of 31.12.2018
Deferred tax liabilities:		
Merge of entities during 2010	209	209
Merger of a company in 2016	61	61
DEFERRED TAX LIABILITY	**270**	**270**

The relationship between tax expense in the statement of comprehensive income and the accounting profit is as follows:

	Year ended 31.12.2019	Year ended 31.12.2018
Profit before taxes	37,958	37,287
Taxes at applicable tax rates: 10% for 2019 and 10% for 2018	3,796	3,729
Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other, net	(80)	(212)
TAX EXPENSES	3,716	3,517
EFFECTIVE TAX RATE	9.79%	9.43%

29. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2019	Year ended 31.12.2018
Net profit after taxation in thousand BGN	34,242	33,770
Weighted average number of shares	124,985,756	113,154,291
EARNINGS PER SHARE (IN BGN)	0.27	0.30

The basic earnings per share is determined by dividing the net profit for the period, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the years ended December 31, 2019 and 2018. The weighted average number of shares is calculated as the sum of the number of regular shares in circulation at the beginning of the period, adjusted by the number of redeemed or newly issued regular shares during the period multiplied by the average time factor. The average time factor is equal to the number of days the specific shares were in circulation to the total number of days during the period.

	Year ended 31.12.2019	Year ended 31.12.2018
Adjusted net profit after taxation (thousand BGN)	35,059	36,305
Weighted average number of shares	132,876,497	135,020,713
DILUTED EARNINGS PER SHARE (IN BGN)	0.26	0.27

	Year ended 31.12.2019	Year ended 31.12.2018
Weighted average number of shares used for earnings per share	124,985,756	113,154,291
Potential number of shares from issued convertible bonds	7,890,741	21,866,422
WEIGHTED AVERAGE NUMBER OF SHARES USED FOR DILUTED EARNINGS PER SHARE (BGN)	132,876,497	135,020,713

The adjusted net profit for the purpose of determining the diluted earnings per share is calculated through adjustment of the net profit for the period with the interest expenses on issued bond issue, disclosed in note 17.

	Year ended 31.12.2019	Year ended 31.12.2018
Net profit after taxation (thousand BGN)	34,242	33,770
Interest expenses on issued bond issue	817	2,535
ADJUSTED NET PROFIT AFTER TAXATION (BGN'000) USED FOR DILUTED EARNINGS PER SHARE (BGN)	35,059	36,305

30. CONTINGENT LIABILITIES

The total amount of contingent liabilities as of the year-end is as follows:

	As of 31.12.2019	As of 31.12.2018
Bank guarantees		
In BGN	36,068	32,456
In foreign currency	15,662	13,975
Impairment loss	(1)	(9)
TOTAL BANK GUARANTEES, NET	**51,729**	**46,422**
Irrevocable commitments	229,569	172,229
Impairment loss	(1,070)	(365)
TOTAL IRREVOCABLE COMMITMENTS, NET	**228,499**	**171,864**
TOTAL CONTINGENT LIABILITIES	**281,299**	**218,660**
TOTAL IMPAIRMENT LOSS	**(1,071)**	**(374)**
TOTAL CONTINGENT LIABILITIES, NET	**280,228**	**218,286**

As of December 31, 2019 and 2018 the Bank has signed contracts for granting loans to customers at the total amount of BGN 229,569 thousand and BGN 172,229 thousand, respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provided collateral of suitable quality and liquidity, etc.

31. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31.12.2019	Year ended 31.12.2018
Cash	297,026	284,084
Balances with the Central Bank	1,456,956	1,413,987
Placements with, and advances to banks with residual maturity up to 3 months	218,248	193,043
TOTAL CASH AND CASH EQUIVALENTS AS OF DECEMBER 31	**1,972,230**	**1,891,114**

32. LEASING

32.1. LEASING AS A LESSEE

32.1.1. Lease payments recognized as liabilities

	31.12.2019
Classified as:	
Non-current	33,381
Current	8,955
	42,336

The Bank rents numerous office premises in which it operates through banking offices. The Bank is also a party to leasing contracts for vehicles. With the exception of short-term leases and leases of low value assets, each lease is recognized in the statement of financial position as an asset with a right-of-use and a lease liability. Variable lease payments that are not index-dependent or variable percentages (for example, lease payments based on a percentage of the Bank's sales) are excluded from the initial measurement of the lease liability and asset. The Bank classifies its right-of-use assets in a consistent manner in its property, plant and equipment (see Note 13).

Each lease usually imposes a restriction that the right-of-use assets can only be used by the Bank unless the Bank has a contractual right to lease the asset to a third party. Leases either cannot be cancelled or can only be cancelled upon payment of significant early termination penalties.

Some lease contracts include the option to purchase the underlying lease asset directly at the end of the contract or to extend the lease contract for the next term. It is forbidden for the Bank to sell or pledge the leased assets as collateral. According to the lease contract for the office building and production premises, the Bank must maintain the leased properties in good condition and return the properties to their original condition after the lease expires. The Bank is obliged to insure the leased property, plant and equipment and to pay maintenance fees in accordance with the lease contracts.

The future minimum lease payments as of December 31, 2019 are as follows:

	Minimum lease payments due						
	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
31 December 2019							
Lease payments	10,243	7,847	5,520	4,567	4,032	16,041	48,250
Finance costs	(1,288)	(1,080)	(891)	(727)	(595)	(1,333)	(5,914)
Net present value	8,955	6,767	4,629	3,840	3,437	14,708	42,336

The Bank has chosen not to recognize a lease liabilities if they are short-term (leases with an expected term of 12 months or less) or if they are lease assets of low value. Payments made under these lease contracts are recognized as an expense on a straight-line basis. In addition, some variable lease payments cannot be recognized as lease liabilities and are recognized as an expense when incurred. Expenses for 2019 related to payments not included in the estimation of lease liabilities arising from short-term lease contracts and lease of low value assets amount to BGN 2,983 thousand.

As of December 31, 2019, the Bank has committed to short-term lease contracts and lease of low-value assets and the total amount of commitments as at that date is BGN 1,335 thousand.

Amounts recognized in profit or loss	31.12.2019
Depreciation charge on right-of-use assets	(15,794)
Interest expense on leasing liabilities	(1,291)
Costs related to short-term lease contracts and lease contracts with low-value assets	(2,983)

	Minimum lease payments due						
	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
31 December 2019							
Lease payments under contracts for which right-of-use asset is not recognized	844	227	103	43	28	90	1,335

As of 31 December 2019 the Bank commits to BGN 1,335 thousand for short-term lease contracts.

The Bank is not exposed to significant liquidity risk with respect to its lease liabilities. The lease liabilities are monitored within the framework of the Bank's Financial and Accounting Directorate. Lease liabilities are denominated in BGN and EUR

32.2. OPERATING LEASE AS LESSOR

Future minimum payments under operating lease agreements, which the Bank has entered into as lessee for rental of real estate, automobiles and other property, plant and equipment, are stated as follows:

	Minimum lease payments due						
	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
31 December 2019							
	868	478	431	381	368	1,058	3,584

Lease payments, recognized as income for the period amount to BGN 1,222 thousand. (2018: 1,326 thousand). The Bank has no individually significant leasing commitments.

32.3. DISCLOSURES AS PER IAS 17

32.3.1. Operating lease as lessee

Future minimum payments under operating lease agreements, which the Bank has entered into as lessee for rental of real estate, automobiles and other property, plant and equipment, are stated as follows:

	Payable minimum lease payments			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total
As of December 31, 2018	9,610	19,857	4,323	33,790

Lease payments, recognized as expense for the period amount to BGN 13,070 thousand.

Sublease payments or contingent rent payments were not made or received during the period. Income from subleasing is not expected to be realized since all assets acquired under operating leases are used only by the Bank.

The Bank has a number of lease contract as a lessee under fixed assets lease agreements. The Bank does not have individually significant lease commitments.

32.3.2. Operating lease as lessor

Future minimum payments under operating lease agreements, which the Bank has entered into as lessor for lending of real estate and other property, plant and equipment, are stated as follows

	Payable minimum lease payments			
	Up to 1 year	From 1 to 5 years	Over 5 years	Total
As of December 31, 2018	1,095	2,296	1,107	4,498

Lease payments, recognized as income for the period amount to BGN 1,326 thousand. The Bank does not have individually significant lease commitments.

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The risk inherent to the Bank's operations with financial instruments is the possibility that actual proceeds from owned financial instruments could differ from the estimated ones. The specifics of banking necessitate adequate systems for timely identification and management of different types of risk, whereas emphasis is put on risk management procedures, mechanisms for maintaining risk in reasonable limits, optimal liquidity and portfolio diversification. The main risk management goal is to present and analyse the types of risks, which the Bank is exposed to, in a convincing and comprehensive manner.

The risk management system has preventive functions for loss prevention and control of the amount of incurred loss and includes:

- risk management policy;
- rules, methods and procedures for assessment and risk management;
- risk management organizational structure;
- parameters and limits for transactions and operations;
- procedures for reporting, assessment, notification and subsequent control of risks.

The main underlying principles in the Bank's risk management policy are:

- separation of responsibilities between those taking the risk and those managing risk;
- the principle of caution, which presumes the consideration of the worst case scenario for each of the risk-weighted assets;
- the principle of source risk management.

The risk management organizational structure is centralized and structured in terms of competency levels as follows:

- Management Board - determines the acceptable levels of risk for the Bank within the adopted development strategy;
- Special collective bodies – prepare proposals to MB, the Executive directors and the Procurator regarding the Bank's risk management framework and activity parameters;
- Executive directors and Procurator – fulfil the general control, organize and manage the approval process and application of adequate policies and procedures within the frameworks of the risk management strategy, adopted by the Bank;
- Heads of structural units within the Bank - implement the adopted risk management policy in the organization of the activities of the respective organizational units.

The Bank's exposures in derivative financial instruments are presented at fair value and constitute transactions for the purchase and sale of foreign currency, forward contracts and foreign currency swaps on the open market. These transactions traded by the Bank for its own account are insignificant in amount and maturity length and the Bank is not exposed to significant risks originating from these instruments.

The nature and the essence of the risks, inherent to financial instruments of the Bank are as follows:

- Credit risk

- Liquidity risk
- Market risk
    - o Interest rate risk
    - o Currency risk
    - o Price risk

33.1. CREDIT RISK

Credit risk is the likelihood of a loss arising from a counterparty's failure to perform their contractual obligations on financial assets held by the bank. The bank manages the credit risk inherent for both the banking and commercial portfolio. The bank has structured credit risk monitoring and management units for the individual business segments and applies individual credit policies. The credit risk of individual exposures is managed over the lifetime of the exposure - from the decision to create the exposure to its full repayment. In order to minimize credit risk in the lending process, detailed procedures are applied for the analysis of the economic feasibility of each project, the control over the use of the allocated funds and the administration related to this activity.

To mitigate credit risk, respective collaterals and guarantees are required according to the internal credit rules, the applied approach for calculating the capital requirements and the Bulgarian legislation in effect.

Cash and balances with the Central Bank at the amount of BGN 1,753,982 thousand does not bear credit risk to the Bank due to their nature and the fact that they are at the Bank's disposal.

Placements with, and advances to banks at the amount of BGN 221,182 thousand comprise mostly deposits in international and Bulgarian financial institutions with maturity up to 7 days. Generally, according to the policy of the Bank, these financial assets bear some credit risk as its maximum exposure as per the Bank's policy can be 20%, 50% and 100%, whereas the percentage is defined based on the quality characteristics of the financial institution.

Receivables under repurchase agreements of securities at the amount of BGN 303, thousand bear credit risk for the Bank depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 30,494 thousand is secured by government securities issued by the Republic of Bulgaria and bear respectively: BGN 29,514 thousand - 0% risk and BGN 980 thousand - 25% risk. The remaining receivables amounting to BGN 272,736 thousand are secured by corporate securities and bear respectively: BGN 267,122 thousand - 100% risk and BGN 5,614 thousand - 150% risk depending on the issuer of the securities provided as collateral.

Financial assets at fair value in profit or loss at the amount of BGN 246,748 thousand represent equity instruments - shares in financial and non-financial corporations in the amount of BGN 108,079 thousand, units in mutual funds worth BGN 128,694 thousand, debt instruments in the amount of 9,947 and derivatives - BGN 28 thousand. These financial instruments are bearers of credit risk with a maximum exposure of 100% or BGN 246,748 thousand.

Equity securities at FVTOCI amounting to BGN 15,540 thousand represent shares in financial and non-financial enterprises bearing credit risk with a maximum exposure of 100% or BGN 15,540 180 thousand in absolute amount.

Debt securities at FVTOCI and issued by the Republic of Bulgaria amounting to BGN 281, thousand bear credit risk for the Bank respectively: BGN 88,964 thousand - 0% and BGN192,516 thousand.

- 25% risk. Debt securities at FVTOCI and issued by other European countries amounting to BGN 167,266 thousand bear credit risk to the Bank depending on the credit risk of the issuing state.

Debt securities at FVTOCI and issued by local and foreign commercial companies amounting to 102,006 thousand bear credit risk for the Bank with maximum exposure of 100% or BGN 100% or BGN 102,006 thousand in absolute amount.

Debt securities at amortized cost and issued by the Republic of Bulgaria, have a carrying amount of BGN 155,128 thousand and bear credit risk for the Bank of 26,291 – 0% risk, BGN 128,837 thousand 25% risk Debt securities at amortized cost and issued by other European countries have a carrying amount of BGN 135,279 thousand and bear credit risk for the Bank, depending on the issuer's credit rating.
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Debt securities at amortized cost and issued by local and foreign commercial companies with book value of BGN 20,668 thousand bear credit risk for the Bank, with maximum exposure of 100% or BGN 20,668 thousand in absolute amount.

Investments in the subsidiaries of the Bank - Central Cooperative Bank AD, Skopje, Republic of Macedonia and CCB Assets Management EAD, Sofia, Republic of Bulgaria - in the total amount of BGN 49,416 thousand bear credit risk with maximum exposure of 100 % or BGN 49,416 thousand in absolute amount.

Loans and advances granted to customers with book value of BGN 2,442,619 thousand bear credit risk to the Bank. To determine the exposure of the Bank to this risk, an analysis of the individual risk for the Bank arising from each particular exposure is performed and the Bank applies the criteria for the assessment and classification of risk exposures set out in the banking legislation of the Republic of Bulgaria and IFRS. Pursuant to these criteria and the performed analysis, the Bank's maximum exposure to credit risk amounts to BGN 1,811,551 thousand.
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As of December 31, 2019 the allocated ECL allowances for loans and advances are at the amount of BGN 77,532 thousand.

33.1.1. Quality of assets

The tables below present the structure and change of allowance for ECL originating from initial application of the ECL mode

Impairment loss – Loans and advances granted to banks at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment loss at December 31,2018	159	-	3,889	4,048
Change in impairment loss	(122)	-	5	(117)
Accumulated for the period	19	-	5	24
Released during the period	(141)	-	-	(141)
Write-offs	-	-	(3,918)	(3,918)
Currency and other movements	-	-	24	24
Impairment loss at December 31, 2019	37	-	-	37
Impairment loss – Receivables under repurchase agreements of securities	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Impairment loss at December 31, 2018	208	-	-	208
Change in impairment loss	886	-	-	886
Accumulated for the period	1,094	-	-	1,094
Derecognised for the period	(208)	-	-	(208)
Impairment loss at December 31, 2019	1,094	-	-	1,094

Impairment loss – Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment loss at December 31,2018	12,803	1,504	99,002	113,309
Change in impairment loss recognised in Profit and loss	(2,072)	(1,281)	7,867	4,514
– Transfer to Stage 1	881	(602)	(279)	-
– Transfer to Stage 2	(75)	237	(162)	-
– Transfer to Stage 3	(245)	(17)	262	-
– Increase due to change in credit risk	157	102	1,249	1,508
– Decrease due to change in credit risk	(2,566)	(983)	(1,122)	(4,671)
– Increase due to originated or purchased assets	2,454	6	27	2,487
– Change in risk parameters	(2,678)	(24)	7,892	5,190
– Decrease due to derecognition for uncollectibility	-	-	(1,479)	(1,479)
– Decrease due to derecognition for transfer	-	-	(36,517)	(36,517)
– Interest income adjustment	-	-	(2,567)	(2,567)
– Currency differences and other adjustments	-	-	272	272
Impairment loss at December 31, 2019	10,731	223	66,578	77,532
Impairment loss – Investments in debt securities at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment loss at December 312018	390	-	-	390
Change in impairment loss	239	-	-	239
Accumulated for the period	282	-	-	282
Derecognised for the period	(43)	-	-	(43)
Impairment loss at December 312019	629	-	-	629

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment loss at December 312018	1,706	-	-	1,706
Change in impairment loss	1,473	-	-	1,437
Accumulated for the period	1,779	-	-	1,779
Derecognised for the period	(306)	-	-	(306)
Impairment loss at December 312019	3,179	-	-	3,179

Impairment loss – Loan commitments	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment loss at December 31,2018	321	2	42	365
Change in impairment loss	649	(2)	58	705
Accumulated for the period	1,429	11	127	1,567
Derecognised for the period	(780)	(13)	(69)	(862)
Currency and other movements	52	2	(54)	-
Impairment loss at December 31,2019	1,022	2	46	1,070

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment loss at December 31,2018	9	-	-	9
Change in impairment loss	(8)	-	-	(8)
Accumulated for the period	1	-	-	1
Derecognised for the period	(9)	-	-	(9)
Impairment loss at December 31,2019	1	-	-	1

The tables below present the structure and change of gross amounts by categories

Carrying amount before impairment – Loans and advances granted to banks at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at 31 December 2018	222,265	-	3,889	226,154
Change in the gross carrying amount	(1,046)	-	5	(1,041)
Increase for the period	118,498	-	5	118,503
Decrease for the period	(119,544)	-	-	(119,544)
Write-offs	-	-	(3,918)	(3,918)
Other movements	-	-	24	24
Gross carrying amount at 31 December 2019	221,219	-	-	221,219
Impairment loss at December 31,2019	(37)	-	-	(37)
Carrying amount at 31 December 2019	221,182		-	221,182

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at 31 December 2018	256,806	-	-	256,806
Change in the gross carrying amount	47,518	-	-	47,518
Increase for the period	304,324	-	-	304,324
Decrease for the period	(256,806)	-	-	(256,806)
Gross carrying amount at 31 December 2019	304,324	-	-	304,324
Impairment loss at December 31,2019	(1,094)	-	-	(1,094)
Carrying amount at 31 December 2019	303,230	-	-	303,230

Loans and advances granted to customers at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at 31 December 2018	2,053,400	120,028	197,953	2,371,381
Change in the gross carrying amount	240,575	(97,328)	45,814	189,061
– Transfer to Stage 1	49,638	(48,886)	(752)	-
– Transfer to Stage 2	(20,070)	20,918	(848)	-
– Transfer to Stage 3	(30,337)	(847)	31,184	-
– Increase due to change in credit risk	1,486	105	359	1,950
– Decrease due to change in credit risk	(306,113)	(68,176)	(1,919)	(376,208)
– Increase due to originated or purchased assets	661,956	227	25,620	687,803
– Change in risk parameters	(115,985)	(669)	(7,830)	(124,484)
– Decrease due to write-off for uncollectibility	-	-	(1,479)	(1,479)
– Decrease due to write-off for transfer	-	-	(36,517)	(36,517)

– Interest income adjustment	-	-	(2,567)	(2,567)
– Currency differences and other adjustments	-	-	272	272
Gross carrying amount at 31 December 2019	2,293,975	22,700	203,476	2,520,151
Impairment loss at December 31,2019	(10,731)	(223)	(66,578)	(77,532)
Carrying amount at 31 December 2019	2,283,244	22,477	136,898	2,442,619

Carrying amount before impairment Investments in debt securities at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at 31 December 2018	262,957	-	-	262,957
Change in the gross carrying amount	48,747	-	-	48,747
Increase for the period	61,829	-	-	61,829
Decrease for the period	(13,082)	-	-	(13,082)
Gross Carrying amount at 31 December 2019	311,704	-	-	311,704
Impairment loss at December 31,2019	(629)	-	-	(629)
Carrying amount at 31 December 2019	311,075	-	-	311,075

Carrying amount before impairment – Financial assets at fair value through OCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at 31 December 2018	502,607	-	-	502,607
Change in the gross carrying amount	63,595	-	-	63,595
Increase for the period	321,946	-	-	321,946
Decrease for the period	(258,351)	-	-	(258,351)
Gross carrying amount at 31 December 2019	566,202	-	-	566,202
Impairment loss at December 31,2019 recognized in equity	(3,179)	-	-	(3,179)

Loan commitments	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total amount of loan commitments at 31 December 2018	171,405	401	423	172,229
Change in the amount of loan commitments	57,690	(90)	(260)	57,340
Increase for the period	99,479	88	94	99,661
Decrease for the period	(41,789)	(178)	(354)	(42,321)
Other movements	(279)	(11)	290	-
Total amount of loan commitments at 31 December 2019	228,816	300	453	229,569
ECL allowance at December at 31 December 2019	(1,022)	(2)	(46)	(1,070)

Financial guarantee contracts	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Tota
Total amount of guarantees at 31 December 2018	46,431	-	-	46,431
Change in the gross carrying amount	5,299	-	-	5,299
Increase for the period	18,818	-	-	18,818
Decrease for the period	(13,519)	-	-	(13,519)
Total amount of guarantees at December 31, 2018	51,730	-	-	51,730
ECL allowance at December at 31 December 2019	(1)	-	-	(1)

Impairment loss by asset type	2019	2018
Loans and advances granted to banks at amortised cost	(37)	(4,048)
Receivables under repurchase agreements of securities	(1,094)	(208)
Loans and advances granted to customers at amortised cost	(77,532)	(113,309)
Investments in debt securities at amortised cost	(629)	(390)
Financial assets at fair value through OCI	(3,269)	(1,706)
	(82,561)	(119,661)

Loans and advances granted to customers	2019 Gross carrying amount	Impairment loss	2018 Gross carrying amount	Impairment loss
0-29 days	2,237,347	(11,056)	2,144,447	(32,130)
30-59 days	101,567	(488)	28,082	(451)
60-89 days	2,210	(53)	1,801	(84)
90-180 days	8,870	(614)	1,823	(656)
Over 181 days	170,157	(65,321)	195,228	(79,988)
Total	2,520,151	(77,532)	2,371,381	(113,309)

	2019	2018
Loans and advances granted to customers at amortised cost	2,520,151	2,371,381
Less impairment for uncollectibility	(77,532)	(113,309)
Total loans and advances granted to customers	**2,442,619**	**2,258,072**

	31.12.12019			31.12.2018		
	Gross carrying amount	ECL impairment	Carrying amount	Gross carrying amount	ECL impairment	Carrying amount
Retail banking						
Mortgages	460,044	(1,606)	458,438	363,541	(591)	362,950
Consumer loans	466,874	(9,039)	457,835	441,787	(8,691)	433,096
Credit cards	21,236	(2,006)	19,230	21,804	(1,497)	20,307
Other	2,405	(2,228)	177	9,074	(8,591)	483
Total retai banking	**950,559**	**(14,879)**	**935,680**	**836,206**	**(19,370)**	**816,836**
Corporate lending	1,569,592	(62,653)	1,506,939	1,535,175	(93,939)	1,441,236
Total	2,520,151	(77,532)	2,442,619	2,371,381	(113,309)	2,258,072

	2019				2018
Placements with, and advances to, banks at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Category	221,219	-	-	221,219	226,154
Total gross carrying amount	221,219	-	-	221,219	226,154
Impairment loss	(37)	-	-	(37)	(4,048)
Carrying amount	221,182	-	-	221,182	222,106

	2019				2018
Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Category					
Total gross carrying amount	304,324	-	-	304,324	256,806
Impairment loss	304,324	-	-	304,324	256,806
Carrying amount	(1,094)	-	-	(1,094)	(208)
Receivables under repurchase agreements of securities	303,230	-	-	303,230	256,598

	2019				2018
Loans and advances at amortised cost granted to customers	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Category	2,293,975	22,700	203,476	2,520,151	2,371,381
Total gross carrying amount	2,293,975	22,700	203,476	2,520,151	2,371,381
Impairment loss	(10,731)	(223)	(66,578)	(77,532)	(113,309)
Carrying amount	2,283,244	22,477	136,898	2,442,619	2,258,072

	2019				2018
Investments in debt securities at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Category	311,704	-	-	311,704	262,957
Total gross carrying amount	311,704	-	-	311,704	262,957
Impairment loss	(629)	-	-	(629)	(390)
Carrying amount	311,075	-	-	311,075	262,567

Financial assets at FVTOCI	2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	2018 Total
Category	566,202	-	-	566,292	502,607
Total gross carrying amount	566,202	-	-	566,292	502,607
Impairment loss recognized in equity	(3,179)	-	-	(3,179)	(1,706)

Loan commitments	2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	2018 Total
Category	228,816	300	453	229,569	172,229
Total gross carrying amount	228,816	300	453	229,569	172,229
Expected credit loss allowance	(1,022)	(2)	(46)	(1,070)	(365)

Financial guarantee contracts	2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	2018 Total
Category	51,730	-	-	51,730	46,431
Total gross carrying amount	51,730	-	-	51,730	46,431
Expected credit loss allowance	(1)	-	-	(1)	(9)

33.1.2. Credit risk concentration

Credit risk concentration refers to the loss probability due to poor diversification of exposure to customers, groups of related customers, customers from one and the same economic sector or geographical region.

The tables below present the concentration split of different asset categories of the Bank by region and by economic sector.

Placements with, and advances to, banks at amortised cost	2019	2018
Concentration by sector		
Central banks	2,180	926
Bulgarian commercial banks	55,982	52,292
Foreign commercial banks	163,057	172,936
Total	**221,219**	**226,154**
Concentration by region		
Europe	217,352	223,812
America	406	2,286
Asia	3461	56
Total	**221,219**	**226,154**

Receivables under repurchase agreements of securities	2019	2018
Corporate:	304,324	256,806
Construction	38,188	31,036
Commerce and finance	202,874	176,983
Transport and communications	20,571	13,104
Other	42,691	35,683
Total	**304,324**	**256,806**
Concentration by region		
Europe	304,324	256,806
Total	**304,324**	**256,806**

Investments in debt securities at amortised cost	2019	2018
Concentration by sector		
States	290,998	245,183
Bank	9,810	9,810
Corporate:		
Commerce and finance	10,896	7,964
Total	**311,704**	**262,957**
Concentration by region		
Europe	302,054	262,957
Asia	9,650	-

Total	**311,704**	**262,957**

Investments in debt securities at FVTOCI	2019	2018
Concentration by sector		
Countries	448,746	415,562
Corporate::	102,096	75,865
Construction	10,118	9,635
Industry	16,772	19,351
Commerce and finance	63,029	43,570
Other	12,177	3,309
Total	**550,842**	**491,427**
Concentration by region		
E	550,842	491,427
Total	**550,842**	**491,427**

Loans and advances at amortised cost granted to customers	2019	2018
Concentration by sector		
Retail Banking:	950,559	836,206
Mortgage	460,044	363,541
Consumer	466,874	441,787
Credit cards	21,236	21,804
Other	2,405	9,074
Corporate::	1,569,592	1,535,175
Agriculture and forestry	89,866	72,761
Industry	40,096	44,314
Construction	461,243	387,568
Commerce and finance	736,230	783,865
Transport and communications	135,823	120,398
Other	106,334	126,269
Total	**2,520,151**	**2,371,381**
Concentration by region		
Europe	2,520,082	2,370,645
America	5	733
Asia	64	3
Total	**2,520,151**	**2,371,381**

Credit commitments	2019	2018
Concentration by sector		
Retail banking:	48,448	48,101
Mortgage	1,233	792
Consumer	7,657	7,287
Credit cards	39,558	40,022
Corporate::	181,121	124,128
Agriculture and forestry	13,829	3,275
Industry	599	713
Construction	37,234	42,022
Commerce and finance	120,909	72,409
Transport and communications	3,347	1,964
Other	5,203	3,745
Total	**229,569**	**172,229**
Concentration by region		
Europe	229,535	172,191
America	34	34
Middle East and Africa	-	4
Total	**229,569**	**172,229**

Financial guarantee contracts	2019	2018
Concentration by sector		
Retail banking:	109	103
Others:	109	103
Corporate::	51,621	46,328

Agriculture and forestry	969	3,621
Industry	10,527	10,379
Construction	5,584	3,487
Commerce and finance	22,549	18,814
Transport and communications	7,200	4,022
Other	4,792	6,005
Total	**51,730**	**46,431**
Concentration by region		
Europe	51,730	46,431
Total	**51,730**	**46,431**

Credit exposures with restructuring measures

The Bank accepts as exposures for restructuring those loan exposures on which the initial contractual terms have been changed due to deterioration of the debtor's financial position, which leads to impossibility to repay on time the full amount of the debt, and which compromise the Bank would not make in other circumstances.

The changes to the initial contract terms in case of restructuring measures may include:

- Postponing or rescheduling the payment of principal, interest or, where applicable, fees, resulting in a reduction in the amount of the financial liability;
- Partial or total refinancing of a troubled debt contract that is only allowed when the debtor is in financial difficulties;
- Full or partial write-off of debt, leading to a reduction in the amount of the financial liability;
- An amendment involving repayments resulting from a collateral acquisition by the Bank is treated as a restructuring measure when the debtor is in financial difficulty;
- Granted rebates to a debtor who has been in default before granting the rebates;
- Decrease of the interest rate on the contract, except for change of the interest rate originated by changes in market interest rates.

The information of loan exposures for restructuring is as follows:

2019	Corporate customers	Individuals
Amount before impairment	112,174	1,930
Impairment	(38,551)	(639)
Amount after impairment	73,623	1,291
2018	**Corporate customers**	**Individuals**
Amount before impairment	89,014	1,466
Impairment	(40,614)	(595)
Amount after impairment	48,400	871

Collaterals on loans granted

Housing mortgage loans to individuals

The table below presents the carrying amount of reported housing mortgage loans to individuals based on loan-to-value ratio. The ratio is calculated as a correlation of the gross amount of loan exposure to the collateral value. Collateral value on housing mortgage loans is determined upon loan granting and is updated in case of significant changes in the prices of real estate market.

Loan-to-value	2019	2018
Below 50%	109,620	80,147
From 50% to 75%	190,990	146,880
From 75% to 90%	151,063	119,089
From 90% to 100%	6,097	11,972
Above 100%	2,274	5,453
Total	**460,044**	**363,541**

Loans granted to legal entities

With regard to loans granted to legal entities, the Bank determines the creditability of each client as a most appropriate indicator for risk exposure. Therefore, the Bank has adopted an approach for individual credit evaluation and test of impairment of loans granted to companies. For additional security purposes along with the regular monitoring of the financial position of the companies-borrowers, the Bank requires collaterals on credit exposures to be established. The Bank accepts loans to companies to be secured by mortgages on real estates, pledges on going concern, special pledges on tangible assets, as well as other guarantees and titles.

The Bank analyses and updates on a regular basis the collateral value considering any significant changes in the market environment, regulatory framework and other circumstances incurred. If there is a decrease in the collateral value, as a result of which the Bank believes it is no more sufficient, the borrower is required to establish further collaterals within a given term.

33.1.3. Capital risk

Capital risk measures the coverage of a bank's risk assets with capital in order to meet the regulatory requirements for the Bank's operations, strategic development and planned growth.

The minimum capital ratios for the Bank are set by BNB and Regulation No. 575/2013, with the Bank historically maintaining higher capital ratios than the minimum threshold.

Capital risk management is concentrated in the Bank's Risk Committee and the Management Board's decisions insofar as all capital reports for internal and supervisory purposes are dealt with by the two bodies that take all decisions concerning the allocation of capital resources and the institution's risk appetite

The Bank's capital management policies aim at maintaining a quantitatively and qualitatively sufficient capital to meet the bank's risk profile, regulatory and business needs. Capital ratios are continuously monitored against regulatory limits, with any deviation from adequacy levels reported at any time to the Bank's Management to support strategic and day-to-day business decision-making.

The Bank's equity (Capital Base) consists of Tier 1 and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital (CET1) - this is the most important capital for the banking institution. Its composition includes: share capital - ordinary shares, premium reserve, retained earnings, other reserves after adjustment for intangible assets and other regulatory adjustments relating to items that are included in the equity but are treated differently for the purpose of determining capital adequacy.

In accordance with the requirements of the regulatory body in the Republic of Bulgaria - Bulgarian National Bank, Central Cooperative Bank AD makes separate public disclosure of the elements of the capital for supervisory purposes and the supervisory indicators for capital coverage of the risks in its activity, within the relevant terms, required by the supervisory body.

33.2. LIQUIDITY RISK

Liquidity risk arises from the mismatch of the assets' and liabilities' maturity and the lack of sufficient funds for the Bank to meet its obligations on its current financial liabilities, as well as to provide funding for the increase in financial assets and the potential claims on off-balance sheet commitments.

Adequate liquidity is achieved if the Bank is able to provide enough funds for the above purposes by increasing liabilities and transforming assets as soon as possible and at relatively low costs through potential sale of liquid assets or attraction of additional funds from cash, capital or currency markets. The preventive function of liquidity risk management consists in maintaining a reasonable level of liquidity to avoid potential loss from unexpected sale of assets.
The special collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It applies the policy on liquidity risk management adopted by the Bank.

Quantity measure of the liquidity risk in accordance with the regulations of Bulgarian National Bank and European Banking Authority is the liquidity coverage ratio, LCR. This ratio represents the excess of the liquidity buffer (liquid assets) of the Bank over the net liquid outflows.

LCR of CCB AD as of December 31.2019 amounts to 556.59% (31.12.2018: 573.09%) and exceeds the regulatory threshold of 100%.

The allocation of the Bank's financial assets and liabilities as of December 31, 2019, according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with the Central bank	1,753,982	-	-	-	-	1,753,982
Placements with and advances to banks	218,263				2,919	221,182
Receivables under repurchase agreements	97,242	155,624	50,364	-	-	303,230
Financial assets at fair value in profit or loss	4,217	-	232,584	-	9,947	246,748
Loans and advances to customers, net	56,447	72,572	273,864	1,225,794	813,942	2,442,619
Financial assets at fair value through other comprehensive income	1,991	-	877	247,599	315,825	566,292
Financial assets at amortized cost	-	-	-	96,990	214,085	311,075
TOTAL FINANCIAL ASSETS	2,132,142	228,196	557,689	1,570,383	1,356,718	5,845,128
FINANCIAL LIABILITIES						
Deposits from banks	26,162	-	-	-	-	26,162
Amounts owed to other depositors	2,529,899	344,486	1,067,931	1,475,928	4,010	5,422,254
Issued bonds	-	-	-	25,424	-	25,424
Provisions	-	-	1,071	-	-	1,071
Other liabilities	20,783	1,479	6,654	18,673	14,707	62,296
TOTAL FINANCIAL LIABILITIES	**2,576,844**	**345,965**	**1,075,656**	**1,520,025**	**18,717**	**5,537,207**

The allocation of the Bank's financial assets and liabilities as of December 31, 2018, according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with the Central bank	1,698,071	-	-	-	-	1,698,071
Placements with and advances to banks	193,043	-	-	29,063	-	222,106
Receivables under repurchase agreements	34,741	129,535	92,322	-	-	256,598

Financial assets at fair value in profit or loss	2,985	-	198,440	-	-	201,425
Loans and advances to customers, net	69,284	44,322	217,630	1,266,353	660,483	2,258,072
Financial assets at fair value through other comprehensive income	18,916	25,146	8,960	229,219	220,366	502,607
Financial assets at amortized cost	11,217	-	-	52,138	199,212	262,567
TOTAL FINANCIAL ASSETS	2,028,257	199,003	517,352	1,576,773	1,080,061	5,401,446
FINANCIAL LIABILITIES						
Deposits from banks	40,440	-	-	-	-	40,440
Amounts owed to other depositors	2,300,164	346,321	1,073,309	1,289,285	4,660	5,013,739
Issued bonds	-	-	-	25,343	-	25,343
Provisions	-	-	690	-	-	690
Other liabilities	9,147	-	109	455	461	10,172
TOTAL FINANCIAL LIABILITIES	**2,349,751**	**346,321**	**1,074,108**	**1,315,083**	**5,121**	**5,090,384**

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – deposits from individuals and legal entities.

The tables above feature part of the attracted funds in current accounts without residual maturity amounting to BGN 1,469,846 thousand as of December 31, 2019 (2018: BGN 1,282,673 thousand.) and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2019 and 2018.

33.3. MARKET RISK

Market risk is the risk, at which it is possible that the changes in the market prices of the financial assets, the interest rates or the currency rates have an unfavourable effect on the result of the Bank activity. Market risk arises on opened exposures on interest, currency and capital instruments, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Bank in accordance with risk limits, stipulated by the Management.

33.3.1. Interest rate risk

Interest rate risk is the possibility of potential fluctuation of the net interest income or the net interest rate margin, due to changes in the general market interest rates. The Bank manages its interest rate risk through minimizing the risk of decrease of the net interest income resulting from changes in the interest rates.

For measurement and evaluation of the interest rate risk, the Bank applies the method of the GAP analysis (analysis of mismatch/imbalance). The sensitivity of the expected income and expenses toward the interest rate development is identified through this analysis.

The method of the GAP analysis aims to determine the Bank position, in total and separately by financial assets and liabilities types, regarding expected changes in interest rates and the influence of this change on the net interest income. It helps the management of the assets and liabilities and is an instrument for assurance of sufficient and stable net interest rate profitability.

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2018 is negative and amounts to BGN 1,635,035 thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 39.49%.

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Placements with, and advances to, banks	218,263	-	-	-	2,919	221,182
Receivables under repurchase agreements of securities	97,242	155,624	50,364	-	-	303,230
Financial assets at fair value through profit or loss	-	-	-	-	9,947	9,947
Loans and advances to customers	56,447	72,572	273,864	1,225,794	813,942	2,442,619
Financial assets at FVTOCI	1,991	-	877	232,059	315,825	550,752
Financial assets at amortised cost	-	-	-	96,990	214,085	311,075
TOTAL INTEREST-BEARING ASSETS	373,943	228,196	325,105	1,554,843	1,356,718	3,838,805
INTEREST-BEARING LIABILITIES						
Deposits from banks	26,162	-	-	-	-	26,162
Liabilities to other depositors	2,529,899	344,486	1,067,931	1,475,928	4,010	5,422,254
Issued bonds	-	-	-	25,424	-	25,424
TOTAL INTEREST-BEARING LIABILITIES	2,556,061	344,486	1,067,931	1,501,352	4,010	5,473,840
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	**(2,182,118)**	**(116,290)**	**(742,826)**	**53,491**	**1,352,708**	**(1,635,035)**

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2018 is negative and amounts to BGN (1,588,751) thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 42.34%.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	193,043	-	-	29,063	-	222,106
Receivables under repurchase agreements of securities	34,741	129,535	92,322	-	-	256,598
Financial assets held for trading	1	-	-	-	-	1
Loans and advances to customers	69,284	44,322	217,630	1,266,353	660,483	2,258,072
Financial assets at FVTOCI	18,916	25,146	8,960	218,039	220,366	491,427
Financial assets at amortised cost	11,217	-	-	52,138	199,212	262,567
TOTAL INTEREST-BEARING ASSETS	327,202	199,003	318,912	1,565,593	1,080,061	3,490,771
INTEREST-BEARING LIABILITIES						
Deposits from banks	40,440	-	-	-	-	40,440
Liabilities to other depositors	2,300,164	346,321	1,073,309	1,289,285	4,660	5,013,739
Issued bonds	-	-	-	25,343	-	25,343
TOTAL INTEREST-BEARING LIABILITIES	**2,340,604**	**346,321**	**1,073,309**	**1,314,628**	**4,660**	**5,079,522**
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	**(2,013,402)**	**(147,318)**	**(754,397)**	**250,965**	**1,075,401**	**(1,588,751)**

The maintenance of negative imbalance exposes the Bank to risk of decrease of the net interest income when interest rates increase. The effect of the imbalance, reported as of December 31, 2019 on the net interest income, with forecast for 2% increase in interest rates in a period of one year is decrease of the net interest income by BGN 3,921 thousand (2018: BGN 3,285 thousand.).

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 1,469,846 thousand. as of December 31, 2019 and BGN 1,282,673 thousand as of December 31, 2018 and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2019 и 2018.

33.3.2. Foreign currency risk

Foreign currency risk is the risk for the Bank to realize loss as a result of fluctuations in the foreign exchange rates.

In the Republic of Bulgaria the rate of the Bulgarian lev to the Euro is fixed by the Currency Board Act due to which the Bank's long position in EUR does not bear risk for the Bank.

The risk-weighted net currency position as of December 31, 2019 in financial instruments, denominated in other currencies, different from BGN or EUR is below 2% of the capital base and capital requirements for currency risk shall not be applied by the Bank.

Due to the low amount of this position, the potential effect of exchange rate changes will not result in significant effects on equity and therefore the risk-weighted effect on equity will be below the materiality threshold for the Bank and the regulatory framework - Regulation (EU) 575/2013.

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2019 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	40,134	27,258	82,114	71,676	221,182
Receivables under repurchase agreements of securities	302,250	980	-	-	303,230
Financial assets held for trading	190,464	11,984	25	44,275	246,748
Financial assets at FVTPL	1,686,109	753,341	209	2,960	2,442,619
Loans and advances to customers	145,782	412,701	7,521	288	566,292
Financial assets at FVTOCI	26,291	284,784	-	-	311,075
Financial assets at amortised cost	3,200	46,216	-	-	49,416
TOTAL FINANCIAL ASSETS	**2,394,230**	**1,537,264**	**89,869**	**119,199**	**4,140,562**
FINANCIAL LIABILITIES					
Deposits from banks	10,006	14,054	657	1,445	26,162
Amounts owed to other depositors	3,816,507	1,311,761	196,728	97,258	5,422,254
Issued bonds	-	25,424	-	-	25,424
TOTAL FINANCIAL LIABILITIES	**3,826,513**	**1,351,239**	**197,385**	**98,703**	**5,473,840**
NET POSITION	**(1,432,283)**	**186,025**	**(107,516)**	**20,496**	**(1,333,278)**

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2018 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	23,024	29,272	101,711	68,099	222,106
Receivables under repurchase agreements of securities	205,184	51,414	-	-	256,598
Financial assets held for trading	164,359	2,113	27	34,926	201,425
Financial assets at FVTPL	1,506,890	743,638	3,784	3,760	2,258,072
Loans and advances to customers	108,433	389,249	4,925	-	502,607
Financial assets at FVTOCI	-	262,567	-	-	262,567
Financial assets at amortised cost	3,200	46,216	-	-	49,416
TOTAL FINANCIAL ASSETS	2,011,090	1,524,469	110,447	106,785	3,752,791
FINANCIAL LIABILITIES					
Deposits from banks	6,162	30,896	2,437	945	40,440
Amounts owed to other depositors	3,480,223	1,241,679	200,431	91,406	5,013,739
Issued bonds	-	25,343	-	-	25,343
TOTAL FINANCIAL LIABILITIES	3,486,385	1,297,918	202,868	92,351	5,079,522
NET POSITION	(1,475,295)	226,551	(92,421)	14,434	(1,326,731)

33.3.3. Price risk

Price risk is related to changes in market prices of the financial assets and liabilities, for which the Bank can suffer a loss. The main threat for the Bank is the decrease of the market prices of its instruments at FVTPL, which could lead to a slump in the net profit. The Bank does not have material exposures in derivative instruments, based on equity instruments or indices, so its exposure to price risk is related to the carrying amount of equity instruments and shares in mutual funds from the portfolio of financial assets at FVTPL, at the total amount of BGN 236,773 thousand (2018: BGN 201,369 thousand.).

34. INFORMATION REGARDING THE FAIR VALUE OF THE ASSETS AND LIABILITIES

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, whether that price is directly regardless of whether that price is directly observable or estimated using another valuation technique. Sufficient market experience, stability and liquidity do not currently exist for purchases and sales of loans and advances to customers and for some other assets and liabilities, for which published market information is not easily accessible. Accordingly, their fair values cannot be reliably determined. Management considers that their carrying amounts are the most valid and useful reporting amounts under these circumstances.

The fair value of the financial assets and liabilities at fair value is distributed in accordance with the hierarchy of the fair values as of December 31, 2019 and 2018, is as follows:

2019	Carrying amount	Level 1 – quoted market price	Level 2 – Valuation techniques of observed market levels	Level 3 – Valuation techniques of non-observed market levels
ASSETS				
Financial assets at FVTPL	246,748	195,393	1,702	49,653
- derivatives	28	-	28	-
- debt securities	9,947	-	-	9,947
- equity securities	236,773	195,393	1,674	39,706
Financial assets at FVTOCI	566,292	546,071	7,975	12,246
- debt securities	550,752	542,777	7,975	-
- equity securities	15,540	3,294	-	12,246
TOTAL ASSETS	813,040	741,464	9,677	61,899
LIABILITIES				
Derivative financial instruments	10,079		10,079	-
TOTAL LIABILITIES	10,079		10,079	-

2018	Carrying amount	Level 1 – quoted market price	Level 2 – Valuation techniques of observed market levels	Level 3 – Valuation techniques of non-observed market levels
ASSETS				
Financial assets at FVTPL	201,425	154,471	12,109	34,845
- derivatives	56	-	56	-
- debt securities	1	1	-	-
- equity securities	201,368	154,470	12,053	34,845
Financial assets at FVTOCI	502,607	439,590	13,909	49,108
- debt securities	491,427	438,144	13,909	39,374
- equity securities	11,180	1,446	-	9,734
TOTAL ASSETS	704,032	594,061	26,018	83,953
LIABILITIES				
Derivative financial instruments	1,272	-	1,272	-
TOTAL LIABILITIES	1,272	-	1,272	-

35. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has concluded a number of related party transactions. As connected, the Bank considers related parties those parties where one of the parties is able to control or exercise significant influence over the other in making financial and operational decisions, and in cases where both parties are under common control. The Bank has performed transactions with the following related parties: Parent company, entities under common control, Subsidiaries, key management personnel of the Bank or of the principal shareholder, which transactions are related to granting of loans, issuing of guarantees, attracting cash, realization of repo deals, etc. All transactions are concluded in the ordinary course of the Bank's business and do not differ from market conditions, as loans are granted and guarantees are issued only if proper collateral is available.

As of December 31, 2019 and 2018 the Bank has receivables from, payables and contingent commitments to related parties as follows:

Related parties and balances	Balance as of 31.12.2019	Balance as of 31.12.2018
Parent company		
Deposits received	14	91
Companies under common control		
Loans granted	44,107	49,281
Guarantees issued	4,534	4,778
Repo deals	-	11,316
Other receivables	679	599
Other payables	1	1
Deposits received	29,315	43,947
Deposits granted	3,626	3,725
Issued bonds	258	258
Subsidiary		
Deposits received	1,177	1,237
Deposits granted	352	3,354
Bond received	9,947	-
Key management personnel of the Bank or its main shareholder		
Loans granted	989	1,939
Other receivables	8	8
Deposits received	4,551	3,870

Income and expenses realized by the Bank in 2019 and 2018 from transactions with related parties

are as follows:

Related parties and transactions	Turnover in 2019	Turnover in 2018
Parent company		
Income from fees and commissions	1	1
Companies under common control		
Interest income	2,129	3,821
Income from fees and commissions	1,405	1,123
Income from services	264	287
Interest expense	(620)	(1,384)
Expenses for services	(7,537)	(4,609)
Expenses for fees and commissions	-	(1)
Subsidiaries		
Interest expense	-	(1)
Interest income	171	12
Income from fees and commissions	7	4
Expenses for fees and commissions	(2)	(1)
Dividends	1,056	1,101
Income from services	140	183
Key management personnel of the Bank or its main shareholder		
Interest income	5	12
Income from fees and commissions	8	8
Income from services	1	-
Interest expense	(3)	(2)
Expenses for services	(168)	(168)

The remuneration of the members of the Supervisory Board which include short-term employee benefits paid in 2019, are at the total amount of BGN 504 thousand (2018: BGN 530 thousand.). The remunerations of the members of the Management Board which include short-term employee benefits paid in 2019, are at the total amount of BGN 504 thousand. (2018: 519 thousand).

36. OTHER REGULATORY DISCLOSURES

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, banks are required to make certain quantitative and qualitative disclosures related to major financial and other indicators separately from the business originating from Republic of Bulgaria, countries part of the European Union and third countries in which the Bank has active subsidiaries and/or branches.

As disclosed in note 1, Central Cooperative Bank AD carries out its activities based on banking license issued by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

The Bank has obtained bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks.

The summarized quantitative indicators in connection with the obligatory disclosers required by the Law on Credit Institutions are as follows:

	Republic of Bulgaria		Republic of Cyprus	
	2019	2018	2019	2018
Operating income	181,092	168,323	100	252
Financial result before tax	38,539	37,448	(581)	(161)
Tax expense	(3,716)	(3,517)	-	-
Return on assets (%)	0.57	0.60	(19.87)	(6.80)
Full Time Employees as of December 31	1,738	1,965	5	5
Received government grants	-	-	-	-

37. EVENTS AFTER THE REPORTING PERIOD

No adjusting events have occurred between the date of the financial statements and the date of their approval for issuance.

In connection with the coronavirus infection epidemics (COVID-19) and related changes in business relationships between the entities a material non-adjusting event has occurred for the Bank for the period after the reporting date until the date of issuance of these financial statements. The effects of this non-adjusting event have not led to restated estimates, changes in the parameters of assessment models for expected credit loss (ECL) and do not lead to change in the classification or business model of the financial assets as of the date of the financial statements.

In connection with the announced state of emergency and employees protection measures and the restriction of movement of people imposed by the National Operational Headquarter the Bank's management activated a Plan for activity continuality. In accordance with the measures under the Plan the Bank divided the employees of the Headquarter into two locations ensuring full coverage of its critical functions and not expecting to suffer any hardship or activity discontinuance. The Bank undertook measures for physical protection of its employees exposed to direct risk of infection in the Bank's vestibules complying with the respective government directions – supply of personal protective means, limitation of people concentration in less than two meters from each other, assembling transparent protective screens in the points of contact, industrial disinfection of the Bank's premises twice a day, etc. In the bigger cities in the country the Bank implemented rotational work model at the separate points of sale, thus ensuring continuous capacity even in case of employee infection.

With a view to the dynamic measures for restriction of movement of people and the changes caused by this taken by various governments, incl. the Bulgarian, which directly affect the development of the economic sectors of the Republic of Bulgaria, EU countries and other trading partners of companies in the country, the Bank's management is not able to assess the impact of coronavirus pandemic on the Bank's future financial position and results of operations, but believes that the impact may lead to volatility in the market and price risks associated with the Bank's financial assets and may have a negative effect on the activities of the borrowers and, respectively, the results of the Bank's activities. The more important economic sectors that will be affected by the restrictive measures following the pandemic and to which the Bank has credit exposure are: tourism, construction, wholesale and retail, transport. Management expects that the negative effects will fade away after cancelling the restrictions for movement of people, vehicles and goods and the economic activity is expected to be positively influenced by the announced supporting measures and the allocated additional government and European funds leading to additional public guarantees of receivables portfolios, additional interest free funding of companies and direct financial aid for the affected entities and individuals. As far as these measures are supplemented and expanded daily, Bank's management is not able to assess the final effect on the economic activity, depending also on the continuance of the quarantine restrictions which is so far unknown.

As the Bank's liquidity assets exceed many times the regulatory requirements and currently the bank's liquidity buffers are unaffected Management does not expect to be dependent on financing as a result of the coronavirus pandemic.

The Bank's management believes that the ability of the Bank to continue its operations under the going concern principle will not be affected as result of the impact of the coronavirus pandemic on the Bank's future financial position and operational results.