2015 ANNUAL FINANCIAL REPORT

Central Cooperative Bank
Our clients feel important

25 YEARS
1991 2016

“Enthusiasm is the yeast that makes your hopes shine to the stars. Enthusiasm is the sparkle in your eyes, the swing in your gait. The grip of your hand, the irresistible surge of will and energy to execute your ideas.“

Henry Ford

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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 2015. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2015 the Bank assets are BGN 4.6 billion, shareholders' equity amounts to BGN 379 million and the net profit is BGN 6.7 million.

Last year was our ninth 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 2015 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 31.12.2015

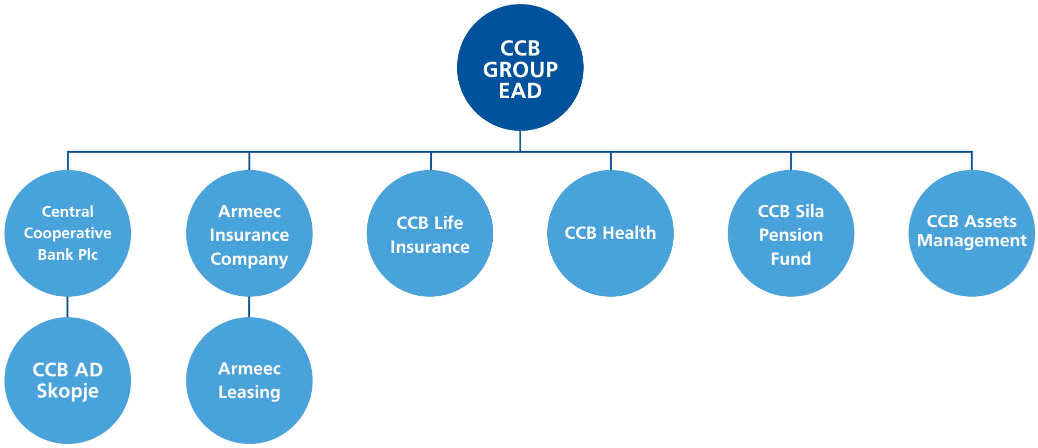
Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2015 Thousand BGN	As at 31.12.2014 Thousand BGN
Total assets	4,643,468	4,180,681
Share capital	113,154	113,154
Shareholders' equity	379,918	363,450
Total deposits	4,176,129	3,738,138
Deposits from non-financial institutions	4,166,847	3,716,850
Advanced loans and advances to customers, net	2,087,078	1,814,131
Net interest income	78,090	50,927
Non-interest income	71,772	69,656
Total income	149,862	120,583
Operating expenses	113,165	107,457
Net profit	6,704	7,255

Financial highlights	As at 31.12.2015	As at 31.12.2014
ROaE %	1.81%	1.86%
ROaA %	0.15%	0.17%
Shareholders' equity / total assets %	8.18%	8.69%
Operating expenses / total assets %	2.44%	2.57%
Operating expenses / total income %	75.51%	89.11%
Loans to customers / total assets %	44.95%	43.39%
Total deposits / total assets %	89.94%	89.41%
Deposits from non-financial institutions / total assets %	89.74%	88.90%
Total capital adequacy	15.18%	16.58%

Recourses	As at 31.12.2015 Number	As at 31.12.2014 Number
Number of customers	1,621,872	1,556,628
Foreign correspondents	413	440
Nostro accounts	21	19
Locations, including branches	294	277
Personnel	2248	2181

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 products and services of **Western Union** are offered at 253 branches and offices of CCB Plc in 168 settlements across the country.

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 413 correspondents and 21 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 294 branches and offices all over the country and abroad.

BRIEF HISTORY

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 ⊠sterreich 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.

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
Tsvetanka Krumova
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.

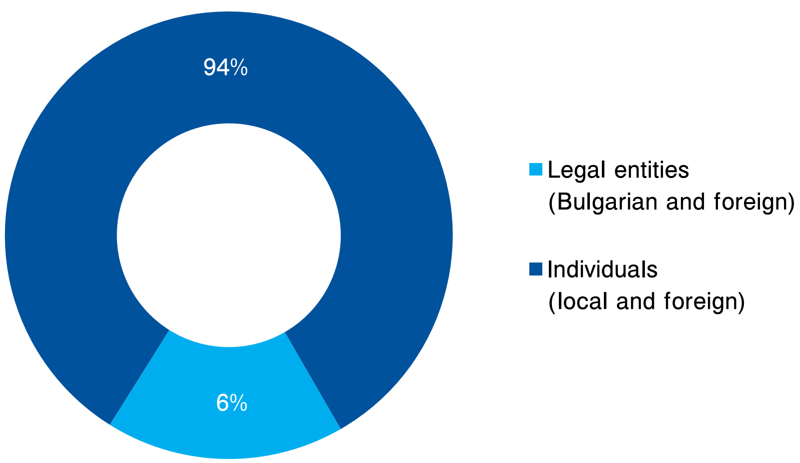
As at 31 December 2015 the shareholders' equity amounts to BGN 379,918 thousand. The capital adequacy is 15.18 %, which is above the requirements according to Ordinance No. 8 of BNB on the capital adequacy of Banks.

Shareholders of CCB Plc as at 31 December 2015	Share (%)
CCB Group EAD, Sofia	68.56
Chimimport JSC	9.90
Other minority participation	21.54
Total	100.00

As at December 31, 2015 the shareholders of CCB Plc are 6626, among them 5,475 individuals and 1,151 legal entities.

The shares of CCB Plc are traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 16 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



ACTIVITY OVERVIEW

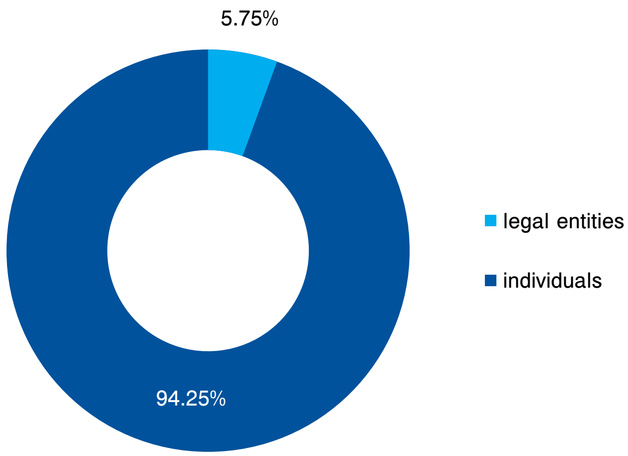
Central Cooperative Bank Plc is a universal commercial bank, offering a broad spectrum of financial products and services. The Bank endeavors to follow the competitive requirements of the constantly changing environment and deploys its array of products and services in the field of financial intermediation, 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 2015 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 the established market positions of the Bank belongs to its clients. For this reason CCB Plc attracted more clients, especially individuals, households, SMEs. The Bank portfolio is entirely subordinated to the needs and desires of clients. Efforts have been concentrated on offering competitive and attractive products.

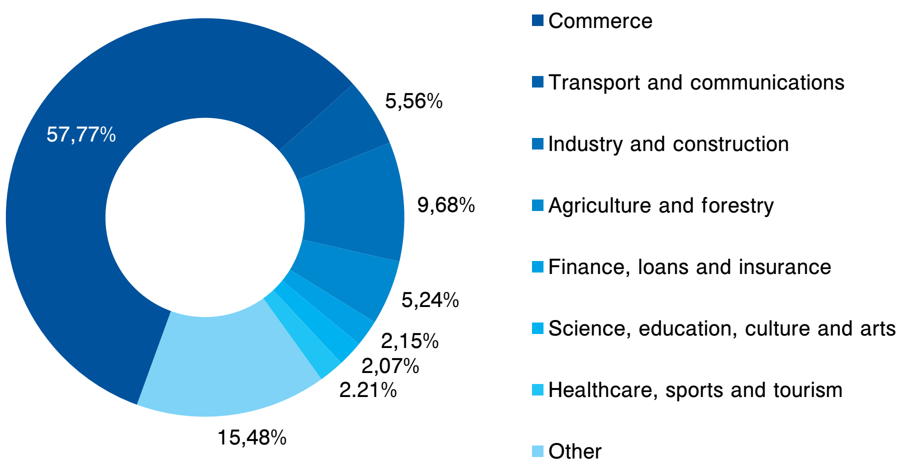
Breakdown of clients as at 31.12.2015



Sector	December 2015	December 2014
Individuals and sole proprietors	1528538	1468139
Commerce	53917	51216
Transport and communications	5193	5040
Industry and construction	9033	8610
Agriculture and forestry	4888	4731
Finance, loans and insurance	2009	1953
Science and education	1935	1816
Healthcare, sports and tourism	1913	1798
Other	14446	13325
Total	**1621872**	**1556628**

The Bank clients increased again and reached 1621872 clients at the end of 2015.
In comparison to the previous year the increase is to the amount of 4.19%, whereas there is an increase mainly in individuals. The positive tendency of growth is present in the last several years, because CCB Plc strives to develop in the highly competitive for the Bulgarian market "retail banking" segment. There is also growth in SME lending.

Branch structure of clients - legal entities



Retail banking

CARD PRODUCTS

In 2015 CCB Plc preserved its positions of 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, Visa Platinum credit card, as well as local credit cards. The portfolio of debit cards that the Bank offers consists of international debit cards of a high class World Debit MasterCard, Debit MasterCard, Maestro and Visa Electron debit cards, the cobranded Debit MasterCard cards with Mobiltel AD and with Bulgarian Posts EAD, as well as local debit cards. CCB issues Visa virtual cards, as well as MasterCard and Visa gift cards. The Bank also offers EMOTION debit and credit cards, where the client can choose the vision of his/her card from the offered gallery of over 50 designs.

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

In 2015 the Bank started the offering of several new card products:

Since February 2015 we offer another card product, intended for wide use –Visa Debit debit card; the card is contactless and is analogous to the Debit MasterCard card.

In July 2015 the Bank started the offering of a new type of credit card of exceptionally high class - World MasterCard, intended only for significant and solvent clients of the Bank. The World 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 MasterCard card, it is associated with a number of additional perks and privileges of its cardholders:

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

- Special rebates from Bulgaria Air airplane company;
- A free access to the business lounges Vitosha and Preslav 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 coverage to the amount of USD 50 000;
- Additional insurance that provides protection upon a theft of the card, together with the personal belongings and documents, protection upon an incident or theft of goods, purchased with the card, as well as the most advantageous 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 hotel, renowned shops and rent-a-car companies, provided by MasterCard;
- And many more rebates upon shopping at the trade shops, included in the CCB Bonus program.

Since May 2015 the Bank offers contactless EMOTION debit and credit cards. Clients have the opportunity to request a debit or credit card, whereas they choose the vision of their card from the offered catalogue themselves. A web site has been developed, on which clients can acquaint themselves with the product and directly request their debit or credit card with the design, chosen by them.

Since July 2015 all newly issued and renewed international debit and credit cards of the Bank are open for registration for the E-Secure service in advance, and from August stage by stage the already issued international debit and credit cards of the Bank are also open in advance for registration for the service. In this way the Bank provides to all its clients with international debit and credit cards additional security, when they shop online.

We continue offering privileges, associated with the credit and debit cards: in 2015 the holders of Visa Platinum cards of CCB can use free of charge Vitosha business lounge at Sofia airport, regardless of which air company they use. The cardholders with World Debit MasterCard cards, Visa Platinum, Visa Gold cards and MasterCard Gold cards of CCB may use free of charge Vitosha business lounge at Sofia airport for international flights, as well as in the cases when they fly within the country.

MARKET POSITIONS AND STATISTICS

In 2014 CCB Plc affirmed its good market positions in the issuance of bank cards, whereas as at 31.12.2015 the total number of issued cards of the Bank amounts to 680 470. There is an increase in the number of the issued MasterCard credit cards from 15 811 to 17 238 cards. The Bank achieved considerable success in the issuance of the Debit MasterCard and World Debit MasterCard cards, which reached 192 236 cards.

CCB Plc managed to keep good market share with respect to the development of its network of ATMs and POS terminals. The number of the virtual POS terminals in 2015 reached 367 and the total number of ATMs of CCB is 501. The total number of POS terminals of CCB at the end of 2015 is 4 320, including the POS terminals in the bank rooms. The total number of the new POS terminals, which make possible contactless payments, is 1 926 terminals.

The breakdown of the market share of CCB Plc as at 31.12.2015 in the cards segment has been presented in the table below.

Cards	% for CCB of the total for the country
Visa credit cards	4.07%
MasterCard credit cards	5.38%
MasterCard debit cards	10.16%
Visa Electron debit cards	8.02%
Maestro debit cards	15.33%

ATMs and POS terminals	CCB	% for CCB of the terminals in BORIKA BANKSERVICE	% for CCB of the terminals in % for CCB
ATMs	501	16.20%	7.0%
POS terminals	4 320	7,94%	4.8%

	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
ATMs	461	469	477	482	501
POS devices at the trade shops	2 953	3 151	3 236	3 283	3 617
POS devices at the Bank branches for cash withdrawals	320	323	331	336	336
Virtual POS devices	323	302	326	342	367
Total POS	3 596	3 776	3 893	3 961	4 320
Credit cards	38 128	38 197	37 931	37 796	37 001
Master Card	15 811	15 682	16 394	18 068	17 238
Visa	19 112	19 440	18 590	17 110	17 541
Market and CCB-Office 1	3 205	3 075	2 947	2 618	2 222
Debit cards	654 227	662 813	651 187	650 533	643 469
Visa Electron	229 140	221 015	207 972	194 090	164 302
Visa Debit	0	7 604	20 116	34 657	62 594
Maestro	301 178	288 059	256 432	236 109	215 512
CCB-Office 1	1 099	1 042	1 031	1 021	983
Visa and MasterCard Prepaid	8 117	8 033	7 478	7 386	7 842
Debit MasterCard and World Debit MasterCard	114 693	137 060	158 158	177 270	192 236
Total cards	692 355	701 010	689 118	688 329	680 470

Promotions for the cardholders of CCB with MasterCard, Visa, Visa Electron and Maestro cards

In 2015 CCB Plc again launched advertising campaigns together with the card organizations Visa and MasterCard, directed at stimulating the payments with CCB cards at merchants in the country. The holders of the CCB international cards could participate in promotions with attractive awards and additional stimuli.

In the period May – July 2015 CCB launched a campaign to encourage the contactless payments with MasterCard, Debit MasterCard and Maestro cards of the Bank with awards for clients. With each contactless payment with the card, which complies with the campaign conditions, the cardholder participated in a lottery with awards.

At the end of 2015 CCB, together with MasterCard, launched a campaign to stimulate the payments with MasterCard, Debit MasterCard and Maestro cards with awards for clients. There was a radio game with awards within the campaign.

CCB Bonus program

CCB Plc continued developing the CCB Bonus program, which provides a possibility to the cardholders enjoy rebates at prestigious trade shops. This program is an important advantage to clients upon choosing a bank, not only for credit, but also for debit cards. The mobile version of the program provides a possibility to clients to

review the catalogue via mobile devices and at any moment to be informed about the trade shops, at which they can enjoy a rebate. In 2015 the number of the partners in CCB Bonus is over 220, with more than 700 trade shops.

CCB Club loyalty program

In 2015 the CCB Club loyalty program preserved its stable development.

- In June 2015 a new partner joined the loyalty program – CEZ Electro Bulgaria.

The electricity distributing company provides to clients a bonus to the amount of 25 Kwh electricity for each subscriber of CEZ, the payment for which is made via the service of CCB "Subscription for utility bills".

- In October 2015 HomeMax joined the loyalty program.

At all shops from the HomeMax chain the clients of CCB Club enjoy a 5% rebate upon each purchase, which is paid cash or with a bank card from CCB. The rebate is received for goods, which are not in promotion as well as with the remaining merchants in the program it is received as bonus points on CCB Club cards.

The remaining partners in the CCB Club program also continue providing rebates:

- Bulgaria Air provides to clients an attractive rebate of 5% on the price of the airplane tickets, to which there is a rebate upon payment with the CCB – Bulgaria Air cobranded credit card. Precious for clients is the preference in the form of free transportation of additional luggage with each flight of Bulgaria Air.
- Armeec provides a possibility for the accrual of bonus points under the program, in combination with the use of various other rebates from the insurance company.
- Due to the nature of its business Lukoil ensures the greatest frequency of the bonus sales:

oCCB Club golden card – a rebate of 4%

oCCB Club business card - a rebate of 3.5%

oCCB Club standard card – a rebate of 3%

- The bus companies Etap –Address and Group Plus provide an exceptionally advantageous rebate of 10% for the program clients. Happy Bar&Grill restaurant chain – 5% rebate, 24 restaurants
- COOP commercial chain - 3% rebate;
- Sport Depot sports shops – 5% rebate;
- Grand Optics & Joy Optics - 20% rebate;
- Aron furniture chain – 3% rebate,
- Frant men fashion shops– 10% rebate,
- Hush Puppies shoe shops – 5% rebate

At the end of 2015 the number of clients, who participate in the CCB Club loyalty program, reached 497 719 and the amount of the bonus sales reached BGN 34 million.

From 1 August to 25 September 2015 we launched a campaign for the promotion of the loyalty program among the clients of the Bank. The campaign was directed at encouraging the use of the club cards by clients, who already use their club cards and by clients new to the program, who have not performed yet operations with their CCB Club cards.

In 2015 we launched a campaign to increase the number of legal entities, who participate in the company module of CCB Club, via which the rebates in the CCB Club program may be used not only by individuals, but also by legal entities. As a result of the campaign over 670 legal entities already participate in the program.

Consumer and mortgage lending

In 2015 lending to individuals continued to be a main priority in the work of Central Cooperative Bank Plc, whereas the Bank focused on clients that are evaluated as more reliable and associated with considerable lower credit risk than the average. During the year there was fierce competition for clients among Banks, including also via decreasing the interest rates on the retail loans. Regardless of the increased competition, CCB managed keep good positions on the market.

The achieved good results are also as a result of the successful implementation of the new commercial model for work in the separate branches of the bank. Increasing the qualification of the employees, engaged directly with the sales of the credit products and the bank services of the clients of the bank, including via specialized training, had a direct impact on the results and respectively on the increase in the loan portfolio of the Bank.

The distinct units at the Bank continued to work actively for the conclusion of loans with employers – big private, state and municipal companies for the payment of salaries to their employees on accounts with CCB Plc. The big competition in the segment led to a work style via personalization of the proposals and offering tailor-made transaction parameters. For this reason the Bank continued to offer preferences to the employees of the partner companies. We continued the offering of credit products with special conditions for the employees of generally known and stable companies, with which it does not have a concluded contract for transferring salaries.

The tendency that started during last years of an increase in the sale of retail products at CCB Plc continued steadily in 2015. A main task for the Bank was preserving and increasing the portfolio of consumer loans. Periodically during the year we updated the conditions of the loans to individuals and we launched new products on the market. The emphasis in retail lending during the year was mortgage loans.

An analysis of the activity of CCB Plc during last year shows:

- An increase in the sales activity in 2015 compared to 2014 by over 33% in the consumer loans.
- An increase in the sales of mortgage loans by above 49% in 2015 compared to 2014.
- The growth in the newly extended loans leads to a growth in the book debt of the retail portfolio as a whole. The increase (after deducting the repayments) compared to the end of 2014 is by over BGN 70 million.

In 2015 there continued the centralized processing of the applications for consumer loans, credit cards and overdrafts, submitted at the bank branches by the Consumer lending department (Loan center) within Retail Banking division. During the year over 31'800 submitted applications were reviewed, whereas about 74% of them were approved and 26% of them were rejected. Statistics shows that among the transactions, reviewed at the beginning of the centralization, the loans overdue over 90 days at the end of 31.12.2015 are 0,83%.

There continued the centralized review of the applications, received at the Bank branches for consumer loans, overdraft and credit cards by Consumer lending department of Retail Banking division. There is centralized review of the transactions, secured by a mortgage. The centralized approach upon working with loan transactions of individuals allows the employees at the Bank branches to concentrate on sales and portfolio management, whereas their colleagues at the head-office review and give an opinion on the applications, received from clients.

CCB continued to offer to clients the possibility to apply for a loan for the purchase of goods via its partners traders, because this product is important for attracting new borrowers and increasing the number of the loyal clients. As at 31.12.2015 the number of traders of goods on credit is approximately 700 with approximately 1'900 trade sites. The processing of the applications, submitted by the trade partners of CCB from the whole country, continues to be effected by the head-office employees.

In 2015 Bank continued to deploy its network of external agents – individuals and legal entities that want and have the necessary contacts to offer successfully the products of the Bank – mortgage and consumer loans, credit card, overdraft and club cards. The emphasis upon working with them is also on mortgage transactions.

Following the policy of the Bank for a change in the way of work in the direction of developing and stimulating the sales skills, we improved and further developed the system for allocating bonuses to the sales of retail products, realized by the branch employees. The new bonus system continues the policy of maintaining a close relationship between the achieved results and the bonuses amount.

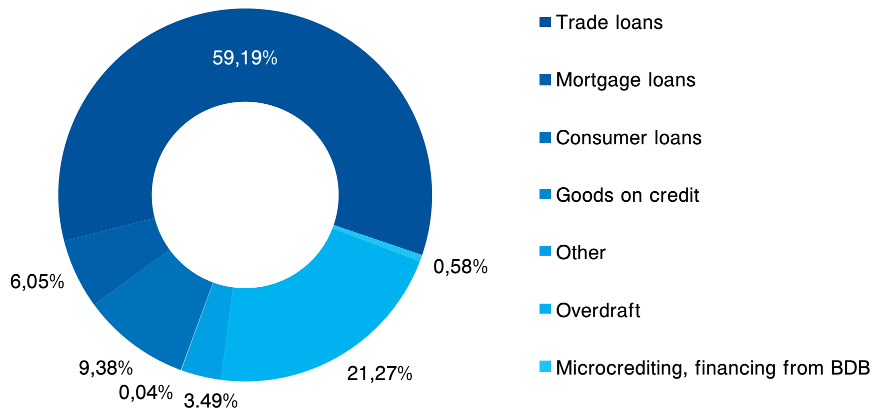
As a continuation of the policy for active sales back in 2014, we made a change in the organization of work of the Front Office employees and the managers servicing and sales at the distinct offices. In 2015 the enumerated employees participated more actively in the activity of attracting new clients, delivery of presentations and effecting retail sales, not only in the bank rooms, but also via visits at the clients, employers and other partners of the bank.

Crediting

Crediting constitutes a major share of the Bank business. During 2015 loans have 44.95 % of total assets. In the breakdown of the loans according to types there is a change, whereas the major share belongs to trade loans. Trade loans are 59.19 % of the total amount of the granted loans, whereas in 2014 their share was 54.20%. The overdraft decreases its percentage share in total assets from 24.58 % in 2014 to 21.27 %. It includes allowed overdraft of individuals and legal entities, as well as overdraft secured by a mortgage.

The consumer and mortgage loans increase in comparison with the previous year and amount to 9.38 % and 6.05% respectively of the total loan portfolio. CCB Plc offers attractive products in the field of consumer lending and crediting small and medium-sized companies.

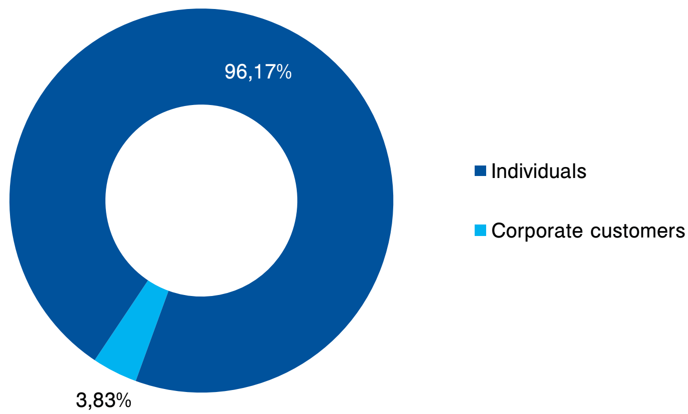
Breakdown of loans according to type



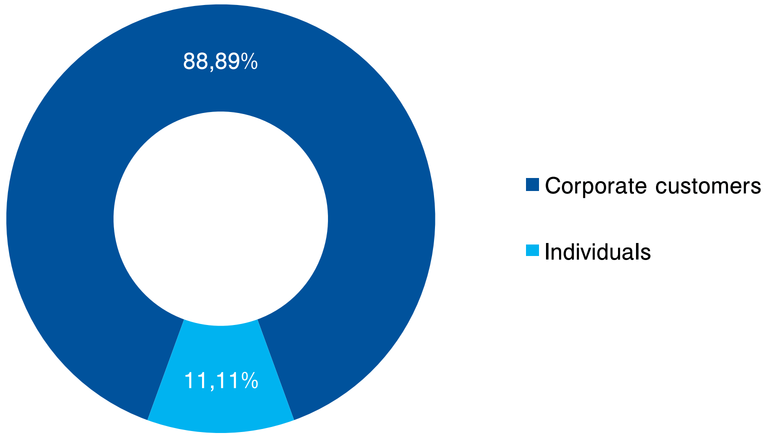
In 2015 CCB Plc offered more favorable conditions to its clients in housing, mortgage and consumer lending, considering the changed tendencies on the loans market on a global and national scale.

The breakdown of loans for individuals and corporate loans according to the number and amount of advanced loans may be seen in the following graphs:

Breakdown of the loans according to the number of granted loans



Breakdown of the loans according to the loan amount



Correspondent relations with Bulgarian and foreign financial institutions

CCB Plc has established correspondent relations with over 413 financial institutions from all over the world. The Bank has 21 Nostro accounts, 5 of which are in EUR with European banks, 1 account is in USD with an American bank, and 15 are in other currencies – GBP, CHF, CAD, DKK, SEK, NOK, JPY, PLN, MKD, RUB, TRY, AED, AUD, CZK, HKD, HRK, HUF, ILS, JOD, KWD, MAD, MXN, NZD, RON, RSD, SAR, SGD, THB, ZAR, BHD, DZD, KES, MUR, OMR and QAR. The variety of maintained currencies is due to our multi-currency account, held with Deutsche Bank, which allows the sending and receiving of transfers in a great number of currencies.

The correspondent network of CCB Plc is subject to constant optimization, with the aim of effecting the payments as quickly as possible, without any problems and under the best financial conditions for the clients. Since February 2010 CCB Plc is a direct member of Target 2 via the Bulgarian National Bank.

Credit lines

In the period 2005-2015 CCB Plc concluded two syndicated loans, several trade finance transactions and a short-term bilateral loan, which made it possible for the Bank to obtain foreign financing at good interest levels. Considering the good liquidity of the Bank at the moment we do not use these sources. In spite of that, upon an upward development of the economy and a need of liquidity, the Bank has experience and may obtain foreign financing from its partners.

There are effective credit lines for confirming small documentary operations with Deutsche Bank AG, Frankfurt / Main; Raiffeisen Bank International AG, Austria and UniCredito Italiano, Italy. Along with that CCB Plc develops and streamlines its relationships in other fields of banking, working with banks such as: KBC Bank NV, Brussels; Unicredit Bank Austria AG, Vienna; Danske Bank, Copenhagen; BAWAG P.S.K., Vienna; Landesbank Berlin, Germany; Oberbank, Austria, etc.

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.

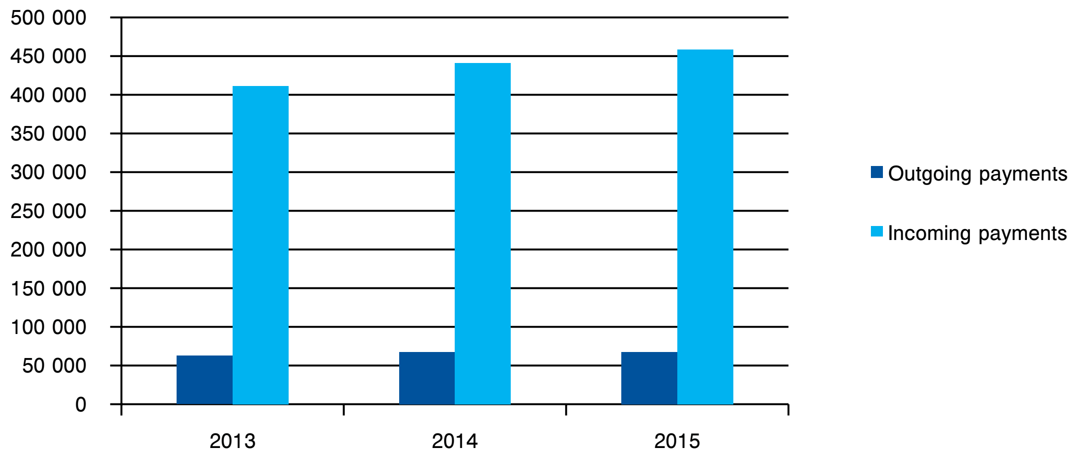
Last but not least, the Cyprus Branch is conveniently located at the main artery of Nicosia – Makarios Avenue, which facilitates the clients, arriving from other towns and villages in Cyprus.

International payments

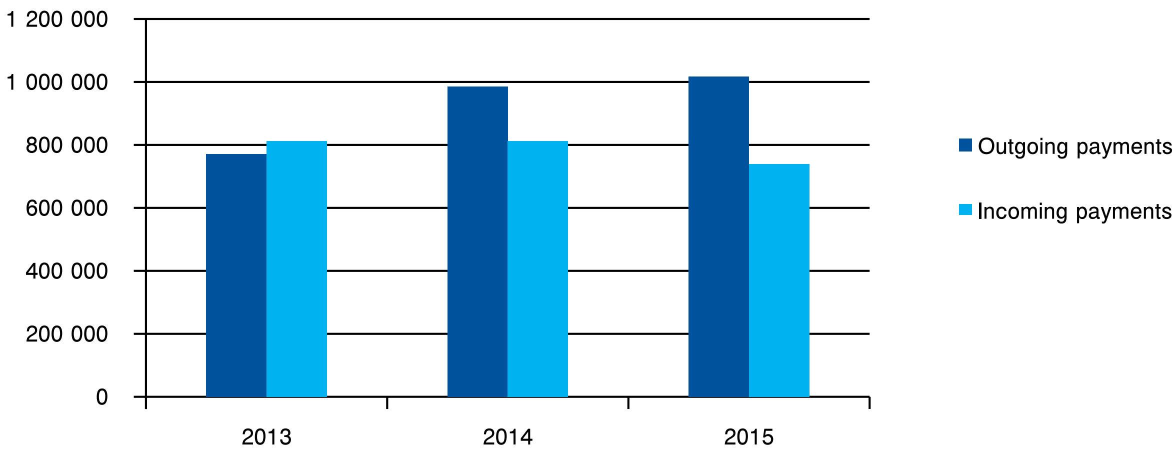
With its well-developed branch network and correspondent relations CCB Plc carries out payments all over the world. The Bank is a member of SWIFT since 1994, an indirect member of EBA STEP2 SCT, a direct member of TARGET2 and since 2003 it is a member of the Western Union fast money transfer company. All these preconditions allow CCB Plc to effect high quality payments for its clients.

In the last three years there has been a clear tendency of an increase in the number of the transactions of the customer cross-border transfers in all forms of payment – concerning the incoming and outgoing transactions. For the same period the volumes of these transactions remain stable, whereas the income from transaction banking remains a permanent and stable source of income for the Bank in the crisis and after that.

Number of the incoming and outgoing wire transfers in foreign exchange for the period 2013 - 2015



Volume of the incoming and outgoing wire transfers in foreign exchange for the period 2013 - 2015 (in thousand USD)

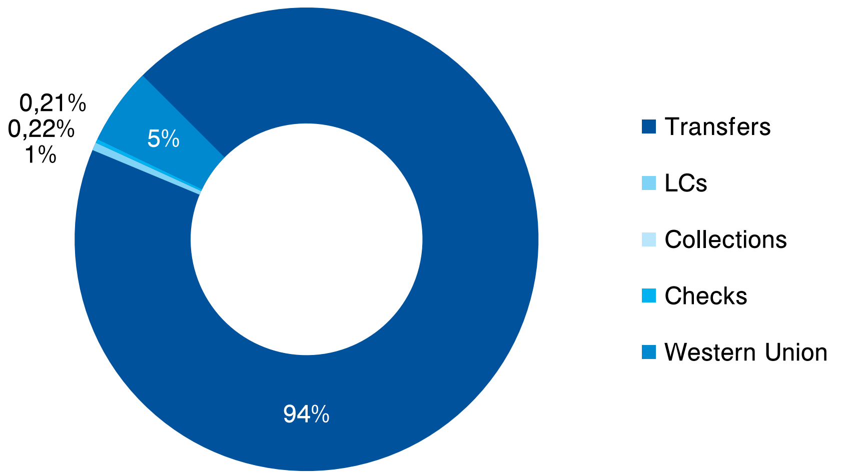


For the whole year 2015, Central Cooperative Bank Plc distinguished itself with the exceptional quality of international payments, ranking among the market leaders in terms of straight through processing rate (STP).

Central Cooperative Bank Plc offers to its clients the main types of payments, known in the bank practice. A major share belongs to the clean payments, which have the greatest portion in the incoming and outgoing payments.

The breakdown of the types of payments (without the card transactions) may be seen in the following diagram:

Customers payments in foreign exchange in 2015 - allocation according to forms of payment



WESTERN UNION

Since 2003 CCB Plc is a licensed agent for Bulgaria of the Western Union fast money transfer company. Western Union is present with more than 590 000 offices in over 200 countries all over the world, which makes possible the speedy ordering and receiving of money transfers all over the world. The Western Union products and services are offered in 253 branches and offices of CCB Plc and further 120 offices of subagents for the service in 168 settlements across the country, equipped with a direct electronic access to the Western Union network.

FINANCIAL MARKETS

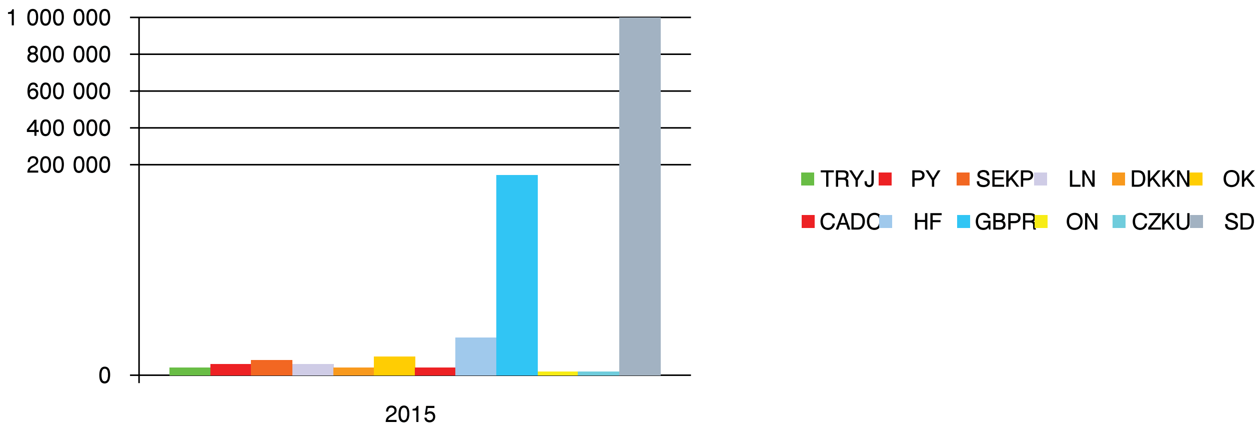
Last year 2015 Central Cooperative Bank Plc kept its traditionally good liquidity and managed to profit from these circumstances.

In 2015 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

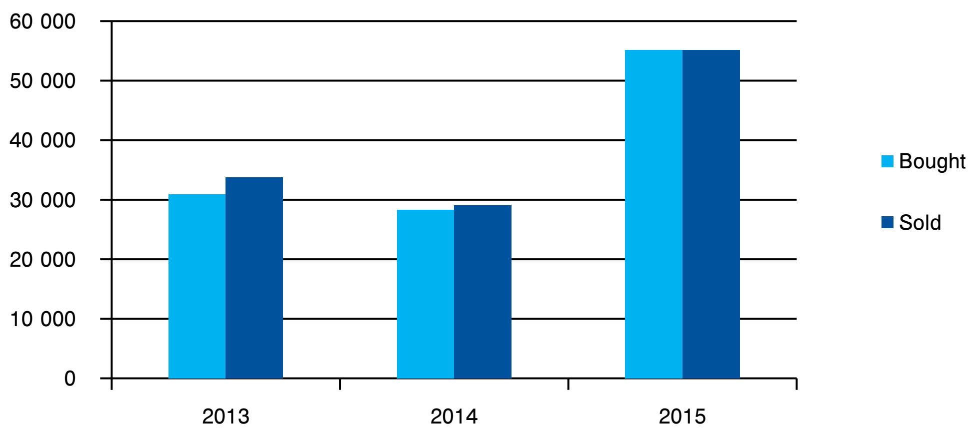
In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, derivatives, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2015 CCB Plc continued to use the full capacity of its trading lines, provided by leading financial institutions such as KBC Bank, Brussels, Deutsche Bank AG, Germany, WGZ, Germany, RZB, Austria and Danske Bank, Denmark. The Bank has ISDA agreements with leading European financial institutions such as KBC Bank, Brussels, RZB, Austria and WGZ, Germany, which make it possible for the Bank to provide a wider spectrum of services to its clients.

FX trade activity according to currencies (in thousand EUR)

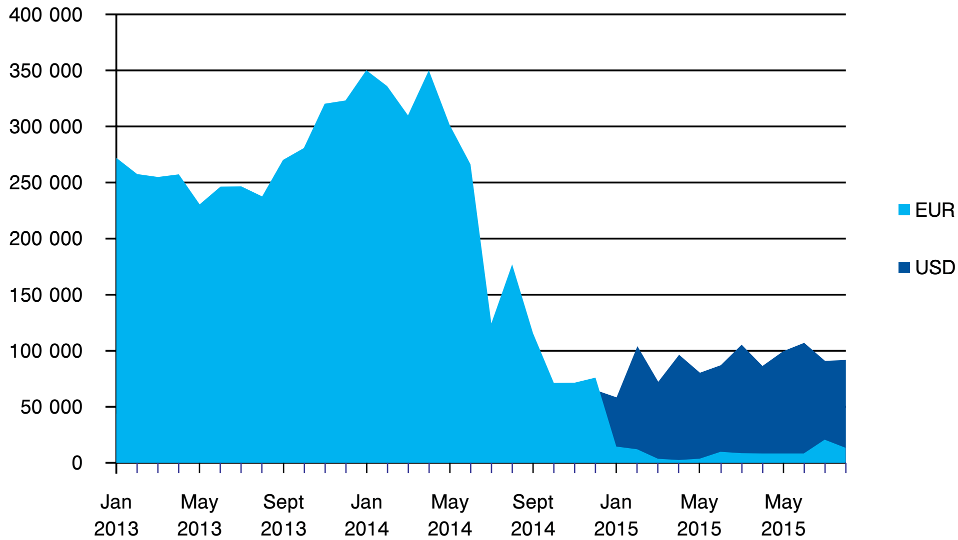


The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts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

Volume of the transactions on the FX Market average per month (in thousand EUR)



Volume of the placed interbank deposits from January 2013 to December 2015 (in thousand EUR and USD)



SECURITIES

In 2015 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

- 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 2015 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, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange.

- Centralized review and management of mortgage and SME lending.
- 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 250 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 250 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.

As at 31.12.2015 the Bank branches of CCB Plc are 49, including a foreign branch in Cyprus. The Bank representative offices and outlets are 245, compared to 227 as at 31.12.2014.

The total staff number of CCB Plc as at 31.12.2015 is 2264 people, including 489 security guards. In 2014 the total staff number is 2181 people, including 473 security guards.

In 2015 the staff of the head-office of the Bank is 879 employees, including 489 security guards.

The Bank employees at the head-office in 2014 are 826 people, including 473 security guards.

At at 31.12.2015 the total number of the employees /without the security guards/ at the head-office and the branches is 1775 people.

In 2015 at the bank branches there are 1385 employees, compared to 1355 employees in 2014.

The management takes permanent care of the staff number and structure. There are mainly young experts at the Bank with the necessary education and linguistic competence.

Within the Bank in 2015 the employees at the age up to 40 years old are 964 people or 42.57 % of the total number. 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 employees /without the security guards, cleaners, drivers and kitchen workers/ with bank work experience up to 5 years are 243 people or 13.92%. These are mainly employees, servicing clients and cashiers.

As at 31.12.2015 the employees with work experience 5-15 years in the bank system are 1056 people /without security guards, cleaners, drivers and kitchen workers/ or 60.51% of all employees, compared to 990 in 2014. 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 2015 the employees with work experience above 15 years in the bank system are 333 employees or 19,08 % of the total bank staff.

CCB Plc pays special attention to the education of employees. The share of the employees /security guards, cleaners, drivers and kitchen workers/ with university education in all its degrees is especially big – 1264 people or 72.43 %. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates.

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 2015, 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 2015 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 2015 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	31.12.2015	31.12.2014	31.12.2013
Bank locations	294	277	271

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 devices and ATM. 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 establishments.
- 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.

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 2015 in terms of total assets CCB Plc occupies the 8th place among all banks, operating on the territory of Bulgaria.

As at 31.12.2015 the total assets of the banking system in Bulgaria are BGN 87,525,737 thousand, whereas the total assets of CCB Plc are BGN 4,643,468 thousand respectively.

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

Ratio	CCB Plc
Return On Average Equity /ROaE/	1.81%
'Return On Average Assets /ROaA/	0.15%
Liquidity ratio	42.03
Total capital adequacy ratio	15.18%
Tier I capital adequacy ratio	12.74%

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 № 9 of BNB. The big loan exposures under Ordinance № 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.

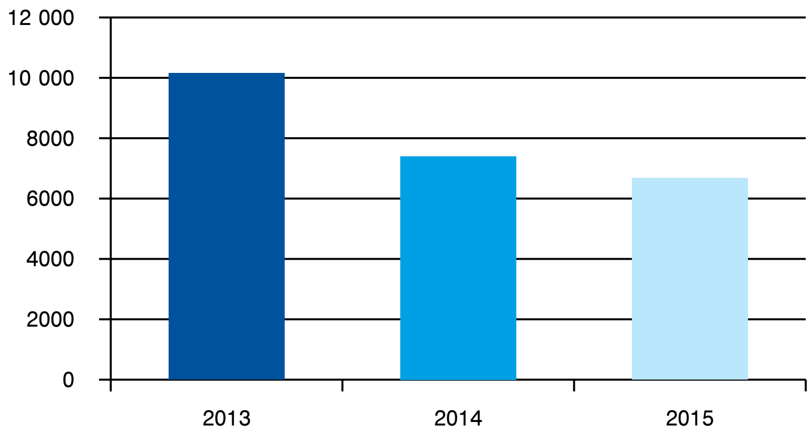
Market risk – the probability of the occurrence of a loss for the Bank as a result of the unfavorable change of the exchange rates, market prices and interest rates;

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 2015 the net profit of Central Cooperative Bank Plc amounts to BGN 6,704 thousand. In 2014 an audited net profit to the amount of BGN 7,255 thousand was realized.

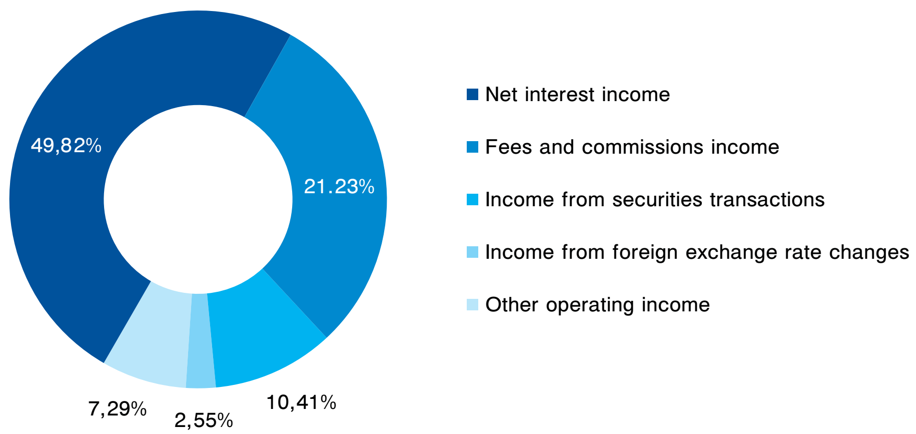
Net profit



The financial indicators for return on average equity and the return on average assets are 1.81% and 0.15% respectively. The total capital adequacy of the Bank is 15.18%.

In 2015 the net interest income of CCB Plc remains the main source of income, whereas it increases compared to the previous year to BGN 78,090 thousand. The share of the net interest income in total income is 49.82%. The

Income breakdown



fees and commissions income has a share of 21.23% in total income, followed by income from securities transactions with a share of 10.41%. The other operating income to the amount of 7.29% includes income from dividend, cession contracts, the sale of fixed tangible assets, etc.

The interest expenses in 2015 are to the amount of BGN 75,817 thousand, compared to their amount of BGN 98,263 thousand in 2014. The decrease of these expenses amounts to -22 %. The net fees and commissions income increase by 5% compared to 2014 and reach BGN 40,027 thousand.

At the end of 2015 there is a considerable increase in the realized net profit from transactions in securities and a certain decrease in the net profit from FX changes, to the amount of BGN 16,321 thousand and BGN 3,996 thousand respectively.

The operating expenses of CCB Plc in 2015 increase by 5.31 % compared to their level at the end of 2014 and reach the absolute value of BGN 113,165 thousand.

The ratio operating expenses / total income increases to 75.51 % compared to 89.11 % in 2014.

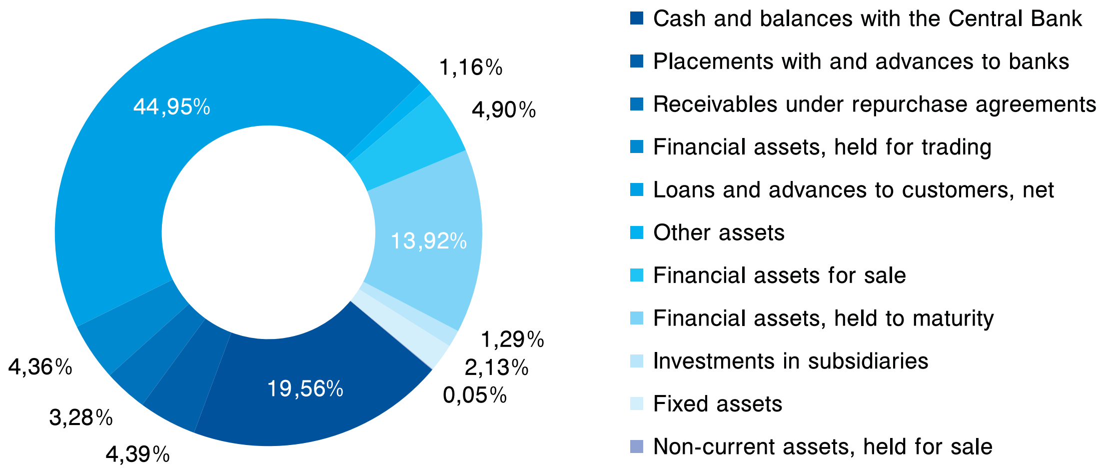
AN ANALYSIS OF THE ASSETS AND LIABILITIES

• Assets

As at 31 December 2015 the book value of the assets of CCB Plc is BGN 4,643,468 thousand, whereas a year earlier they amount to BGN 4,180,681 thousand. Compared to 31 December 2014 the assets increase by BGN 462,787 thousand or 11.07 %.

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

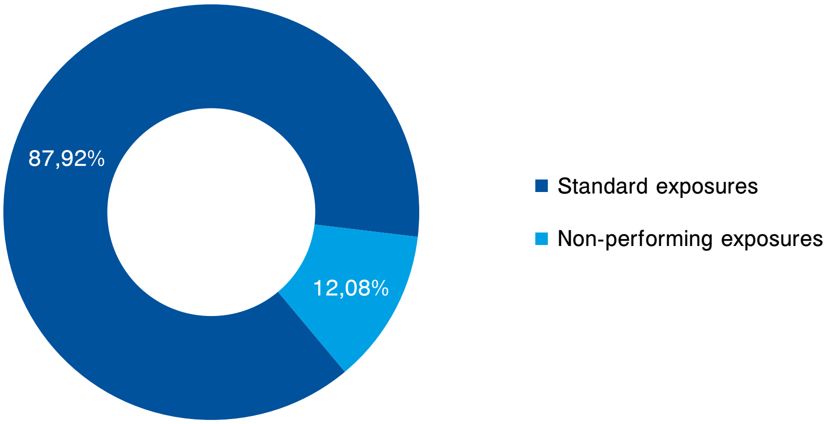
Assets breakdown



The cash and balances with BNB amount to BGN 908,317 thousand and are 19.56 % of total assets, compared to 28.64 % in 2014. The funds with first-class banks, correspondent accounts and short-term deposits have a weight of 4.39 % of the Bank assets, compared to 4.57 % 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 23.18 % of total assets, compared to 14.94 % in 2014. Central Cooperative Bank Plc maintains a diversified portfolio, the main purpose of which

Breakdown of the loan portfolio according to the classification of credit risk



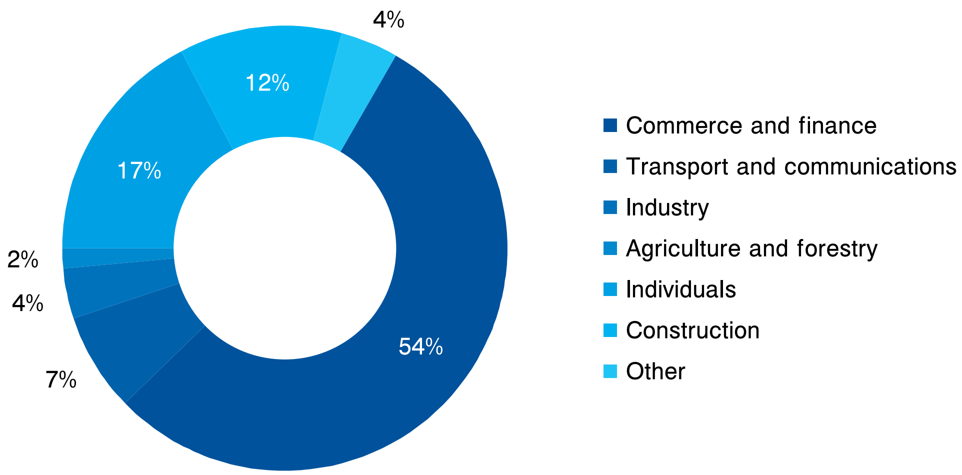
is increasing the gains and profits from the traded securities, as well as the provision of a high degree of liquidity.

The greatest share in total assets have the loans and advances granted to clients. As at 31.12.2015 the loan portfolio of the Bank amounts to BGN 2,087,078 thousand, compared to BGN 1,814,131 thousand one year earlier. In 2015 total loans have 44.95 % of the assets, whereas a year earlier they amount to 43.39% of total assets. The Bank constantly aims at improving its market positions in retail banking, as well as financing SMEs.

According to the type of currency, in which they are granted, the gross loans and advances to clients as at 31.12.2015 are: 52.51% in BGN, and 47.49% in foreign exchange, whereas according to the type of the client: 82.72% are loans to companies and 17.28 % are loans to the population. The quality of the loan portfolio is very good, the regular exposures are 87.92 %, and the non-performing exposures have a share of 12.08%.

CCB Plc grants loans to clients from various sectors of the economy. Over one half of the gross loans are in commerce and finance. They have 54 % of the total portfolio, followed by the loans to individuals – 17%. As at 31.12.2015 the breakdown of the loan exposures according to branches has been reflected in the table below, as follows:

Breakdown of the loans according to branches



• **Liabilities**

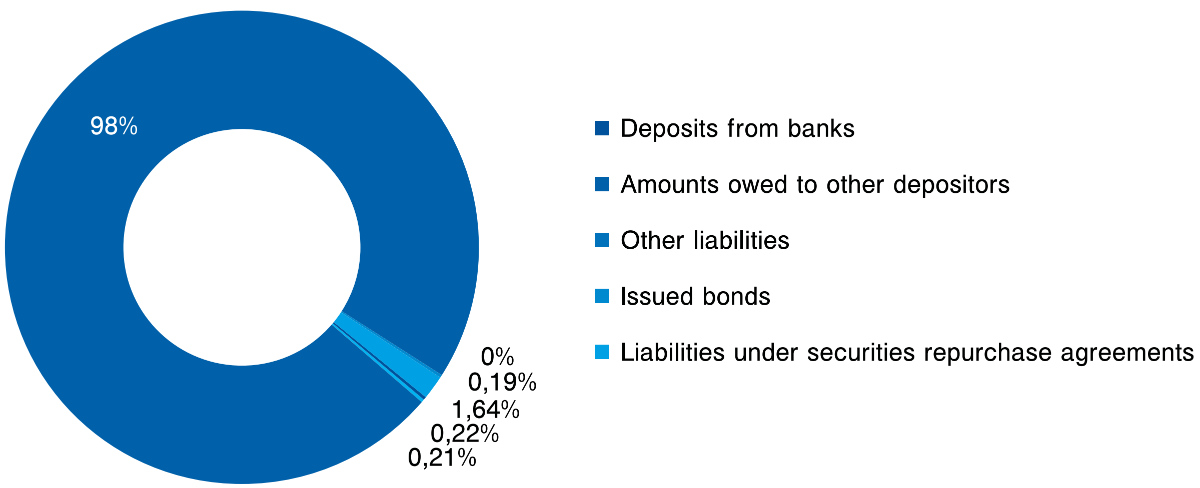
CCB Plc maintains a stable structure of the attracted funds, which allows it not to be dependent on external financing.

As at 31.12.2015 the total liabilities of CCB Plc are BGN 4,263,550 thousand. They have 91.82% of the total liabilities, whereas their increase compared to the previous year is by 11.69%.

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 4,166,847 thousand, which is 97.73% of the total liabilities. Compared to 2014 they are BGN 3,716,850 thousand or there is an increase by 12.11%. A detailed analysis of the liabilities to other depositors indicates that the greatest share belongs to deposits of individuals – 76.50 %, followed by those of companies – 23.21 % and the deposits of other institutions – 0.29 %.

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

Liabilities breakdown

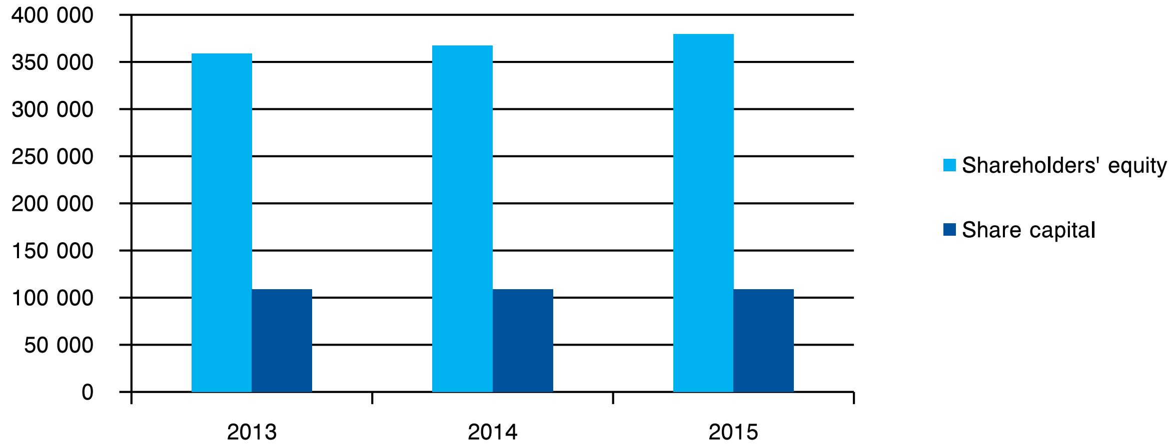


The considerable share of the funds attracted from the population is an important and stable source for the Bank. This is due to the strategy chosen by the Bank to concentrate on retail banking.

• **Shareholders' equity**

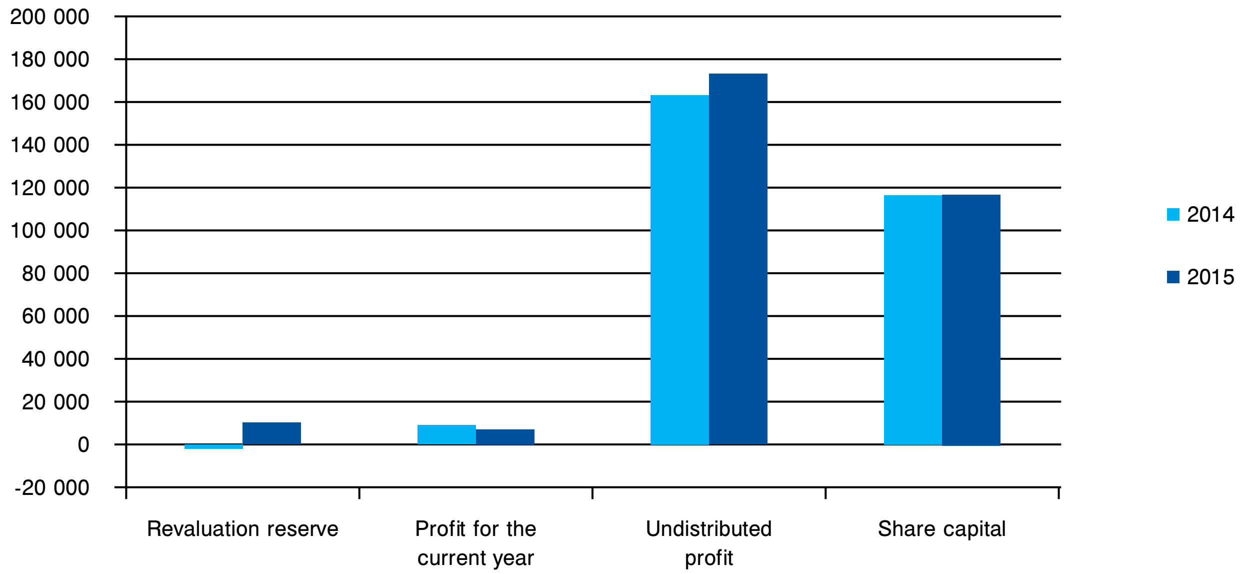
At the end of 2015 shareholders' equity of CCB Plc amounts to BGN 379,918 thousand. The increase in shareholders' equity compared to the previous year is 4.53 % and is mostly the result of the capitalized profit and the increased reserves. As at 31 December 2015 the issued, called and paid in share capital of the Bank consists of 113,154,291 ordinary voting shares, with a nominal value of BGN 1 for each share. The net profit in 2015 is to the amount of BGN 6,704 thousand, whereas at the end of 2014 it was BGN 7,255 thousand.

Increase in shareholders' equity and share capital



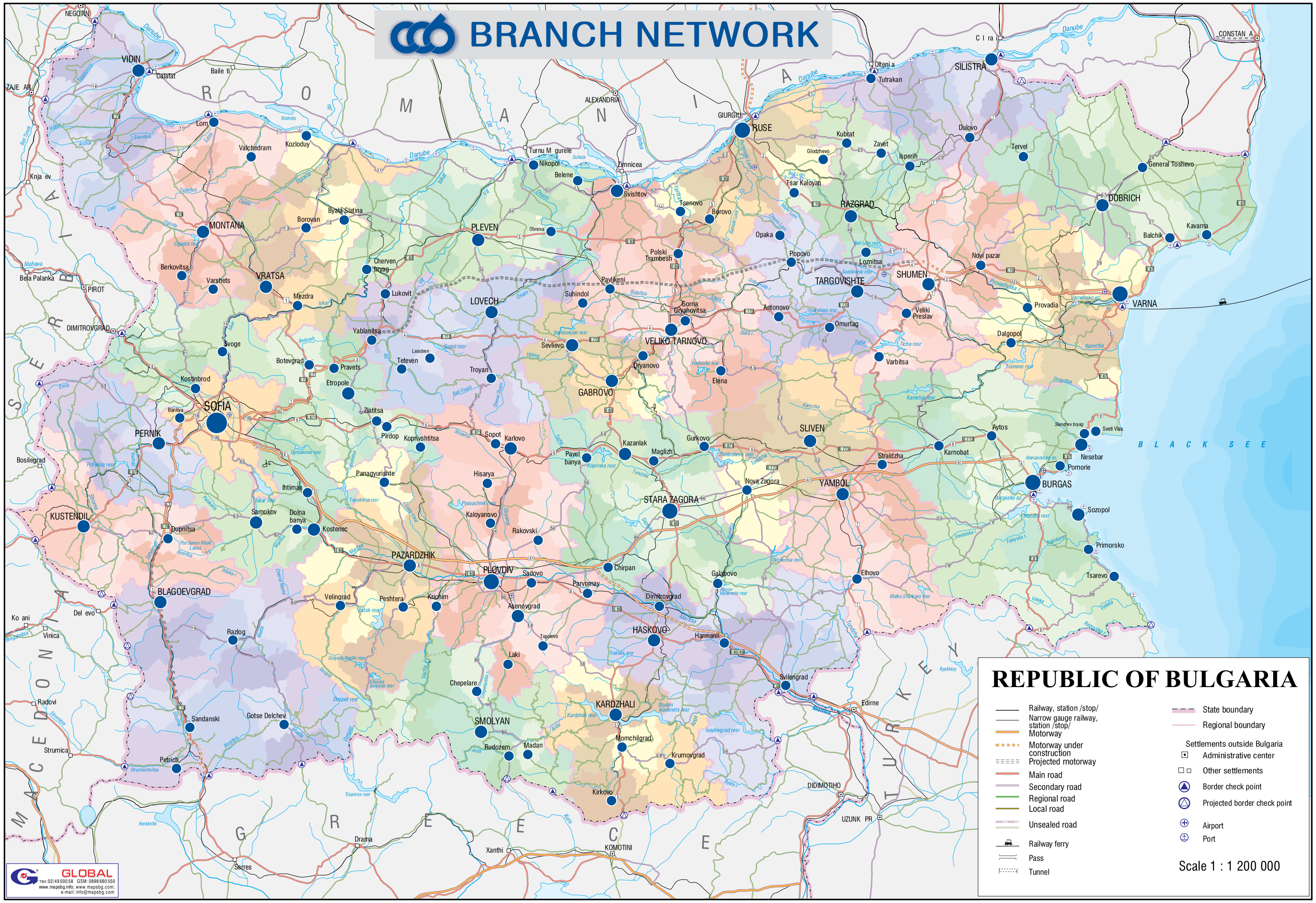
During this year the Bank continues its present policy via capitalization of the profits to assist the capital increase and its assets.

Shareholders' equity



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

Appendix №1: Branch network



Appendix №2: Nostro accounts

Bank	BIC	Currency	Account №
KBC Bank NV, Brussels	KREDBEBB	EUR	488-5918232-05
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	EUR	100 9233560 0000
UniCredit SPA, Milan	UNCRITMM	EUR	0995 172
Raiffeisen Bank International AG, Vienna	RZBAATWW	EUR	000-50.098.938
Central Cooperative Bank AD Skopje	CECBMK22	EUR	MK07320910030300287
Deutsche Bank Trust Company Americas, New York	BKTRUS33	USD	04164299
KBC Bank NV, Brussels	KREDBEBB	CHF	488-5921128-88CHF
PostFinance AG, Berne, Switzerland	POFICHBE	CHF	91-160-3
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF (via DEUTG-B2L)	GBP	100 9233560-00-GBP
Mashreqbank psc, London branch, UK	MSHQGB2L	GBP	00013501
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	CAD	100 9233560 00
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
Skandinaviska Enskilda Banken AB (Publ), Stock-holm	ESSESESS	SEK	52018518488
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
Ceskoslovenska Obchodni Banka A.S.	CEKOCZPP	CZK	266154453
JSC IC Bank	CECBRU2K	RUB	30111810000000000001

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INDEPENDENT AUDITOR'S REPORT

This document is a translation of the original in Bulgarian text, in case of divergence the Bulgarian text shall prevail.

To the Shareholders of
Central Cooperative Bank AD

Report on the separate financial statements

We have audited the accompanying separate financial statements of Central Cooperative Bank AD ("the Bank"), which comprise the separate statement of financial position as of December 31, 2015, and the separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the separate financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Bank as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Other reports on legal and regulatory requirements - Annual separate report on the activities of the Bank according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual separate report on the activities of the Bank prepared by the Bank's management. The Annual separate report on the activities of the Bank is not a part of the separate financial statements. The historical financial information presented in the Annual separate report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate financial statements of the Bank as of December 31, 2015, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual separate report on the activities of the Bank.

Deloitte Audit OOD

Deloitte Audit

Assen Dimov
Statutory Manager
Registered Auditor

April 4, 2016
Sofia

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

CENTRAL COOPERATIVE BANK AD

ANNUAL SEPARATE REPORT ON THE ACTIVITIES,INDEPENDENT AUDITOR'S REPORT, AND ANNUAL SEPARATE FINANCIAL STATEMENTS

DECEMBER 31, 2015

Unofficial translation from Bulgarian

	Note	As of 31.12.2015	As of 31.12.2014
ASSETS			
Cash and balances with the Central Bank	4	908,317	1,197,165
Placements with and advances to banks	5	204,009	191,119
Receivables under repurchase agreements	6	152,448	156,201
Financial assets held for trading	7	202,666	205,015
Loans and advances to customers, net	8	2,087,078	1,814,131
Other assets	9	53,953	62,082
Financial assets available for sale	10	227,520	236,780
Financial assets held to maturity	11	646,342	182,883
Investments in subsidiaries	12	59,788	59,788
Property, plant, and equipment	13	98,810	75,164
Non-current assets held for sale	14	2,537	353
TOTAL ASSETS		4,643,468	4,180,681
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	15	9,282	21,288
Loans from banks	16	9,000	-
Amounts owed to other depositors	17	4,166,847	3,716,850
Funds from other sources	18	105	171
Issued bonds	19	70,055	69,946
Other liabilities	20	8,261	8,976
TOTAL LIABILITIES		4,263,550	3,817,231
SHAREHOLDERS' EQUITY			
Issued capital	21.1	113,154	113,154
Premium reserve		79,444	79,444
Reserves, including retained earnings	21.2	171,757	164,502
Revaluation reserves	21.3	8,859	(905)
Current year profit		6,704	7,255
TOTAL SHAREHOLDERS' EQUITY		379,918	363,450
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		4,643,468	4,180,681
Contingent liabilities	31	197,883	178,285

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 24, 2016 by:

Georgi Kostov
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

Yordan Hristov
Chief Accountant

The accompanying notes are an integral part of these separate financial statements.

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
София

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2015	Year ended 31.12.2014
Interest income	22	153,907	149,190
Interest expenses	22	(75,817)	(98,263)
Net interest income		78,090	50,927
	23	46,909	44,047
Fees and commissions income	23	(6,882)	(6,118)
Net fees and commissions income		40,027	37,929
Fees and commissions income	24	16,321	7,781
	25	3,996	7,248
Gains from transactions with securities, net	26	11,428	16,698
Foreign exchange rate gains, net	27	(113,165)	(107,457)
Other operating income, net	28	(28,271)	(5,291)
Operating expenses			
Impairment and uncollectability expense, net		8,426	7,835
Profit for the period before taxes	29	(1,722)	(580)
Taxes		6,704	7,255
PROFIT FOR THE PERIOD	30	0.06	0.06
Earnings per share (in BGN)		9,764	(1,138)
Other comprehensive income after taxes		9,764	(1,138)
Revaluation of financial assets held for sale		16,468	6,117
TOTAL COMPREHENSIVE INCOME AFTER TAXES		8,976	9,085

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 24, 2016 by:

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Executive Director

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Procurator

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ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
София

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

	Year ended 31.12.2015	Year ended 31.12.2014
Cash flows from operating activities:		
Profit before taxes	8,426	7,835
Depreciation and amortization	6,777	7,138
Income tax paid	(720)	(1,300)
Unrealized (gain) from revaluation of financial assets held for trading	(8,519)	(15,995)
Increase of provisions for liabilities and loans impairment allowances	28,271	5,291
Net cash flows before working capital changes	34,235	2,969
Change in operating assets:		
Increase/ (Decrease) in placements with, and advances to, banks with maturities above 90 days	(6,682)	705
Decrease / (increase) in receivables under repurchase agreements	3,753	(107,537)
(Increase) in financial assets held for trading	10,868	(57,187)
(Increase) in loans and advances to customers	(301,218)	(47,424)
Decrease / (increase) in other assets	9,387	(4,676)
Decrease / (Increase) in non-current assets held for sale	(2,184)	3,168
	(286,076)	(212,951)
Change in operating liabilities:		
Increase/ (increase) in deposits from banks	(12,006)	5,163
Decrease in loans and other liabilities from banks	-	(7,072)
Increase in liabilities under repurchase agreements of securities	9,000	-
Increase in liabilities to other depositors	449,997	438,623
(Decrease) in other attracted funds	(66)	(119)
(Decrease) In Other Liabilities	(715)	(7,719)
	446,210	428,876
NET CASH FLOWS FROM OPERATING ACTIVITIES	194,369	218,894
Cash flows from investing activities:		
Acquisitions of property, plant, and equipment, net	(30,423)	(263)
Sale/ (acquisitions) of financial assets available for sale, net	16,869	(31,681)
(Acquisitions) of financial assets held to maturity, net	(463,459)	(22,631)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(477,013)	(54,575)
Cash flows from financing activities:	109	49
Issue of new paid in equity capital	109	49
NET CASH FLOWS FROM FINANCING ACTIVITIES	(282,535)	164,368
(DEREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS, NET	1,385,245	1,220,877
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (Note 32)	1,102,710	1,385,245
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 32)	1,385,245	1,220,877

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 24, 2016 by:

Georgi Kostov	Sava Stoynov	Tihomir Atanassov	Yordan Hristov
Executive Director	Executive Director	Procurator	Chief Accountant

The accompanying notes are an integral part of these separate financial statements.

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
София

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Profit for the year	Total
BALANCE AS OF DECEMBER 31 2013	113,154	79,444	153,343	233	10,145	356,319
Transfer of net profit for the year ended 31 December 2013 to retained earnings	-					
Net profit for the year ended	-	10,145	-		10,086	-
31 December 2014	(10,145)	-			10,145	10,145
Other comprehensive income for the year ended 31 December 2014	-		-	(1,060)	-	(1,060)
Other movement	-	-	-	7,255	7,255	
BALANCE AS OF 31 DECEMBER 2014	-		153,343	233	10,145	356,319
Transfer of net profit for the year ended 31 December 2014 to retained earnings	-	-	(1,138)	-	(1,138)	-
Net profit for the year ended	-	-	1,014	-	-	1,014
31 December 2015	113,154	79,444	164,502	(905)	7,255	363,450
Other comprehensive income for the year ended 31 December 2015	-	-	7,255	-	(7,255)	-
BALANCE AS OF 31 DECEMBER 2015	-		164,502	(905)	7,255	363,450

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 24, 2016 by:

Georgi Kostov Executive Director	Sava Stoynov Executive Director	Tihomir Atanassov Procurator	Yordan Hristov Chief Accountant

The accompanying notes are an integral part of these separate financial statements.

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
София

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

1. OPERATING POLICY

Central Cooperative Bank AD, Sofa (the "Bank") was established in 1991. The Bank's activities and operations are governed by the Law on Banks and the regulations issued by the Bulgarian National Bank ("BNB"). The Bank currently operates under a banking license granted 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.

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. The Bank is a member of the European Association of Cooperative Banks. The Bank has a primary dealer status for transactions with Bulgarian government securities.

As of 31 December 2015 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 49 branches and 245 remote offices throughout the country and one branch in the Republic of Cyprus.

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

General framework for financial reporting

These financial statements are separate financial statements prepared for the year ended December 31, 2015. The amounts in the separate financial statements are stated in thousand Bulgarian levs (BGN'000).

These separate financial statements have been prepared for general purposes under the going concern principle. The separate financial statements have been prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Union (the "EU") and applicable in the Republic of Bulgaria.

The Bank controls the subsidiaries Central Cooperative Bank AD Skopje, the Republic of Macedonia and CCB Assets Management EAD, Sofia, Bulgaria and ZAO "IK Bank" city. Kazan, Republic of Tatarstan, Russian Federation.

In accordance with the requirements of IFRS 10 "Consolidated financial statements," the Bank prepares also consolidated financial statements. The consolidated financial statement will be issued in April 2016.

The separate financial statements are prepared under the historical cost convention, modified by the revaluation to fair value of financial assets and liabilities held for trading, available for sale and all derivative contracts. Loans and receivables, and financial assets held to maturity are carried at amortized cost.

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (CONTINUED)

Changes in IFRS

Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by IASB and adopted by the EU are effective for the current financial period:

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any changes in the Bank's accounting policy.

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these separate financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (CONTINUED)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

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 IASB, except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of separate financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),

The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the separate financial statements in the period of initial application, except for the one noted below which might have material effect on the financial statements:

- IFRS 9 Financial Instruments which is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition. IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces the existing rule-based requirements under IAS 39. The new standard also results in a single impairment model being applied to all financial instruments. IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (CONTINUED)

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU (continued)

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the separate financial statements, if applied as at the reporting date.

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. Major components of the accounting policy

3.2.1. Interest income and expenses

Interest income and expenses are recognized on a time proportion basis using the effective interest method, as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is amortized.

For loans granted by the Bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contractual interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contractual interest rate due to the nature of the contractual terms.

Interest earned as a result of holding trading securities or securities available for sale is reported as interest income. Interest income includes the amount of amortization of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing investment, the interest accrued as of the acquisition date is accounted for as interest receivable.

3.2.2. Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognized when the service is performed or becomes due.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

Commissions arising from foreign currency transactions are reported in the statement of 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 adjusting the effective interest income.

3.2.3 Foreign currency transactions

Transactions denominated in foreign currency are converted into BGN at 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 the statement of 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 rate for the respective day, with the exception of investments in subsidiaries, BGN exchange rate as of the transaction date. The net gains and losses, arising from revaluation of balance sheet currency positions, are reported in the statement of comprehensive income 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 31 December 2015 and 2014 are as follows:

December 31, 2015	December 31, 2014
USD 1 = BGN 1.79007	USD 1 = BGN 1.60841

3.2.4. Financial assets

Financial assets held for trading are acquired by the Bank with the purpose of generating income from short-term price or dealing margin fluctuations, or they are assets, included in a portfolio, for which a short-term profit realization is probable. These include discount and interest-bearing government securities held for trade, as well as corporate securities of financial and non-financial companies, in which the Bank does not have a controlling interest.

Financial assets available for sale are those financial assets, which are not held for trading, not held to maturity and are not loans and receivables, which have initially originated at the Bank. Financial assets available for sale include acquired interest-bearing government and corporate securities, as well as equity investments in financial and non-financial enterprises, in which the Bank does not have a controlling interest.

Financial assets held to maturity are assets with fixed payments and maturity, which the Bank has the intention and ability to hold to maturity, irrespective of the possibility to sell them upon arising of favourable conditions in the future. These assets consist of acquired interest-bearing government and corporate securities.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

Loans and advances, originated initially by the Bank with a fixed maturity date, are financial assets, incurred by direct granting of funds or services with fixed maturity to certain customers.

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/.

Initial measurement

Financial assets held for trading are recognized initially at fair value. All expenses related directly to the acquisition of the financial asset are reported as current.

Financial assets, other than financial assets held for trading, are recognized initially at fair value, which is equal to the amount of the fair value of the consideration given and the related expenses. The expenses related to the transaction and included in the acquisition cost are fees, commissions and other remuneration paid to agents, brokers, consultants, dealers, and other persons directly involved in the transaction, taxes, charges, permits, etc. paid to stock exchanges and regulatory authorities. All other expenses are reported as current expenses in the period when incurred. Acquisition cost does not include accrued interest on the financial asset, not paid as of the date of acquisition. Such interest is reported as accrued interest receivable.

Subsequent measurement

After initial recognition, financial assets held for trading are stated at fair value. Fair value is determined on the basis of quoted prices on an active market. The difference between the carrying amount of the financial asset and its fair value is reported as a current financial income or current financial expense in the period of occurrence.

After initial recognition, financial assets held for trading are stated at fair value. Fair value is determined on the basis of quoted prices on an active market or other reliable models for measurement, which reflect the specific circumstances of the issuer. The difference between the carrying amount of the financial asset and its fair value is accounted for as an increase or decrease of revaluation reserve. After initial recognition, equity instruments, classified as financial assets available for sale, for which there are no quoted prices on an active market and/or for which no reliable models for measurement can be applied are stated at cost.

After initial recognition, financial assets held to maturity are stated at amortized cost, applying the effective interest method and are not revaluated. Amortized cost is the initial value /acquisition cost/ of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, and reduced by repayments of principle, accumulated amortization for any difference between the initial amount and the amount at maturity, and the allowance for impairment and/or uncollectibility. The amortization is calculated by applying the effective interest rate.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

After initial recognition, loans and advances originated initially by the Bank with fixed maturity are reported at amortized cost, applying the effective interest method and are not subject to revaluation.

The amortized cost is the initial value of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, less repayments of the principle and the allowance for impairment and/or uncollectibility. The amortization is calculated by applying the effective interest rate.

Derecognition

Financial assets are derecognized when the Bank loses control over the contractual rights in relation to realizing the rights associated with the asset, waiver of the rights associated with the asset and expiry of the term for realizing of the rights associated with the asset. Net profit or loss as a result of the write off is reported in the statement of comprehensive income in the period of its occurrence. The revaluation reserve accumulated as of the date of derecognition is recognized as current financial expense or financial income.

Impairment for uncollectibility

Financial assets are impaired if any conditions for impairment exist: there is evidence about financial difficulties; there is an actual breach of the contract; the issuer has performed restructuring of the debt; the issuer's securities have been excluded from the stock exchange.

For the purpose of preparation of the financial statements, financial assets available for sale, which are stated at fair value are reviewed for impairment, if impairment is not already provided in the revaluation performed as of the date of annual financial statements. In case of existing condition for impairment, the recoverable amount of financial assets is determined. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided as follows:

- if at the moment of impairment there is no revaluation reserve – the difference between the carrying amount and the expected recoverable amount is recorded as a current financial expense and a decrease in the value of financial assets;

- if at the moment of impairment there is a revaluation reserve, which is positive and lower than the amount of impairment – the carrying amount of the assets and the amount of the revaluation reserve /which becomes zero/ are decreased by the amount of impairment up to the revaluation reserve balance. The remaining part of the amount of impairment is accounted for as a current financial expense and a decrease in the carrying amount of assets;

- if at the moment of impairment there is a revaluation reserve, which is negative, the difference between the carrying amount and the expected recoverable value is recorded as a current financial expense and a decrease in the value of the financial assets, and the negative value of the revaluation reserve is transferred to and stated in the current financial expenses;

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

- if at the moment of impairment there is a revaluation reserve, which is positive and is greater than the amount of impairment, the value of the investment and the amount of the revaluation reserve are decreased by the impairment amount.

Financial assets held to maturity are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectibility of the securities held by the Bank, measured at amortized cost, are determined as the difference between the carrying amount and the present value of the future cash flows, discounted at the original effective interest rate. If the present value of the future cash flows of securities is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as current financial expense and decrease in the value of securities. Decrease of allowances for impairment and uncollectibility is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectibility for the respective year.

Loans and advances, originated initially by the Bank with a fixed maturity, are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectibility of loans originated by the Bank, measured at amortized cost, are determined as the difference between the carrying amount and the present value of the future cash flows discounted at the loan original effective interest rate, where appropriate. Management determines the expected future cash flows based upon reviews of individual borrowers, loan exposures and other relevant factors. If the present value of the future cash flows of loans is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as a current financial expense and a decrease in the value of loans. Decrease of allowances for impairment and uncollectibility is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectibility for the respective year. Loans and advances that cannot be recovered and are fully impaired, are written off and charged against the accumulated allowances for impairment and uncollectibility. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined.

The Bank has adopted a methodology for the calculation of allowances for impairment of loans based on IFRS. The Bank classifies its loans in two groups. Except for the group of regular loans and the insignificant loans within the group of non-performing loans and given that the Bank does not have the expected future cash flows or the provided ones from the debtor are not sufficiently reliable, a specified percentage rate is applied to contractual cash flows as a mean to determine the expected cash flows, which are then to be discounted as stated above. with the purpose of assessment of the allowances for impairment of loans liquid collaterals are recognized, as the value with which they participate when forming the allowances shall be defined based on the type of the collateral and its state.

The amount of potential losses, which are not exactly identified, but based on previous experience may be expected for a group of loans with similar characteristics, is also charged as expense for allowances and decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

The amount of losses on insignificant loans within the group of non-performing loans based on collective measurement is also charged as expense for allowances and decrease of the loans' carrying amount.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.5 Investments in subsidiaries

Subsidiaries are those entities in which the Bank's ownership directly or indirectly exceeds 50% of the voting rights or it can exercise control over their operating and financial policy.

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.

3.2.6. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, 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 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.

3.2.7. 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.

3.2.8. 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, whether that price is directly regardless of whether that price is directly observable or estimated using another valuation technique..

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.8. Fair value of financial assets and liabilities (continued)

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 and efficient 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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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.

3.2.9. Netting

The financial assets and liabilities are netted, 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.

3.2.10. Provisions for credit commitments

The amount of provisions for guarantees and other off-balance credit commitments 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 the statement of comprehensive income for the respective period.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.11. 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 the statement of comprehensive income.

3.2.12. 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 accumulated losses from impairment.
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 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.

3.2.13. Non-current assets held for sale

Real estate property acquired by the Bank as a mortgage creditor on granted and not serviced loans is classified as non-current assets held for trading and is stated initially at cost. After initial recognition, these assets are reported at the lower of the carrying amount or fair value, less expenses for realization. No depreciation is accrued for these assets.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.14. Taxation

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 comprehensive income, is also recognized in the statement of 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).

Current and deferred taxes are recognized as income or expense and are included in the net profit for the period, except to the extent that the tax arises from a transaction or event, which is recognized in the same or different period, directly in equity. Deferred taxes are charged or deducted directly in equity, when the tax relates to items that are charged or deducted in the same or different period, directly in equity.

3. ACCOUNTING POLICY (CONTINUED)

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;
- Allowances for impairment of loans;
- Useful life of the depreciable assets;
- Impairment of financial assets available for sale and financial assets held to maturity.

In the last several years as a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks of the economic environment in which the Bank operates. Therefore, the amount of impairment losses on loans and advances, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ from those measured and reported in these separate financial statements. 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.

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 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 2015 and 2014 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 31.12.2015	As of 31.12.2014
Cash in hand:		
In BGN	106,755	112,807
In foreign currency	55,194	77,490
Cash in transit:		
In BGN	1,608	1,742
In foreign currency	457	568
Cash in Central Bank:		
Current account in BGN	742,588	1,002,537
Current account in foreign currency	212	187
Reserve guarantee fund RINGS	1,503	1,834
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	908,317	1,197,165

The current account with BNB is used for direct participation in the government securities and money market, as well as for the purposes of bank 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 31.12.2015	As of 31.12.2014
Term deposits with local banks		
In BGN	22,018	-
In foreign currency	35,443	64,565
Term deposits with foreign banks in foreign currency	90,977	68,982
Nostro accounts with local banks		
In BGN	6	4
In foreign currency	54,155	27,912
Nostro accounts with foreign banks in foreign currency	5,485	29,656
Impairment for uncollectability	(4,075)	-
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	204,009	191,119

All amounts are in thousand Bulgarian Levs, unless otherwise stated

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of 31 December 2015 the Bank has signed repurchase agreements at the total amount of BGN 152,448 thousand, including interest receivables. Part of that is in the amount of BGN 42,150 thousand the Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The remaining amount of BGN 110,298 thousand the Bank has pledged as collateral corporate securities having an approximately equal value. The agreements' maturities are between January and June 2016.

As of 31 December 2014 the repurchase agreements amount to BGN 156,201 thousand, including interest receivables.

7. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of trading securities, including the amount of accrued interest, based on their original maturity as well as derivatives, held for trading, as follows:

	As of 31.12.2015	As of 31.12.2014
Short-term Bulgarian government notes	-	107,589
Long-term Bulgarian government notes	38,851	4
Foreign corporate securities	52,978	-
Bulgarian corporate securities	110,346	91,354
Derivatives, held for trading	491	6,068
TOTAL FINANCIAL ASSETS HELD FOR TRADING	202,666	205,015

Short-term Bulgarian government notes

As of December 31, 2015 the Bank has no investments in short-term Bulgarian government notes. As of December 31, 2014 the short-term Bulgarian government notes amounting to BGN 107,589 thousand are stated at fair value and include securities, issued by the Bulgarian government.

Long-term Bulgarian government bonds

As of December 31, 2015 and 2014 the long-term Bulgarian government bonds amounting to BGN 38,851 thousand and BGN 4 thousand, respectively, are stated at fair value and include securities in BGN, issued by the Bulgarian government.

Foreign corporate securities

As of December 31, 2015 foreign corporate securities amount to BGN 52,978 thousand, as the main portion amounting to BGN 51,918 thousand are bonds from European union countries.

7. FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Bulgarian corporate securities

As of 31 December 2015 the Bank owns corporate securities, issued by non-financial companies and financial institutions,

amounting to BGN 110,346 thousand as part of that in the amount of
BGN 88,691 thousand represent shares of public companies, listed on the Bulgarian Stock Exchange. They are stated in these financial statements at fair value.

As of 31 December 2015 the Bank owns shares in mutual funds at the amount of BGN 9,561 thousand.

As of December 31, 2015 the Bank owns bonds of a commercial entity at the amount of BGN 11,353 thousand.

As of 31 December 2014 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 91,354 thousand as part of that in the amount of BGN
69,104 thousand represent shares of public companies, listed on the Bulgarian Stock Exchange. They are stated in these financial statements at fair value.

As of 31 December 2014 the Bank owns shares in mutual funds at the amount of
BGN 9,424 thousand.

Derivatives held for trading

As of 31 December 2015 and 2014 derivatives, held for trading, at the amount of
BGN 491 thousand and BGN 6,068 thousand respectively, are carried at fair value and include sale-purchase transactions of foreign currency, securities, forward agreements and currency swaps in the open market.

Bulgarian securities pledged as a collateral

As of December 31, 2015 there are no pledged as security government bonds issued by the Bulgarian government for servicing budget accounts. As of December 31, 2014 government bonds, issued by the Bulgarian government amounting to BGN 54,825 thousand have been pledged as a collateral for servicing of budget accounts.

8. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by type of clients

	As of 31.12.2015	As of 31.12.2014
Individuals:		
In BGN	318,720	237,637
In foreign currency	51,611	35,403
Enterprises:		
In BGN	806,968	768,971
In foreign currency	966,352	804,948
	2,143,651	1,846,959
Allowance for impairment	(56,573)	(32,828)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	2,087,078	1,814,131

8. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

Loans and advances to customers as of 31 December 2015 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 2,734 thousand
(2014: BGN 17,015 thousand), including result of transactions.

(b) Analysis by economic sector

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	As of 31.12.2015	As of 31.12.2014
Agriculture and forestry	31,929	69,095
Manufacturing	78,004	44,216
Construction	253,494	149,156
Trade and finance	1,166,053	1,042,842
Transport and communications	153,466	165,710
Individuals	370,331	273,040
Other	90,374	102,900
	2,143,651	1,846,959
Allowance for impairment and uncollectibility	(56,573)	(32,828)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	2,087,078	1,814,131

(c) 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, 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 a 35% interest is charged as penalty on overdue loans, corresponding to the interest on not allowed overdraft.

9. OTHER ASSETS

	As of 31.12.2015	As of 31.12.2014
Deferred tax assets	155	156
Current tax assets	6	743
Deferred expenses	3,215	3,944
Established real rights for use of buildings	43,361	51,429
Other assets	7,216	5,810
TOTAL OTHER ASSETS	53,953	62,082

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

The established real rights for use of buildings are received as follows:

- in December 2008 from two Bulgarian commercial companies. The real rights are related to two solid administrative buildings, which are situated in the very centre of Sofia, which will be used for the purposes of the head office of the Bank. The real right of use on the first building is established for a period of 98 months for the amount of EUR 5,372 thousand. The real right of use on the second building is established for a period of 149 months for the amount of EUR 15,598 thousand.

9. OTHER ASSETS (CONTINUED)

- in June 2010 from a Bulgarian commercial company. The real rights are related to fourteen solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period between 115 and 120 months for the total amount of BGN 20,327 thousand.

- in December 2010 the term of the real right of use on one of the administrative buildings situated in the very center of Sofia was extended by three months at the amount of EUR 292 thousand..

- n June 2011 from a Bulgarian commercial company. The real rights are related to eleven solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period of 132 months for the total amount of BGN 12,797 thousand.

- in the period July - December 2014 from two Bulgarian companies. The rights are related to thirteen massive office buildings located in various cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period ranging between 115 and 137 months for the total amount of 11,937 thousand.

The carrying amount of established real rights includes also the expenses for taxes and fees related to the establishment. The carrying amount of each real right for use will be amortized on equal parts for the respective period of use of buildings.

10. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale consist of equity and debt securities, including the amount of accrued interest, based on their original maturity and discount, as follows:

	As of 31.12.2015	As of 31.12.2014
Medium-term Bulgarian government bonds	56,071	55,988
Long-term Bulgarian government bonds	7,192	6,831
Foreign government bonds	17,679	24,672
Equity investments in financial institutions	24,554	24,554
Equity investments in non-financial institutions	79,953	28,198
Bulgarian corporate securities	41,993	47,763
Foreign corporate securities	-	48,696
Other	78	78
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	227,520	236,780

Bulgarian securities, pledged as collateral

As of 31 December 2015 government bonds issued by the Bulgarian government amounting to BGN 12,477 thousand are pledged as collateral for servicing of budget accounts.

As of December 31, 2015 government bonds issued by the Bulgarian government amounting to BGN 18,124 thousand are pledged as collateral for servicing of budget accounts.

As of 31 December 2014 government bonds issued by the Bulgarian government amounting to BGN 7,056 thousand are pledged as collateral for servicing of budget accounts.

10. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

Equity investments in financial institutions

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2015 equity investments in financial institutions includes shares in commercial banks. They show the owned by the Bank shares of the subsidiary ZAO "IK Bank" city of Kazan, Republic of Tatarstan, Russian Federation in the amount of BGN 24,545 thousand, as this minority stake is for sale in accordance with decision of the Supervisory Board of the Bank.

Equity investments in non-financial institutions

As of 31 December 2015 equity investments in non-financial institutions comprise shares in commercial companies and in mutual funds.

Bulgarian corporate securities

As at 31 December 2015 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

Foreign government bonds

As of 31 December 2015 government bonds are of EU countries.

As of December 31, 2015 the Bank owns one redeemable ordinary share with face value EUR 10 of Visa Europe Ltd., which is related to the economic interests of the Bank as a member of Visa. In 2015 Visa Inc. has expressed its commitment, that in 2016 it will exercise its right to the call option on the shares of Visa Europe, which is owned by its members, and thus it will purchase the shares of Visa Europe by paying a fee, which consists of cash on hand and preferred shares of Visa Inc.

The expected transaction entails a necessity for revaluation of the investment in Visa Europe, since it provides reliable evidence for the fair value of the shares as of December 31, 2015. The Bank considers that the fair value of the shares of Visa Europe should include only the component of the fee that represents cash on hand and exclude the value of the preferred shares, since there is uncertainty, which does not allow a reliable valuation of the fair value of these instruments as of the date of approval of these separate financial statements. Considering the above-mentioned the Bank has reclassified the share that it owns in Visa Europe from financial asset available for sale stated at cost into a financial asset available for sale measured at fair value and has revalued the share as of December 31, 2015 to the value of cash, which the Bank expects to receive in 2016.

11. FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity represent Bulgarian government bonds, bonds of EU countries, bonds of foreign financial institution as od December 31, 2015 and bond of foreign commercial company as of December 31, 2014, including the amount of the accrued interest and discount/premium, based on original maturity, as follows:

	As of 31.12.2015	As of 31.12.2014
Medium-term Bulgarian government bonds	79,712	70,139
Long-term government bonds	318,207	92,518
Foreign government bonds	210,423	-
Corporate securities	38,000	20,226
TOTAL FINANCIAL ASSETS HELD TO MATURITY	646,342	182,883

Bulgarian securities pledged as a collateral

As of 31 December 2015 and 2014 government bonds issued by the Bulgarian government issued at the amount of BGN 97,673 thousand and BGN 133,542 thousand, respectively, are pledged as collateral for servicing budget accounts.

12. INVESTMENTS IN SUBSIDIARIES

12.1. Investment in subsidiary Central Cooperative Bank, Skopje, Republic of Macedonia

In February 2008 the Bank acquired control on the equity of the subsidiary Central Cooperative Bank, Skopje (in the Republic of Macedonia). In October 2009 22,354 ordinary voting shares owned by the Bank are 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 as one privileged share with no voting rights for one ordinary voting share. As of 31 December 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 equity of the subsidiary. 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 as one privileged share with no voting rights equalled one ordinary voting share. As of 31 December 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 this merger agreement Central Cooperative Bank AD Skopje issued 233,944 new ordinary shares with nominal value EUR 41,2069 or 593,795,205 denari 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 in the equity of Stater Bank AD Kumanovo owned as of 31 December 2010.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12.1. Investment in subsidiary Central Cooperative Bank, Skopje, Republic of Macedonia (continued)

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 the merger conclusion the capital of Central Cooperative Bank AD Skopje consists of 553,087 ordinary shares with nominal value
EUR 41.2069 each.

As of 31 December 2011 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 31 December 2011 the

Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In 2012, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Central Cooperative Bank AD, Skopje, and therefore as of 31 December 2012 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 31 December 2012 the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In 2013 there is no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of 31 December 2013 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of December 31, 2013 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In 2014 no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of December 31, 2014 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of 31 December 2014 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In 2015 no changes in the shareholding of Central Cooperative Bank AD, Sofia Central Cooperative Bank AD Skopje, and therefore as of December 31, 2014 Central Cooperative Bank AD, Sofia holds 483,121 ordinary shares of Central Cooperative Bank AD Skopje which represents 87.35% of the share capital of the subsidiary. As of 31 December 2014 the value of the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

In December 2011 the Bank acquired 500,000 non-materialised, ordinary shares by name, 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.

In 2014, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2014 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
31 December 2014 and 2013 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12.2. Investment in subsidiary Management Company CCB Assets Management EAD, Sofia, Bulgaria

In 2015, there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in Management Company CCB Assets Management EAD, therefore as of the 31 December 2014 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
31 December 2015 and 2014 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.

12.3. Investment in subsidiary ZAO "IC Bank", Kazan, the Republic of Tatarstan, Russian Federation

In May 2012 the Bank acquired 15,000,000 ordinary shares with voting rights and a nominal value of RUB 10 each from the share capital increase of ZAO AKB "TatInvestBank", Kazan, the Republic of Tatarstan, Russian Federation by which obtained a controlling interest in the subsidiary's share capital. Before the acquisition the Bank owns 1,422,630 ordinary shares with voting rights of the subsidiary's equity. Later in the year, the Bank acquired additional 3,351 ordinary shares with voting rights of the subsidiary's share capital. As of 31 December 2012 the Bank owns 16,425,981 ordinary shares with voting rights, representing 55,93% of the subsidiary's share capital.

In 2013 the Bank acquired additional 71,924 ordinary shares with voting rights from the share capital increase of ZAO AKB "TatInvestBank", Kazan, the Republic of Tatarstan, Russian Federation. As a result, as of 31 December 2013, the Bank owns 16,497,905 ordinary shares with voting rights, representing 56.20 % of the subsidiary's share capital

In March 2014 ZAO AKB "Tatinvestbank" changed its name to ZAO "IC Bank".

In April 2014 the Bank acquired 8,840,489 shares with option in the capital of ZAO "IC Bank" city. Kazan, Republic of Tatarstan, Russian Federation. On June 26, 2014 the Board of the Bank decided to sell this minority stake ,which decision to be submitted for consideration and adoption by the National Assembly of the Bank. On August 15, 2014 the Supervisory Board of the Bank shall adopt the decision of the Board of the Bank for the sale of minority stake. In this regard, as of December 31, 2014 minority package is presented in the category Financial assets available for sale. After additional acquisition as of December 31, 2014 "Central Cooperative Bank" Sofia has 25,338,394 ordinary shares of ZAO "IC Bank" city of Kazan, Republic of Tatarstan, Russian Federation, representing 86.273% of the capital of the subsidiary.

In 2015 there is no changes in the shareholding of the Central Cooperative Bank AD, Sofia in of ZAO "IC Bank" city. Kazan, Republic of Tatarstan, Russian Federation as a result of which Central Cooperative Bank AD, Sofia owns 25,338,394 number ordinary shares in the equity of ZAO "IC Bank" city. Kazan, Republic of Tatarstan, Russian Federation which is 86.273 % of the subsidiary's equity.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in process of acquisition	Other fixed assets	Total
1 January 2014	57,563	28,586	4,781	20,657	8,444	24,628	144,659
Acquisitions	44	2,809	41	340	12,880	199	16,313
Disposals	(14,404)	(244)	(18)	(50)	(2,483)	(1)	(17,200)
31 December 2014	43,203	31,151	4,804	20,947	18,841	24,826	143,772
Acquisitions	31,206	5,764	2,750	5,452	29,818	1,526	76,516
Disposals	(100)	(634)	(163)	(177)	(45,937)	-	(47,011)
31 December 2015	74,309	36,281	7,391	26,222	2,722	26,352	173,277
Depreciation							
1 January 2014	1,149	22,359	3,890	15,563	-	19,659	62,620
Net charge for period	707	1,807	207	2,042	-	2,375	7,138
Depreciation on disposals	(997)	(87)	(18)	(47)	-	(1)	(1,150)
31 December 2014	859	24,079	4,079	17,558	-	22,033	68,608
Net charge for period	1,472	1,972	262	1,641	-	1,430	6,777
Depreciation on disposals	(39)	(634)	(163)	(82)	-		(918)
31 December 2015	2,292	25,417	4,178	19,117	-	23,463	74,467
Net book value							
31 December 2014	42,344	7,072	725	3,389	18,841	2,793	75,164
31 December 2015	72,017	10,864	3,213	7,105	2,722	2,889	98,810

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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

14. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent property acquired by the Bank as mortgage creditor on granted and not serviced loans. These assets will not be used in Bank's activity, hence actions for their sale in 2016 have been commenced.

15. DEPOSITS FROM BANKS

	As of 31.12.2015	As of 31.12.2014
Demand deposits – local banks:		
- in BGN	1,672	1,015
- in foreign currency	2,314	826
Demand deposits – foreign banks in foreign currency	2,362	1,721
Term deposits – foreign banks in foreign currency	2,934	17,726
TOTAL DEPOSITS FROM BANKS	9,282	21,288

16. RECEIVED LOANS AND OTHER LIABILITIES TO BANKS

As of December 31, 2015 the Bank has signed agreements with repurchase clause of securities with a Bulgarian company at the amount of BGN 9,000 thousand, including interest payables. The Bank has secured these liabilities with pledge of Bulgarian government securities. The term of the agreements is in January 16.

17. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2015	As of 31.12.2014
Demand deposits		
In BGN	802,352	681,792
In foreign currency	129,942	83,372
	932,294	765,164
Term deposits		
In BGN	1,118,813	1,022,032
In foreign currency	876,938	875,877
	1,995,751	1,897,909
Savings accounts		
In BGN	820,135	698,342
In foreign currency	406,578	334,486
	1,226,713	1,032,828
Other deposits		
In BGN	8,901	13,464
In foreign currency	3,188	7,485
	12,089	20,949
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	4,166,847	3,716,850

(b) Analysis by customer and currency type

	As of 31.12.2015	As of 31.12.2014
Deposits of individuals		
In BGN	1,978,824	1,702,867
In foreign currency	1,208,739	1,085,458
	3,187,563	2,788,325
Deposits of enterprises		
In BGN	761,582	699,298
In foreign currency	205,613	208,278
	967,195	907,576
Deposits of other institutions		
In BGN	8,901	13,464
In foreign currency	3,188	7,485
	12,089	20,949
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	4,166,847	3,716,850

18. OTHER ATTRACTED FUNDS

As of 31 December 2015 and 2014 other attracted funds include financing from the State Agricultural Fund amounting to BGN 105 thousand and BGN 171 thousand (including interest), respectively, for granting loans to the agricultural sector. The credit risk for collectability of these loans shall be assumed by the Bank.

19. 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, non-cash convertible into ordinary shares. Debenture loan is signed for a period of seven years at 4.5 percent 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 default of the issuer, except under certain conditions at the time of payment and prior authorization of BNB. Amendments to the conditions of the bond issue can be made only with the prior written permission of BNB. In the month of December 2015 came the first interest payment on the bond issue in the amount of EUR 1,620 thousand, which amount is paid to the bondholders. The value of the liability as of December 31, 2015 is for the amount of BGN 70,055 thousand, including obligations for interest and reflected costs associated with the issuance of the issue

20. OTHER LIABILITIES

	As of 31.12.2015	As of 31.12.2014
Liabilities for unused paid leave	1,347	1,345
Derivatives, held for trading	578	2,633
Other liabilities	5,808	4,381
Deferred income	528	617
TOTAL OTHER LIABILITIES	8,261	8,976

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Derivatives held for trading

As of December 31, 2015 and 2014 derivatives held for trading at the amount of BGN 578 thousand and BGN 2,633 thousand are presented at fair value and include sale and purchase transactions of foreign currency, securities, forward contracts and foreign currency swaps on open market.

21. EQUITY

21.1 ISSUED CAPITAL

As of December 31, 2015 and 2014 the issued, called-up and fully paid-in share capital of the Bank comprises 113,154,291 ordinary voting shares with a nominal value of BGN 1.

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	2015		2014	
	Share capital	Percentage rate	Share capital	Percentage rate
CCB Group EAD	77,584	68.56	77,584	68.56
Chimimport AD	11,202	9.90	11,202	9.90
ZAD Armeec AD	3,851	3.40	3,851	3.40
Universal Pension Fund Suglasie	4,375	3.87	3,665	3.24
Other	16,142	14.27	16,852	14.90
	113,154	100	113,154	100

21.2 RESERVES, INCLUDING RETAINED EARNINGS

As of December 31, 2015 reserves, including retained earnings include undistributable portion of BGN 7,059 thousand and distributable portion of BGN 164,698 thousand.

21.3 REVALUATION RESERVE

The revaluation reserve is formed by revaluation of financial instruments available for sale.

22. INTEREST INCOME/ INTEREST EXPENSE

	Year ended 31.12.2015	Year ended 31.12.2014
Interest income by source:		
Loans	133,733	129,596
Securities	19,224	16,519
Deposits in banks	950	3,075
TOTAL INTEREST INCOME	153,907	149,190

	Year ended 31.12.2015	Year ended 31.12.2014
Interest expenses by recipients:		
Deposits to customers	72,445	94,192
Deposits to banks	204	653
Loans	-	246
Issued bonds	3,168	3,168
Other	-	4
TOTAL INTEREST EXPENSES	75,817	98,263

23. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2015	Year ended 31.12.2014
Granting and repayment of loans	1,508	1,440
Servicing of off-balance sheet commitments	1,717	1,132
Servicing of accounts	9,920	7,702
Bank transfers - domestic and international	23,067	22,521
Other income	10,697	11,252
TOTAL FEES AND COMMISSIONS INCOME	46,909	44,047

	Year ended 31.12.2015	Year ended 31.12.2014
Servicing of accounts	229	207
Bank transfers - domestic and international	5,773	5,175
Securities' transactions	96	125
Clearing valuable consignments	275	231
Other expenses	509	380
TOTAL EXPENSES FOR FEES AND COMMISSIONS	6,882	6,118

24. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2015	Year ended 31.12.2014
Gains on dealing with securities available for sale, net	5,956	2,733
Gains on dealing with securities held to maturity, net	788	-
Gains on on dealing with securities held for trading, net o	1,058	(10,947)
Gains on revaluation of securities held for trading, net	8,519	15,995
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	16,321	7,781

25. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2015	Year ended 31.12.2014
Dealing gains, net	2,273	6,757
Revaluation gains, net	1,723	491
TOTAL FOREIGN EXCHANGE GAINS, NET	3,996	7,248

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

26. OTHER OPERATING INCOME, NET

	Year ended 31.12.2015	Year ended 31.12.2014
Income from dividends	1,215	1,024
Income from cession contracts	8,574	7,355
Income from sale of property, plant and equipment	47	5,233
Income from sale of non-current assets held for sale	-	1,604
Other operating income	1,592	1,482
TOTAL OTHER OPERATING INCOME, NET	11,428	16,698

The income from cession contracts in 2015 originates from cash receivables under loan agreements, which were transferred on the part of the Bank through cession contracts at the amount of BGN 8,574 thousand. In 2014 income from cession contracts amounted to BGN 7,355 thousand.

27. OPERATING EXPENSES

	Loans and advances to banks (see note 5)	Loans granted to clients (see note 8)	Total
BALANCE AS OF JANUARY 1, 2014	-	27,650	27,650
Charges for the period	-	19,209	19,209
Recoveries during the period	-	(13,918)	(13,918)
Written off	-	(113)	(113)
BALANCE AS OF DECEMBER 31, 2014	-	32,828	32,828
Charges for the period	4,075	38,940	43,015
Recoveries during the period	-	(14,744)	(14,744)
Written off	-	(451)	(451)
BALANCE AS OF DECEMBER 31 2015	4,075	56,573	60,648

29. TAXES

Tax expenses are presented as follows:

	Year ended на 31.12.2015	Year ended на 31.12.2014
Current tax expenses	1,721	564
Income from deferred taxes, related to the origination and reversal of temporary differences	1	16
TOTAL TAX EXPENSES	1,722	580

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2015 and 2014. 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, 2015 and 2014 are calculated based on the tax rate of 10%, effective for 2016 and 2015.

Deferred tax assets are as follows:

	As of 31.12.2015	As of 31.12.2013
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	151	151
Property, plant and equipment and intangible assets	3	5
DEFERRED TAX ASSET	154	156

Deferred tax liabilities are as follows:

	As of 31.12.2015	As of 31.12.2014
Deferred tax liabilities:		
Merge of entities during 2010	209	209
DEFERRED TAX LIABILITY	209	209

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

	Year ended 31.12.2015	Year ended 31.12.2014
Profit before taxes	8,426	7,835
Taxes at applicable tax rates: 10% for 2015 and 10% for 2014	843	784
Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other, net	879	(204)
TAX EXPENSES	1,722	580
EFFECTIVE TAX RATE	20.44%	7.40%

30. EARNINGS PER SHARE (IN BGN)

	Year ended на 31.12.2015	Year ended на 31.12.2014
Net profit after taxation in BGN thousands	6,704	7,255
Weighted average number of shares	113,154,291	113,154,291
EARNINGS PER SHARE (IN BGN)	0.06	0.06

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, 2015 and 2014.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, as every of the above sums is multiplied by the time-weighting factor in advance.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The Bank does not have potentially dilutive instruments and diluted earnings per share is the same as basic earnings per share.

31. CONTINGENT LIABILITIES

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

	As of 31.12.2015	As of 31.12.2013
Bank guarantees		
In BGN	51,176	51,484
In foreign currency	28,185	26,390
Irrevocable commitments	118,193	100,203
Other contingent liabilities	329	208
TOTAL CONTINGENT LIABILITIES	197,883	178,285

As of December 31, 2015 and 2014 the Bank has signed contracts for granting loans to customers at the total amount of BGN 118,193 thousand and BGN 100,203 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 with suitable quality and liquidity, etc.

32. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended на 31.12.2015	Year ended на 31.12.2014
Парични средства	164,014	192,607
Парични средства в Централната Банка	744,303	1,004,558
Предоставени ресурси и аванси на банки с падеж до 3 месеца	194,393	188,080
ОБЩО ПАРИЧНИ СРЕДСТВА И ПАРИЧНИ ЕКВИВАЛЕНТИ КЪМ 31 ДЕКЕМВРИ	1,102,710	1,385,245

33. FINANCIAL 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 as 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 transactions for the purchase and sale of foreign currency, securities, forward contracts and foreign currency swaps on the open market. Most of them represent positions of the Bank's clients for foreign currency sale and purchase transactions and the related transactions on behalf of the Bank. The traded on the Bank's account speculative positions in derivative instruments are less than 10% of the total fair value of the derivative financial instruments, with insignificant amount and the Bank is not exposed to the respective risks inherent to such instruments.

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

Credit risk

Credit risk is the risk of loss due to the probability that a counterparty will be unable to pay its obligations when due or at all. The Bank manages the credit risk inherent for banking portfolio and trade portfolio. For the individual business segments the Bank applies individual credit policies.

For credit risk limitation, the Bank has implemented system of limits by classes, exposures, business sectors, geographical regions, client's profile and credit groups bearing common risk. The limits define the risk appetite and tolerance to credit risk and the capital planned allocation needed for its covering.

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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Cash and balances with the Central bank at the amount of BGN 908,317 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 204,009 thousand comprise mostly deposits in first-class 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%, as the percentage is defined based on the quality characteristics of the financial institution.

Receivables under repurchase agreements of securities at the amount of BGN 152,448 thousand bear credit risk for the Bank depending on the provided collateral. Part of the receivables at the amount of BGN 42,150 thousand does not bear credit risk for the Bank due to the fact that they are secured by Bulgarian government securities, guaranteed by the Republic of Bulgaria. The residual part of the receivables at the amount of BGN 110,298 thousand are secured with corporate securities and bears 100% risk.

Financial assets held for trading at the amount of BGN 202,666 thousand bear mainly market risk for the Bank which is discussed in the market risk disclosures.

Equity securities, available for sale at the amount of BGN 104,585 thousand, represent shares in financial and non-financial enterprises and mutual funds which bear maximum credit risk exposure of 100% as a percentage or of BGN 104,585 thousand as an absolute amount.

Debt securities available for sale and issued by the Republic of Bulgaria at the amount of BGN 63,263 thousand do not bear credit risk as they are guaranteed by the Bulgarian state. Debt securities available for sale and issued by other European countries in the amount of BGN 17,679 thousand bear credit risk for the Bank depending on the country issue.

Debt securities available for sale and issued by local companies at the amount of 41,993 thousand, bear credit risk for the Bank with maximum exposure 100% or BGN 41,993 thousand as an absolute amount.

Debt securities held to maturity and issued by the Republic of Bulgaria at the amount of BGN 397,919 thousand do not bear credit risk for the Bank due to the fact that they are guaranteed by the Bulgarian State.

Debt securities held to maturity and issued by foreign commercial companies at the amount of BGN 210,423 thousand do not bear risk for the Bank.

Debt securities held to maturity and issued by the European investment bank at the amount of BGN 38,000 thousand do not bear risk for the Bank.

The investments in the subsidiaries of the Bank, Central Cooperative Bank AD, Skopje, in the Republic of Macedonia, ZAO IK "Bank", city of Kazan, republic Tatarstan, Russian federation and Management company "CCB Assets Management" EAD, Sofia, Republic of Bulgaria amount to BGN 59,788 thousand bear a credit risk, the maximum exposure of which is 100% or BGN 59,788 thousand as an absolute amount.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Loans and advances to customers with carrying amount of BGN 2,087,078 thousand bear credit risk for the Bank. In order to determine the Bank's exposure to this risk, an analysis of each individual risk for the Bank, arising from each particular exposure is conducted by applying criteria for risk exposures assessment and classification in compliance with the banking legislation of the Republic of Bulgaria and IFRS. According to these criteria and the conducted analysis, the maximum exposure to credit risk of the Bank is at the amount of BGN 1,811,522 thousand. For credit risk mitigation purposes, detailed procedures for analysis of the economic reasonableness of every project, types of collateral acceptable to the Bank, control over granted funds and the respective administration are applied in the lending process.

The Bank keeps ratio of total capital adequacy above the regulatory requirements, generally as a precaution against the risk from concentrations. The acceptance and control over the limits for credit risk restrains the concentrations of risk exposures by geographical regions, sectors, business segments and credit groups bearing common risk.

The Bank has adopted methodology for calculation of allowances for impairment of loans and advances to customers in compliance with the requirements of IFRS.

As of December 31, 2015 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 56,573 thousand.

Quality of the credit portfolio

Classification groups as of December 31, 2015:

Debt	By granted loans			Undrawn commit-ment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allow-ances
Regular	1,884,660	87.92	6,975	81,546	79,302	99.92	-
Non-performing	258,991	12.08	49,598	11,646	61	0.08	-
Total	2,143,651	100	56,573	93,192	79,363	100	-

Classification groups as of December 31, 2014:

Debt	By granted loans			Undrawn commit-ment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allow-ances
Regular	1,781,848	96.47	7,020	99,921	75,935	97.51	-
Non-performing	65,111	3.53	25,808	282	1,939	2.49	-
Total	1,846,959	100	32,828	100,203	77,874	100	-

The loans granted by the Bank can be summarized in the following table:

	31.12.2015			31.12.2014		
Groups	Loans, granted to non-financial customers		Loans, granted to banks and receivables under repurchase agreements	Loans, granted to non-financial customers		Loans, granted to banks and receivables under repurchase agreements
	BGN' 000	%		BGN' 000	%	
Neither past due nor impaired	935,255	43.63	152,449	1,230,975	66.65	156,201
Past due but not impaired	987,073	46.05	-	578,629	31.33	-
Impaired on individual basis	221,323	10.32	-	37,355	2.02	-
Total	2,143,651	100	152,449	1,846,959	100	156,201
Allowances for impairment provided	(56,573)		-	(32,828)		-
Net loans	2,087,078		152,449	1,814,131		156,201

As of December 31, 2015 and 2014 the prevailing part of the loans classified as past due but not impaired consist of loans overdue within 30 days. The Bank considers that such delays are not an indication for impairment of the respective loans.

Loans and advances, which are neither overdue, nor impaired, are presented in the following table:

	As of 31.12.2015	As of 31.12.2014
Individuals		
Credit cards and overdrafts	21,270	14,908
Consumer loans	188,462	135,510
Mortgage loans	82,305	58,674
Corporate clients	643,218	1,021,883
Total	935,255	1,230,975

The carrying amount of loans, which are overdue, but have not been impaired is stated below. These loans are not impaired due to the fact that the nature of the overdue loans is accidental and the overdue period is within 30 days, which dismisses the necessity of their impairment.

	As of 31.12.2015	As of 31.12.2014
Individuals		
Credit cards and overdrafts	12,042	6,429
Consumer loans	32,810	15,019
Mortgage loans	18,976	19,656
Corporate clients	923,245	537,525
Total	987,073	578,629

The carrying amount of the loans, which have been provided allowances for on an individual basis as of December 31, 2015 and 2014 is BGN 221,323 thousand and BGN 37,355 thousand. These amounts exclude cash flows from utilization of collaterals under these loans.

2015	Carrying amount before impairment	Total highly liquid collateral
Credit cards and overdrafts	-	-
Consumer loans	12,803	988
Mortgage loans	1,957	-
Corporate clients	206,563	7,609
Total	221,323	8,597

2014	Carrying amount before impairment	Total highly liquid collateral
Credit cards and overdrafts	4,827	-
Consumer loans	14,652	3,417
Mortgage loans	1,841	2,629
Corporate clients	16,035	24,221
Total	37,355	30,267

The total amount of the net exposure for 2015 and 2014 of the five largest exposures is BGN 339,487 thousand and BGN 292,961 thousand respectively, and represents 16,27% and16,15% from the loans and advances of the Bank's customers.

Business sector, classification group and overdue as of December 31, 2015:

Sector	Amount			Including overdue on:				
	Group	Number of transactions	Liability	principal	interest	Court receivables	Allowances	Unutilized
	regular	72,845	329,557	646	279	-	2,542	42,182
Retail	non-performing	5,223	40,774	1,861	1,667	15,205	13,750	277
Total		78,068	370,331	2,507	1,946	15,205	16,292	42,459
	regular	682	1,540,846	41,347	14,779	-	4,433	39,286
Corporate	non-performing	191	218,217	27,209	6,177	41,351	35,848	11,369
Total		873	1,759,063	68,556	20,956	41,351	40,281	50,655
	regular	9	14,257	-	-	-	-	78
Budget	non-performing	-	-	-	-	-	-	-
Total		9	14,257	-	-	-	-	78
Total		78,950	2,143,651	71,063	22,902	56,556	56,573	93,192

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Business sector, classification group and overdue as of December 31, 2014:

Sector	Amount			Including overdue on:				
	Group	Number of transactions	Liability	principal	interest	Court receiv-ables	Allowances	Unutilized
	regular	70,047	245,903	702	335	-	2,687	38,234
Retail	non-perform-ing	4,592	27,137	1,798	1,613	10,382	10,624	261
Total		74,639	273,040	2,500	1,948	10,382	13,311	38,495
	regular	728	1,529,326	8,932	3,406	-	4,313	61,627
Corporate	non-perform-ing	116	37,974	5,149	1,550	15,785	15,184	21
Total		844	1,567,300	14,081	4,956	15,785	19,497	61,648
	regular	9	6,619	345	-	-	20	60
Budget	non-perform-ing	-	-	-	-	-	-	-
Total		9	6,619	345	-	-	20	60
Total		75,492	1,846,959	16,926	6,904	26,167	32,828	100,203

Loan exposures for restructuring

The Bank accepts as exposures for restructuring those loan exposures on which the initial contract 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 at other circumstances.

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

- Decrease/writing off/ of the debt or a part of it;
- Replacement of part of the debt by property;
- Refinancing of exposures, which the debtor cannot service with the current contract terms;
- When the contract contains more favourable terms for repayment of liabilities compared to the terms, which the Bank would offer to customers with similar risk profile;
- 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 Forborne loan exposures is as follows:

2015	Corporate customers	Physical persons
Amount before impairment	121,365	1,952
Impairment	(17,974)	(816)
Amount after impairment	103,391	1,136

2014	Corporate customers	Physical persons
Amount before impairment	15,921	2,607
Impairment	(2,851)	(1,076)
Amount after impairment	13,070	1,531

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 in the liquidity risk management comprises maintaining of reasonable level of liquidity to avoid potential loss at unexpected sale of assets.

The Bank observes its responsibilities and limitations resulting from the Law on Credit Institutions and Ordinance No. 11 of the Bulgarian National Bank on liquidity management and supervision of banks. The special collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It applies the adopted by the Bank policy on liquidity risk management.

Quantity measure of the liquidity risk according to the BNB regulations is the liquid assets coefficient being the ratio between the liquid assets (cash in hand and at accounts with the Central bank, unencumbered government securities of the Republic of Bulgaria, deposits at financial institutions with maturity up to 7 days) to the attracted funds by the Bank.

Traditionally, the Bank maintains high volume of liquid assets – cash in hand and at BNB, which guarantees it to meet easily its liquid needs. As of December 31, 2015 their share is over 19% of the Bank's total assets. As additional instrument to provide high liquidity, the Bank uses placements with and advances to financial institutions. These comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity within 7 days. As of December 31, 2015 such deposits represent approximately 4.5% of total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise over 8% of total assets. By maintaining above 31.5% of its assets in highly liquid assets the Bank is able to meet all payment needs on matured financial liabilities.

The allocation of the Bank's financial liabilities as of December 31, 2015, according to their time remaining to maturity is as follows:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	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 LIABILITIES						
Deposits from banks	9,282	-	-	-	-	9,282
Liabilities under repurchase agreements of securities	9,000	-	-	-	-	9,000
Liabilities to other depositors	1,941,726	368,887	1,051,160	796,791	8,283	4,166,847
Other attracted funds	4	8	53	40	-	105
Issued bonds	-	-	-	70,055	-	70,055
Other liabilities	8,261	-	-	-	-	8,261
TOTAL FINANCIAL LIABILITIES	1,968,273	368,895	1,051,213	866,886	8,283	4,263,550

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

The allocation of the Bank's financial liabilities as of December 31, 2014, 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 LIABILITIES						
Deposits from banks	14,754	6,534	-	-	-	21,288
Liabilities under repurchase agreements of securities	1,716,433	322,917	948,211	724,238	5,051	3,716,850
Liabilities to other depositors	6	12	75	78	-	171
Other attracted funds	-	-	-	-	69,946	69,946
Issued bonds	8,976	-	-	-	-	8,976
Other liabilities	1,740,169	329,463	948,286	724,316	74,997	3,817,231
TOTAL FINANCIAL LIABILITIES	1,968,273	368,895	1,051,213	866,886	8,283	4,263,550

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 769,720 thousand as of December 31, 2015 and BGN 714,035 thousand as of December 31, 2014 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 2015 and 2014.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 products, 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 management.

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 in result of changes in the interest rates.

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

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 3, 2015 is negative and amounts to BGN 939,295 thousand. The 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 27,83%.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	194,124	269	-	6,682	2,934	204,009
Receivables under repurchase agreements of securities	48,297	49,152	54,999	-	-	152,448
Financial assets held for trading	3,554	-	-	12,657	86,971	103,182
Loans and advances to customers, net	173,437	50,956	302,110	535,274	1,025,301	2,087,078
Financial assets available for sale	-	16,062	34,145	41,122	31,606	122,935
Financial assets held to maturity	-	-	-	90,841	555,501	646,342
TOTAL INTEREST-BEARING ASSETS	419,412	116,439	391,254	686,576	1,702,313	3,315,994
INTEREST-BEARING LIABILITIES						
Deposits from banks	9,282	-	-	-	-	9,282
Payables under repurchase agreements of securities	9,000	-	-	-	-	9,000
Liabilities to other depositors	1,941,726	368,887	1,051,160	796,791	8,283	4,166,847
Other attracted funds	4	8	53	40	-	105
Issued bonds	-	-	-	70,055	-	70,055
TOTAL INTEREST-BEARING LIABILITIES	1,960,012	368,895	1,051,213	866,886	8,283	4,255,289
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	(1,540,600)	(252,456)	(659,959)	(180,310)	1,694,030	(939,295)

The maintenance of negative imbalance exposes the Bank to risk of decrease of the net interest income when interest rates increase. The influence of the imbalance, reported as of December 31, 2015 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 1,872 thousand (2014: BGN 1,658 thousand).

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2014 is negative and amounts to BGN 863,856 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 32.34%.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	186,953	1,127	-	3,039	-	191,119
Receivables under repurchase agreements of securities	68,147	16,762	71,292	-	-	156,201
Financial assets held for trading	-	-	107,591	12,086	-	119,677
Loans and advances to customers, net	100,494	79,476	463,419	808,066	362,676	1,814,131
Financial assets available for sale	-	-	51,663	120,301	11,986	183,950
Financial assets held to maturity	-	-	20,226	92,656	70,001	182,883
TOTAL INTEREST-BEARING ASSETS	355,594	97,365	714,191	1,036,148	444,663	2,647,961
INTEREST-BEARING LIABILITIES						
Deposits from banks	14,754	6,534	-	-	-	21,288
Liabilities to other depositors	1,716,433	322,917	948,211	724,238	5,051	3,716,850
Issued bonds	-	-	-	-	69,946	69,946
Other attracted funds	6	12	75	78	-	171
TOTAL INTEREST-BEARING LIABILITIES	1,731,193	329,463	948,286	724,316	74,997	3,808,255
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	(1,375,599)	(232,098)	(234,095)	311,832	369,666	(1,160,294)

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 769,720 thousand as of December 31, 2015 and BGN 714,035 thousand as of December 31, 2014 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 2015 and 2014.

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. The Bank's long position in EUR does not bear risk for the Bank. The net currency position as of December 31, 2015 in financial instruments, denominated in other currencies, different from BGN or EUR is under 2% of the financial assets and does not bear a significant currency risk for the Bank.

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2015 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	22,017	57,683	101,465	22,844	204,009
Receivables under repurchase agreements of securities	124,021	28,427	-	-	152,448
Financial assets held for trading	124,526	77,613	462	65	202,666
Loans and advances to customers, net	1,096,956	943,097	43,256	3,769	2,087,078
Financial assets available for sale	114,227	84,945	3,803	24,545	227,520
Financial assets held to maturity	54,645	591,697	-	-	646,342
Investments in subsidiaries	3,200	46,216	-	10,372	59,788
TOTAL FINANCIAL ASSETS	1,539,592	1,829,678	148,986	61,595	3,579,851
FINANCIAL LIABILITIES					
Deposits from banks	1,672	5,827	1,300	483	9,282
Payables under repurchase agreements of securities	-	9,000	-	.	9,000
Amounts due to other depositors	2,749,410	1,162,698	218,136	36,603	4,166,847
Other attracted funds	105	-	-	-	105
Issued bonds	-	70,055	-	-	70,055
TOTAL FINANCIAL LIABILITIES	2,751,187	1,247,580	219,436	37,086	4,255,289
NET POSITION	(1,211,595)	582,098	(70,450)	24,509	(675,438)

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2014 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	4	134,983	38,374	17,758	291,119
Receivables under repurchase agreements of securities	155,233	968	-	-	156,201
Financial assets held for trading	108,421	90,490	2,143	3,961	205,015
Loans and advances to customers, net	914,063	850,009	50,059	-	1,814,131
Financial assets available for sale	68,452	135,167	8,616	24,545	236,780
Financial assets held to maturity	36,095	146,788	-	-	182,883
Investments in subsidiaries	3,200	46,216	-	10,372	59,788
TOTAL FINANCIAL ASSETS	1,285,468	1,404,621	99,192	56,636	2,845,917
FINANCIAL LIABILITIES					
Deposits from banks	1,015	12,504	752	7,017	21,288
Amounts due to other depositors	2,415,629	1,097,915	177,635	25,671	3,716,850
Subordinated liabilities	-	69,946	-	-	69,946
Other attracted funds	171	-	-	-	171
TOTAL FINANCIAL LIABILITIES	2,416,815	1,180,365	178,387	32,688	3,808,255
NET POSITION	(1,131,347)	224,256	(79,195)	23,948	(962,338)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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 equity instruments for trading, 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 indexes, 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 held for trading at the amount of BGN 98,252 thousand (2014: BGN 79,270 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, distributed in accordance with the hierarchy of the fair values as of December 31, 2015 and 2014 is as follows:

2015	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment –non observed market levels
ASSETS				
Financial assets held for trading	202,666	202,174	491	1
Financial assets available for sale	227,520	191,404	-	36,116
Financial assets held to maturity	646,342	646,342	-	-
TOTAL ASSETS	1,076,528	1,039,920	491	36,117
LIABILITIES				
Derivative financial instruments	578	-	578	-
TOTAL LIABILITIES	578	-	578	-

2014	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment –non observed market levels
ASSETS				
Financial assets held for trading	205,015	198,947	6,068	
Financial assets available for sale	236,780	126,827	-	109,953
Financial assets held to maturity	182,883	162,657	-	20,226
TOTAL ASSETS	624,678	488,431	6,068	130,179
LIABILITIES				
Derivative financial instruments	2,633	-	2,633	-
TOTAL LIABILITIES	2,633	-	2,633	-

35. RELATED PARTY TRANSACTIONS

The Bank has conducted a number of transactions with related parties as it has granted loans, issued guarantees, attracted cash, realized repo deals and others. All deals are completed at common trade conditions, in the course of activity of the Bank and do not differ from the market conditions, as loans are granted and guarantees are issued only in the presence of sufficient collateral.
As of December 31, 2015 and 2014 the Bank has receivables from, payables and contingent commitments to related parties as follows:

Related parties and balances	As of 31.12.2015	As of 31.12.2014
Parent company	31.12.2015	31.12.2014
Deposits received	20	-
Issued bonds	44,758	44,688
Loans granted	-	1,969
Companies under common control		
Loans granted	95,036	108,048
Guarantees issued	26,388	22,672
Receivable under repurchase agreements	30,585	34,657
Other receivables	3,246	8,045
Deposits granted	-	-
Deposits received	86,567	67,969
Issued bonds	5,460	5,605
Subsidiaries		
Deposits received	3,728	11,378
Deposits granted	28,652	60,366
Key management personnel of the Bank or its main shareholder		
Loans granted	3,777	4,616
Deposits received	3,276	1,810

Income and expenses realized by the Bank in 2015 and 2014 from transactions with related parties are as follows:

Related parties and transactions	Turnover in 2015	Turnover in 2014
Related parties and transactions		
Parent company	52	124
Interest income	1	2
Income from fees and commissions	-	(756)
Expenses for services		
Companies under common control	7,743	9,308
Interest income	1,260	1,269
Income from fees and commissions	110	59
Income from services	(403)	(1,676)
Interest expense	(8,615)	(8,358)
Expenses for services		
Subsidiaries	(87)	(517)
Interest expense	500	845
Interest income	8	12
Income from fees and commissions	771	634

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Dividends		
Key management personnel of the Bank or its main shareholder		4,616
Interest income	161	184
Income from fees and commissions	8	9
Interest expense	(18)	(37)
Expenses for services	(86)	(201)

The remunerations of the members of the Supervisory Board paid in 2015 are BGN 240 thousand (2014: BGN 200 thousand). The remunerations of the members of the Management Board paid in 2015 are BGN 307 thousand (2014: BGN 301 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 licence 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	
	2015	2014	2015	2014
Operating income				
Financial result before tax	205,015	198,947	6,068	
Tax expense	236,780	126,827	-	109,953
Return on assets (%)	182,883	162,657	-	20,226
Number of employees at December 31	624,678	488,431	6,068	130,179
Received government grants				

37. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred subsequent to the preparation of the separate financial statements for 2015 that may have significant impact on the future development of the Bank.


Централна Кооперативна Банка