ANNUAL REPORT
2014

Central Cooperative Bank
Our clients feel important

"If there is any one secret of success, it lies in the ability to get the other person's point of view and see things from that person's angle as well as from your own."

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 2014. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2014 the Bank assets are BGN 4.1 billion, shareholders' equity amounts to BGN 363 million and the net profit is BGN 7 million.

Last year was our eighth 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 31.12.2014

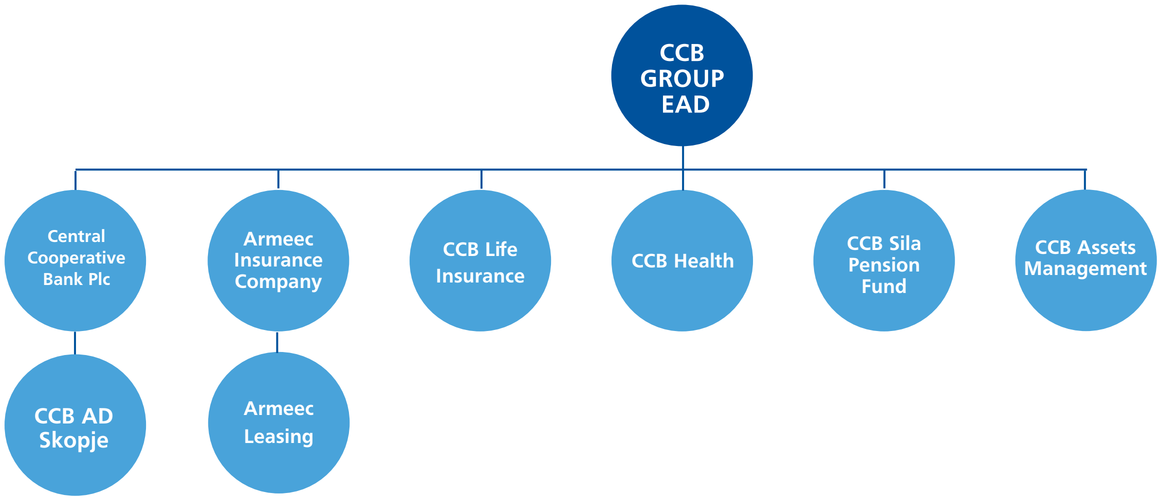
Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2014 Thousand BGN	As at 31.12.2013 Thousand BGN
Total assets	4,180,681	3,745,233
Share capital	113,154	113,154
Shareholders' equity	363,450	356,319
Total deposits	3,738,138	3,294,352
Deposits from non-financial institutions	3,716,850	3,278,227
Advanced loans and advances to customers, net	1,814,131	1,771,998
Net interest income	50,927	54,612
Non-interest income	69,656	68,725
Total income	120,583	123,337
Operating expenses	107,457	106,068
Net profit	7,255	10,145

Financial highlights	As at 31.12.2014	As at 31.12.2013
ROE %	1.86%	2.88%
ROA %	0.17%	0.29%
Shareholders' equity / total assets %	8.69%	9.51%
Operating expenses / total assets %	2.57%	2.83%
Operating expenses / total income %	89.11%	86%
Loans to customers / total assets %	43.39%	47.31%
Total deposits / total assets %	89.41%	87.96%
Deposits from non-financial institutions / total assets %	88.90%	87.53%
Total capital adequacy	16.58%	14.99%

Recourses	As at 31.12.2014 Number	As at 31.12.2013 Number
Number of customers	1,556,628	1,474,650
Foreign correspondents	440	431
Nostro accounts	19	20
Locations, including branches	277	271
Personnel	2181	2185

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 E**uropean Association of Cooperative Banks**.

The products and services of **Western Union** are offered at 242 branches and offices of CCB Plc in 163 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 440 correspondents and 19 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 277 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.

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.

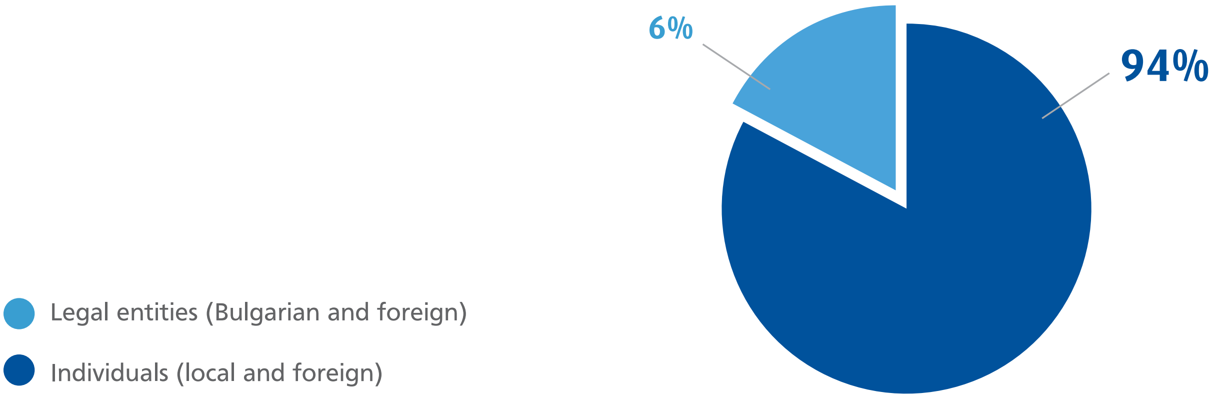
As at 31 December 2014 the shareholders' equity amounts to BGN 363,450 thousand. The capital adequacy is 16.58 %, which is above the requirements according to Ordinance No. 8 of BNB on the capital adequacy of Banks.

Shareholders of CCB Plc as at 31 December 2014	Share (%)
CCB Group EAD, Sofia	68.56
Chimimport JSC	9.90
Other minority participation	21.54
Total	100.00

As at December 31, 2014 the shareholders of CCB Plc are 6782, among them 5,612 individuals and 1,170 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

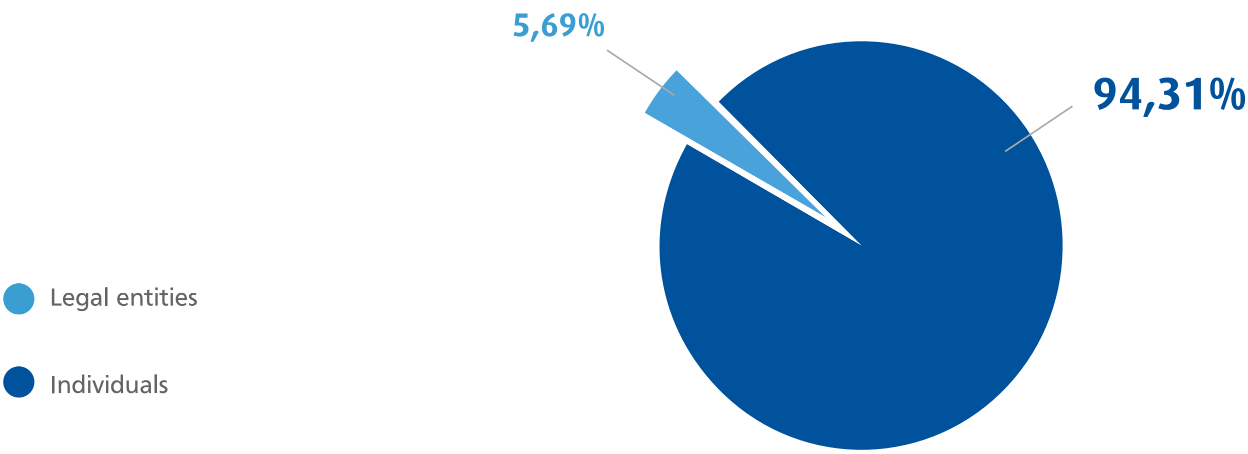
Central Cooperative Bank Plc is a universal commercial bank, offering a broad spectrum of financial products and services. The Bank endeavors to follow the competitive requirements of the constantly changing environment and deploys its array of products and services in the field of financial intermediation, 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 2014 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 31.12.2014

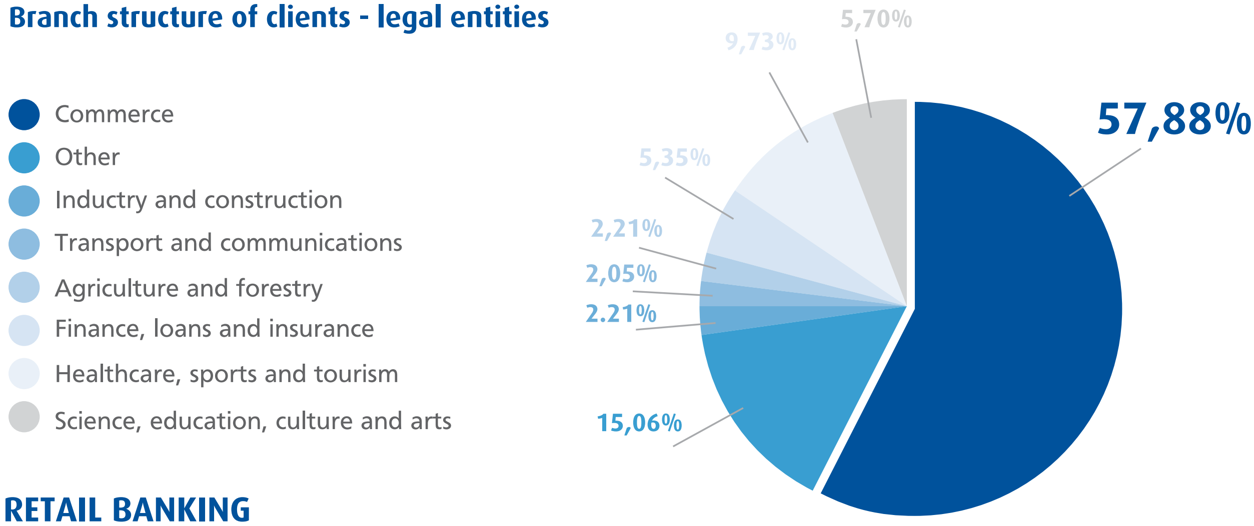


Sector	31.12.2014	31.12.2013
Individuals and sole proprietors	1468139	1390769
Commerce	51216	48557
Transport and communications	5040	4894
Industry and construction	8610	8234
Agriculture and forestry	4731	4591
Finance, loans and insurance	1953	1875
Science and education	1816	1721
Healthcare, sports and tourism	1798	1701
Other	13325	12308
Total	**1556628**	**1474650**

The Bank clients increased again and reached 1556628 clients at the end of 2014.

In comparison to the previous year the increase is to the amount of 5.56%, whereas there is an increase mainly in individuals. The number of individuals has increased by 81 978 or by 5.56 % compared to 2013. 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 2014 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 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 debit and credit cards with the new functionality for fast and easy contactless payments, as well as EMOTION debit and credit cards, where the client can choose the vision of his/her card from the offered gallery of over 50 designs.

In 2014 the Bank started the offering of several new card products and services:

The Bank started offering contactless Visa payWave debit and credit cards and Maestro PayPass contactless debit cards. In this way the Bank endeavors to further satisfy the needs of its clients, giving them a possibility to take advantage of the exceptionally fast contactless payments with all main card brands - MasterCard, Visa, Visa Electron and Maestro.

In July 2014 the Bank started offering the World Debit MasterCard debit card for its clients. For the first time in Bulgaria and on the Balkans we offer a debit card of such high class. The card is intended for the premium clients of good financial standing that dispose of a considerable resource at the Bank, or use credit products of considerable amount. Clients can receive special attitude and take advantage of additional privileges:

- Rebates at selected traders in Bulgaria, as well as upon travelling abroad
- Additional privileges at the Sofia and Vienna airports
- Additional bonuses in the CCB Club loyalty program

- A free insurance policy upon travelling abroad
- A free insurance policy, which provides additional security and at present is not offered with any other debit card in Bulgaria. It covers the following risks:
  - Theft and/or casual damage of an item, purchased with the card;
  - Protection for reaching the lowest price upon shopping with the card – if the client finds the same commodity at a lower price, he/she will be reimbursed the difference;
  - Protection upon theft or loss of the card together with the keys or documents.

Since January 2014 CCB started issuing the cobranded debit card, together with Bulgarian Posts. The Debit MasterCard card is the first debit card of Bulgarian Posts in Bulgaria. This card is offered upon preferential conditions for the clients of Bulgarian Posts.

With the aim of deploying the portfolio of EMOTION cards, from September 2014 CCB offers the EMOTION Visa Electron and Maestro debit cards, intended especially for children. For the design of the cards we use the winning drawings in the CCB competition for child drawing "Draw your EMOTION". The cards are issued to children aged 10 - 17.

From October 2014 CCB started offering the CashM service to its clients. The service makes it possible for all cardholders of CCB to order money transfers via their bank cards at ATM. The transfer beneficiary withdraws the amount also at an ATM, whereas there is no need to have a bank account or card. The transfers are effected within several minutes, including during the weekends.

Thanks to the Mobb service the clients of CCB may use their debit and credit cards via their mobile phone. In 2014 CCB affirmed itself as the bank most successfully offering this service among 7 banks in Bulgaria. At the end of 2014 CCB deployed the possibilities for mobile payments via the Mobb service, whereas it introduced a new functionality, which allows the transactions to be effected much faster and easily. The purchase is effected via approaching the mobile to the POS terminal, analogous to the contactless payments with bank cards. In order to take advantage of this new possibility, it is necessary that the clients use a sticker, which is placed on the mobile.

In 2014 the Bank introduced more preferences concerning some of the card products, which it offers:

The Bank started offering credit cards with special conditions for clients that receive their monthly remuneration on accounts with CCB. The preference includes– no interest for the first 4 months and 12% annual interest after expiry of the promotional 4-month period.

Upon purchasing an airplane ticket from Bulgaria Air with the Visa Gold CCB-Bulgaria Air cobranded credit card, the rebate increases from 3% to 5%.

Since the end of 2014 clients with Visa Platinum, Visa Gold and MasterCard Gold cards from CCB can take advantage of the free registration for the Mobb service.

In 2014 we introduced another preference for the clients with premium cards. 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 Gold cards and MasterCard Gold cards of CCB can take advantage of this option. The holders of these cards 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 31.12.2014 the total number of issued cards of the Bank amounts to 692 355. There is an increase in the number of the issued MasterCard credit cards from 14 366 to 15 811 cards. The Bank achieved considerable success in the issuance of the Debit MasterCard and World Debit MasterCard cards, which reached 114 693 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 2014 reached 323. At the end of 2014 the total number of ATMs of CCB is 461. The total number of POS terminals of CCB at the end of 2014 is 3 273, including the POS terminals in the bank rooms. The total number of the new POS terminals, which make possible contactless payments, is 952 terminals.

The breakdown of the market share of CCB Plc as at 31.12.2014 in the cards segment has been presented in the table below.

Cards	% for CCB of the total for the country
Visa credit cards	3.79%
MasterCard credit cards	5.73%
MasterCard debit cards	16.92%
Visa Electron debit cards	7.81%
Maestro debit cards	12.07%

A breakdown of the market share of CCB Plc in the terminals segment at the end of 2014 has been presented in the table below:

ATMs and POS terminals	CCB	Total for BORIKA BANKSERVICE	% for CCB
ATMs	461	2 978	15.48%
POS terminals	3 596	45 252	7,95%

The total number of issued international credit cards at the end of December 2014 is 34 923 cards, of which 15 811 MasterCard cards and 19 112 Visa cards.

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

Bank	31.12.2013 г.	31.03.2014 г.	30.06.2014 г.	30.09.2014 г.	31.12.2014 г.
ATMs	410	449	456	459	461
POS devices at the trade shops	2 644	2 690	2 872	2 869	2 953
POS devices at the Bank branches for cash withdrawals	262	260	272	281	320
Virtual POS devices	302	267	291	307	323
Total POS	3 208	3 217	3 435	3 457	3 596
Credit cards	38 002	37 839	38 299	38 214	38 128
Master Card	14 366	14 782	15 274	15 420	15 811
Visa	19 802	19 412	19 528	19 454	19 112
Market and CCB-Office 1	3 834	3 645	3 497	3 340	3 205
Debit cards	651 675	646 586	646 327	652 741	654 227
Visa Electron	246 131	240 377	234 604	231 589	229 140
Maestro	369 760	341 900	328 018	316 339	301 178
CCB-Office 1	1 503	1 312	1 236	1 157	1 099
Visa and MasterCard Prepaid	4 613	5 940	6 680	7 159	8 117
Debit MasterCard and World Debit MasterCard	29 668	57 057	75 789	96 497	114 693
Total cards	689 677	684 425	684 626	690 955	692 355

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

In 2014 CCB Plc again launched advertising campaigns together with the card organizations MasterCard and Visa, directed at stimulating the payments with CCB cards at traders 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 2014 CCB launched a campaign to encourage the contactless payments with MasterCard, Debit MasterCard and Maestro cards of the Bank with awards for clients. Every client, who made minimum five contactless payments with his/her card in compliance with the campaign conditions, was entitled to receive an award.

In the period October – December 2014 CCB, together with MasterCard, launched a campaign to stimulate the payments with MasterCard, Debit MasterCard and Maestro cards with awards for clients. Special emphasis during the campaign was placed on the new contactless payments, which automatically participated in an additional lottery with attractive awards. Within the campaign there was a radio game with awards.

The holders of CCB debit and credit cards could participate in other campaigns with awards, organized by the Visa and MasterCard card organizations.

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 smartphones, tablets and other mobile devices. In 2014 the number of the partners in CCB Bonus is over 210, with more than 730 trade shops.

CCB Club loyalty program

In 2014 the CCB Club loyalty program continued developing dynamically. The number of clients, registered in the loyalty program, reached 395 000 thousand people, and the bonus sales exceeded BGN 27 600 thousand.

The partners in CCB Club continue to contribute to its growing popularity:

- Due to the nature of its business **Lukoil** ensures the greatest frequency of the bonus sales, for which contributes the considerable percent of the rebate for the fuels – 3% upon payment of petrol or diesel and 2 % rebate upon payment of gas at their shops. From September 2014 the holders of Silver, Business and Golden cards CCB Club receive greater rebates with their club cards upon refueling the ESTO fuels:
    - CCB Club golden card – a rebate of 4%
    - CCB Club sliver card – a rebate of 3.5%
    - CCB Club business card - a rebate of 3.5%
- **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.
- **Mobiltel** is the only partner, which provides rebates to clients not only upon current purchases, but for payments to the mobile operator, effected in the previous years.
- The bus companies **Etap –Address and Group Plus** provide an exceptionally advantageous rebate of 10% for the program clients.
- In August 2014 a new partner joined the program – the food chain **BM Market**. The amount of the rebate that BM Market provides to the CCB Club program participants is 3%. The inclusion of the BM Market shops in CCB Club supplements the possibility the program clients to receive rebates for their purchases in consumer goods shops. The trader disposes with 19 shops.
- **New trade shops** –in 2014 the number of the trade shops that participate in the CCB Club program continued to increase. For example, the number of sites of the COOP commercial chain, which are included in the program and provide a rebate of 3%, increased from 56 to 99.
- **Grand Optics** & **Joy Optics** provided a promotional rebate of 30% instead of 20% in the period from 15.09.2014

to 15.11.2014, as well as a free eye examination.

The remaining participants in the CCB Club program offer the following attractive rebates:

- **Happy Bar&Grill** restaurant chain – 5% rebate, 24 restaurants
- **Sport Depot** sports shops – 5% rebate, 13 shops
- **Aron** furniture chain – 3% rebate, 10 shops
- **Frant** men fashion shops– 10% rebate, 11 shops
- **Hush Puppies** shoe shops – 5% rebate, 5 shops

The owners of the golden club cards have the possibility to receive the exceptional image cards World Debit MasterCard. In this way CCB took care of its most important clients, giving them the possibility to own a card, which is not offered by another bank in Bulgaria.

Since the beginning of 2014 the Bank started offering CCB Club loyalty program with the collaboration of Bulgarian Posts. The clients of Bulgarian Posts can already request and receive their club cards at the postal offices.

At the end of 2014 there was a national promotional campaign for the CCB Club loyalty program. The commercial was broadcast at some of the leading TV channels in the country. The campaign included also radio advertisement, Internet advertisement, print advertisement, external advertisement, etc. The promotional campaign was combined with a campaign with awards for the clients that use their club cards.

In 2014 we started the issuance of CCB Club cards, bearing the logo of Happy Bar & Grill restaurants.

Company module of CCB Club. From the middle of June 2013 not only individuals, but also legal entities can take advantage of the rebates under the CCB Club program. In 2014 there was a campaign to increase the number of legal entities, included in the program. As a result of the campaign in the program there are over 560 legal entities. In September 2014 the rebate, provided by Lukoil to legal entities for the ESTO fuels, was increased from 3% to 3,5%.

Consumer and mortgage lending

In 2014 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. Along with the preferences, which the Bank offers to the employees of the partner companies, CCB has developed 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. 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 to gain and 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 year of an increase in the sale of retail products at CCB Plc continued steadily in 2014. 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. An analysis of the activity of CCB Plc during last year shows:

- An increase in the sales activity in 2014 compared to 2013 by over 65% in the consumer loans.
- A sharp increase in the sales of mortgage loans by above 450% in 2014 compared to 2013.
- 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 2013 is by over BGN 43,1 million.

In 2014 there continued the centralized processing of the applications for consumer loans and overdrafts, submitted at the bank branches from Consumer lending department (Loan center) to Retail Banking division. During the year over 21’000 submitted applications were reviewed, whereas about 71% of them were approved and 29% 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 31.12.2014 are 0,47%.

During the first quarter of 2014 we made a change to the technology of work upon reviewing the applications for credit cards, received at the Bank branches. The change is in the direction of centralization of the approval of the transactions at Consumer lending department within Retail banking division. Implementing the new way of work with respect to these transactions, we finished the process associated with a centralized approach upon working with loan transactions of individuals. The employees at the Bank branches had the possibility to concentrate on the sales and the management of the portfolios, 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 awards to the loyal clients. As at 31.12.2014 the number of traders of goods on credit is approximately 840 with approximately 2’100 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.

Again at the beginning of the year the Bank continued to deploy its network of sellers. We developed a procedure for working with 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.

During last year we continued the work associated with the started in 2013 change in the organizational structure of the branch network of the Bank to sales oriented structure.

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 is more closely related to the achieved results and the bonuses amount. The expectations are that the better and just stimulation, where the personal contribution of each employee to the business of the Bank is taken into consideration, will strengthen the sales initiatives and activities and will lead to increasing the portfolio of the Bank.

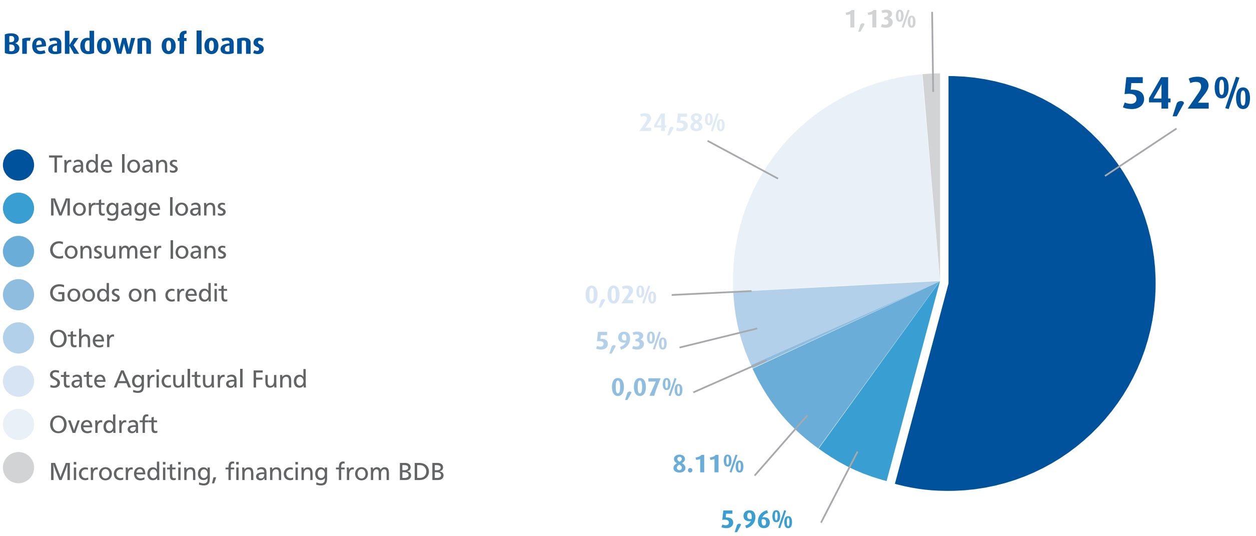
As a continuation of the policy for active sales, we made a change in the organization of work of the Front Office employees and the managers servicing and sales at the distinct offices. The enumerated employees already participate directly in the activity of attracting new clients, delivery of presentations 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 2014 loans have 43.39 % 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 54.20 % of the total amount of the granted loans, whereas in 2013 their share was 57.65%. The overdraft increases its percentage share in total assets from 20.84 % in 2013 to 24.58 %. 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 8.11 % and 5.96% respectively of the total loan portfolio. CCB Plc offers attractive products in the field of consumer lending and crediting small and medium-sized companies.

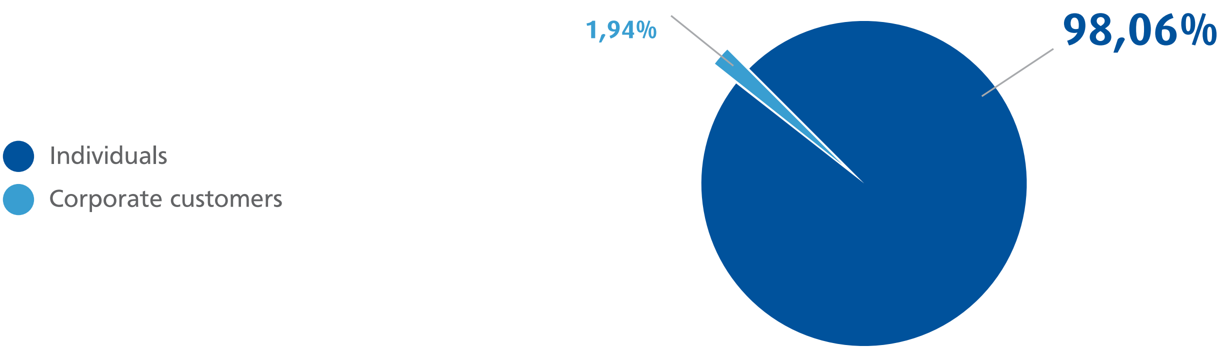
Breakdown of loans



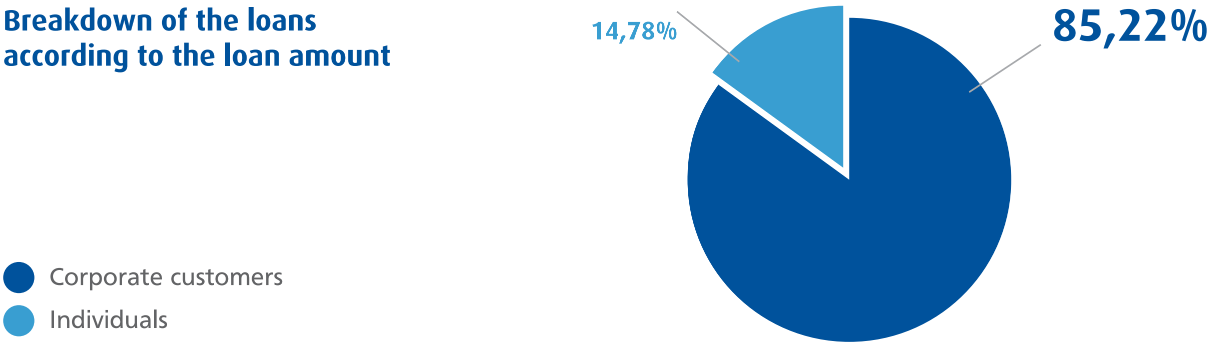
In 2014 CCB Plc offered more favorable conditions to its clients in housing, mortgage and consumer lending, considering the changed tendencies on the loans market on a global and national scale.

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 440 financial institutions from all over the world. The Bank has 19 Nostro accounts, 5 of which are in EUR with European banks, 1 account is in USD with an American bank, and 13 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 2005-2014 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; Credit Suisse, Zurich; 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.

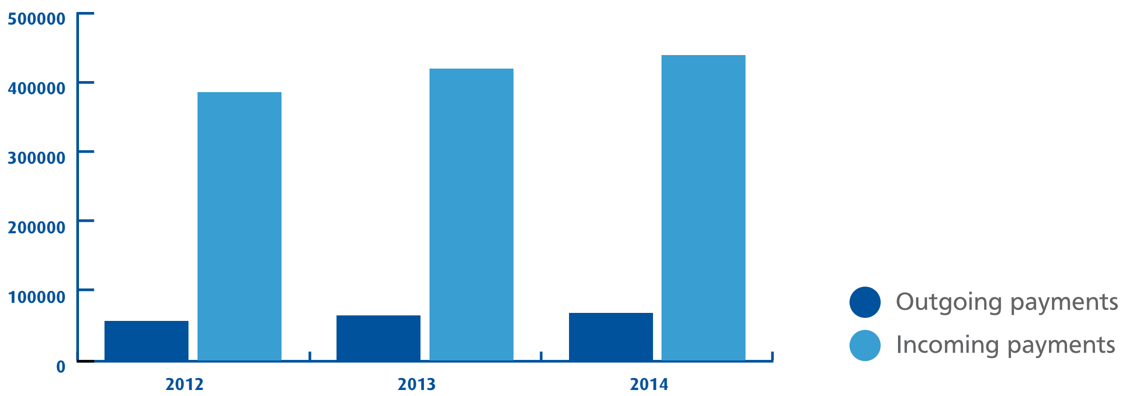
Last but not least, the Cyprus Branch is conveniently located at the main artery of Nicosia – Makarios Avenue, which facilitates the clients, arriving from other towns and villages in Cyprus.

INTERNATIONAL PAYMENTS

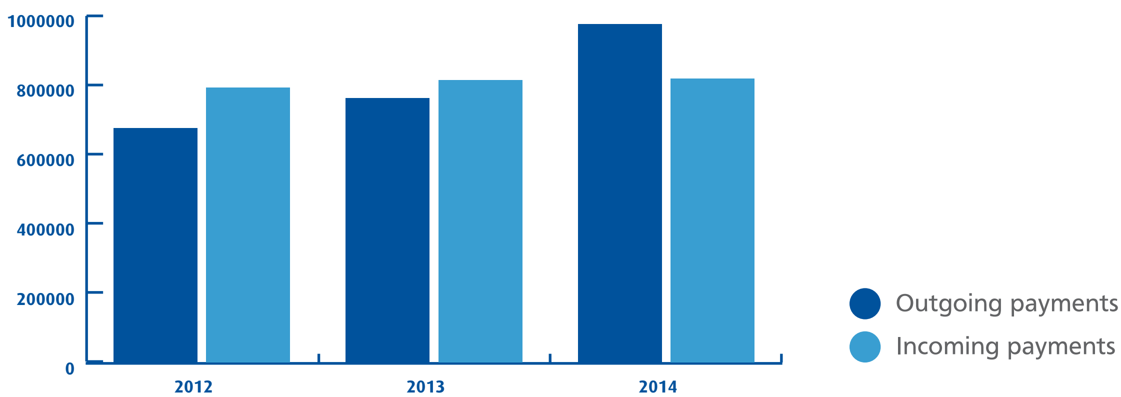
With its well-developed branch network and correspondent relations CCB Plc carries out payments all over the world. The Bank is a member of SWIFT since 1994, an indirect member of EBA STEP2 SCT, a direct member of TARGET2 and since 2003 it is a member of the Western Union fast money transfer company. 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 the outgoing customer wire transfers in foreign exchange in the period 2012 - 2014



Volume of the incoming and the outgoing customer wire transfers in foreign exchange in the period 2012 - 2014 (in thousand USD)

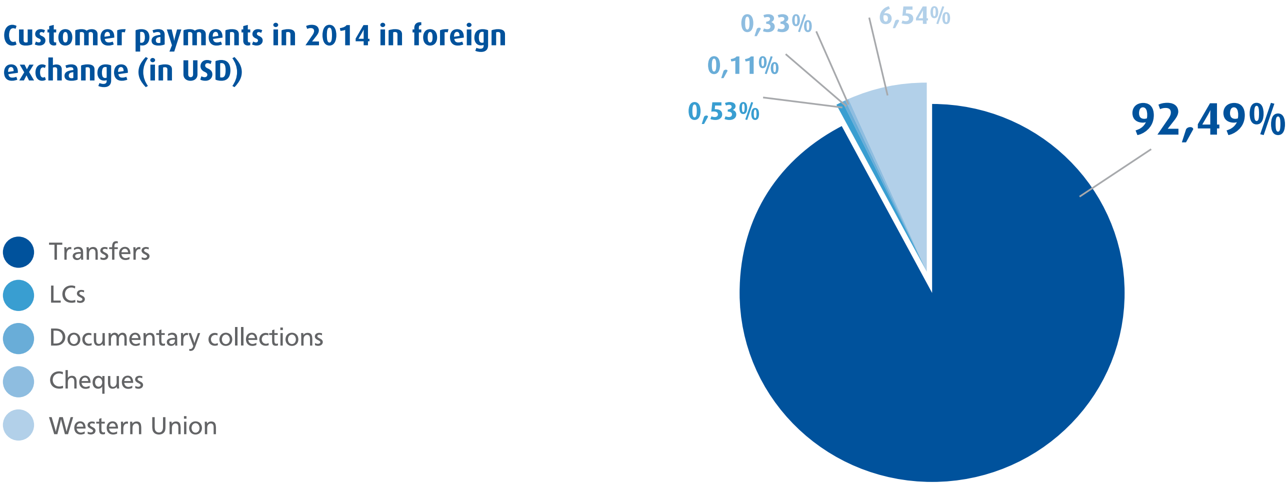


For the whole year 2014, Central Cooperative Bank Plc distinguished itself with the exceptional quality of international payments, ranking among the market leaders in terms of straight through processing rate (STP).

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:

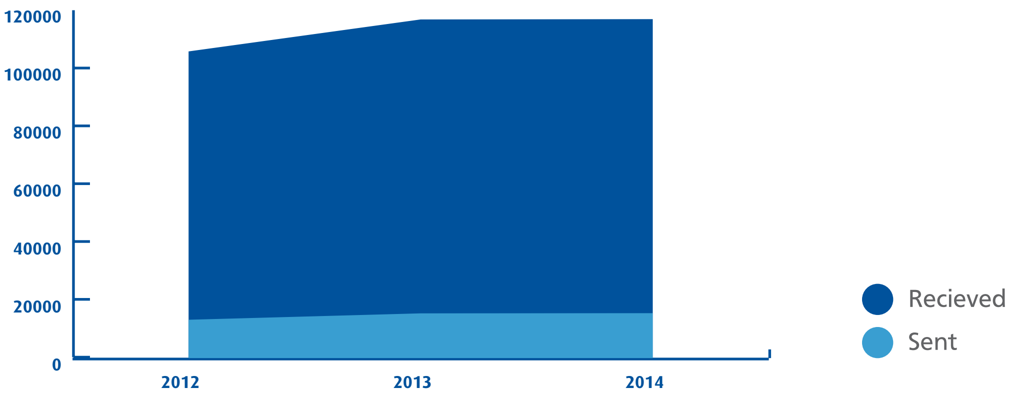
Customer payments in 2014 in foreign exchange (in USD)



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 242 branches and offices of CCB Plc in 163 settlements across the country, equipped with a direct electronic access to the Western Union network. Besides, CCB Plc has concluded agreements with subagents, which offer the Western Union services at 118 locations in 73 settlements.

Sent and recieved transfers via Western Union in the period 2012 - 2014 (in thousand USD)



FINANCIAL MARKETS

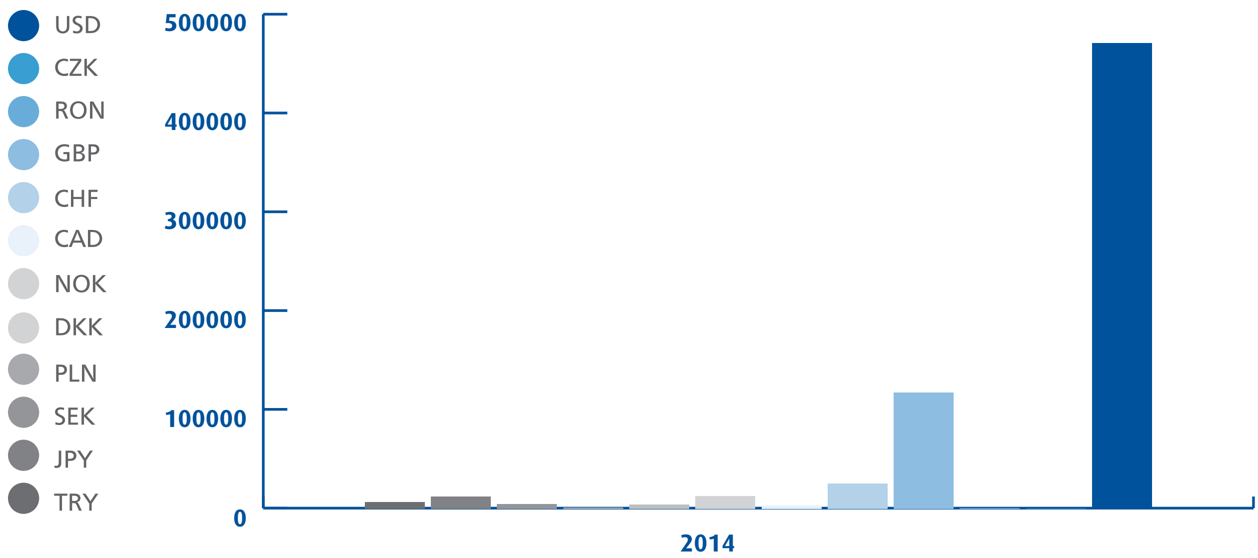
Last year 2014 Central Cooperative Bank Plc kept its traditionally good liquidity and managed to profit from these circumstances.

In 2014 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

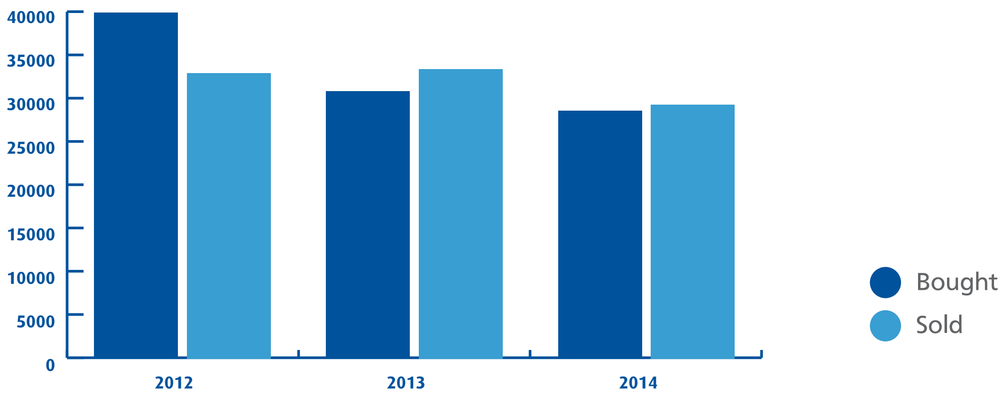
In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, derivatives, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2014 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)



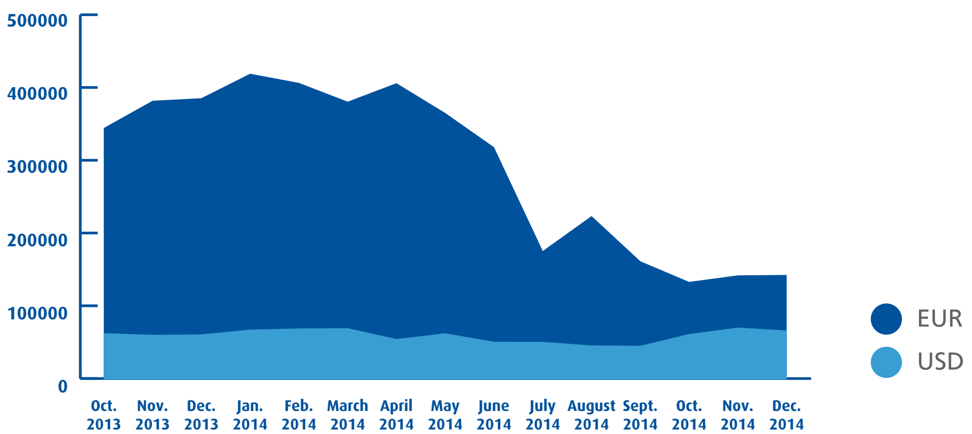
The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts 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)



During last year the amount of deposits provided to banks in EUR exceeds those in USD, due to the greater volume of attracted funds in EUR, as well as the orientation of the Bulgarian economy in this direction.

Volume of the placed interbank deposits from January 2012 to December 2014 (in thousand EUR and USD)



SECURITIES

In 2014 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, and due to the more conservative approach in lending income generating alternatives were sought. During last year the Bank increased its portfolio of securities. Besides the commerce with government securities, CCB Plc was active in the commerce with state bonds, issued by member countries of the European Union.

CAPITAL MARKETS

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

- effecting orders for the purchase or sale of securities at the expense of clients or at its own expense;
- preparing prospectuses for initial public offering of securities;
- accepting securities issues.

INFORMATION TECHNOLOGY

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units to keep and extend the market share of the Bank in the country and abroad. In 2014 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 interbank 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 consumer lending.
- Deployed offering of bank services via authorised agents.
- 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.

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 31.12.2014 the Bank branches of CCB Plc are 50, including a foreign branch in Cyprus. The Bank representative offices and outlets are 227.

The total staff number of CCB Plc as at 31.12.2014 is 2181 people, including 473 security guards. In 2013 the total staff number is 2185 people, including 480 security guards.

In 2014 the staff of the head-office of the Bank is 826 employees, including 473 security guards.

The Bank employees at the head-office in 2013 are 850 people, including 480 security guards.

At at 31.12.2014 the total number of the employees /without the security guards/ at the head-office and the branches is 1708 people.

In 2014 at the bank branches there are 1355 employees, compared to 1435 employees in 2013.

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 2014 the employees at the age up to 40 years old are 1002 people or 45.94 % 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/ with bank work experience up to 5 years are 303 people or 17.74%. These are mainly employees, servicing clients and cashiers.

As at 31.12.2014 the employees with work experience 5-15 years in the bank system are 990 people /without security guards/, 57.97% of all employees, compared to 1085 in 2013. 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 2014 the employees with work experience above 15 years in the bank system are 415 employees or 24,29 % of the total bank staff.

CCB Plc pays special attention to the education of employees. The share of the employees with university education in all its degrees is especially big – 1216 people or 71.19 %. 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 2014, 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 2014 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 2014 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.

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.

Structural units	31.12.2014	31.12.2013	31.12.2012
Bank locations	277	271	272

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

FINANCIAL REVIEW FOR 2014

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 2014 in terms of total assets CCB Plc goes up the ranking and occupies the 8th place among all banks, operating on the territory of Bulgaria.

As at 31.12.2014 the total assets of the banking system in Bulgaria are BGN 85,134,799 thousand, whereas the total assets of CCB Plc are BGN 4,180,681 thousand respectively.

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

Ratio	CCB Plc
Return On Average Equity /ROaE/	1.86%
Return On Average Assets /ROaA/	0.17%
Liquidity ratio	41.95%
Total capital adequacy ratio	16.58%
Tier I capital adequacy ratio	13.82%

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.

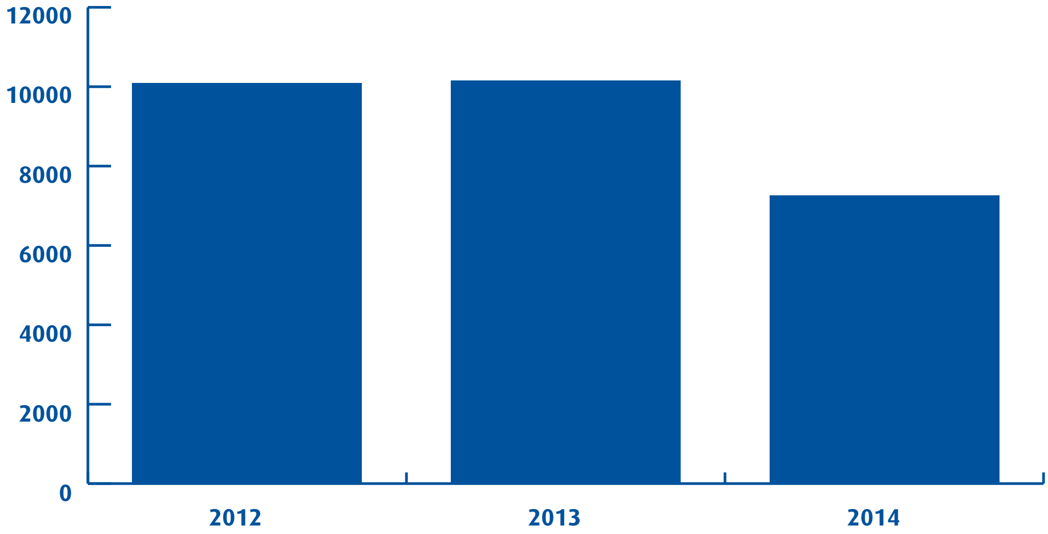
Market risk – the probability of the occurrence of a loss for the Bank as a result of the unfavorable change of the exchange rates, market prices and interest rates.

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 2014 the net profit of Central Cooperative Bank Plc amounts to BGN 7,255 thousand. In 2013 an audited net profit to the amount of BGN 10,145 thousand was realized.

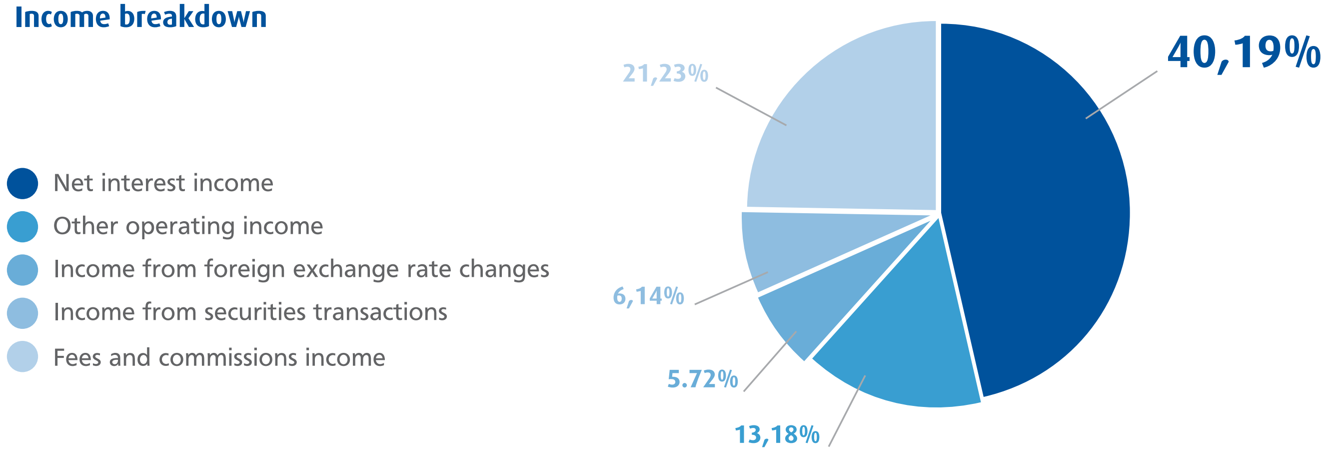
Net profit



The financial indicators for return on average equity and the return on average assets are 1.86% and 0.17% respectively. The total capital adequacy of the Bank is 16.58%.

In 2014 the net interest income of CCB Plc remains the main source of income, whereas it increases compared to the previous year to BGN 50,927 thousand. The share of the net interest income in total income is 40.19%. The fees and commissions income has a share of 21.23% in total income, followed by other operating income with a share of 13.18%. The other operating income includes income from dividend, cession contracts, the sale of fixed tangible assets, etc.

Income breakdown



The interest expenses in 2014 are to the amount of BGN 98,263 thousand, compared to their amount of BGN 101,171 thousand in 2013. The decrease of these expenses amounts to -3 %. The net fees and commissions income increase by 15% compared to 2013 and reach BGN 37,929 thousand.

At the end of 2014 there is a slight decrease in the realized net profit from transactions in securities and a slight increase in the net profit from FX changes, to the amount of BGN 7,781 thousand and BGN 7,248 thousand respectively.

The operating expenses of CCB Plc in 2014 increase by 1.3 % compared to their level at the end of 2013 and reach the absolute value of BGN 107,457 thousand.

The ratio operating expenses / total income increases to 89.11 % compared to 86 % in 2013.

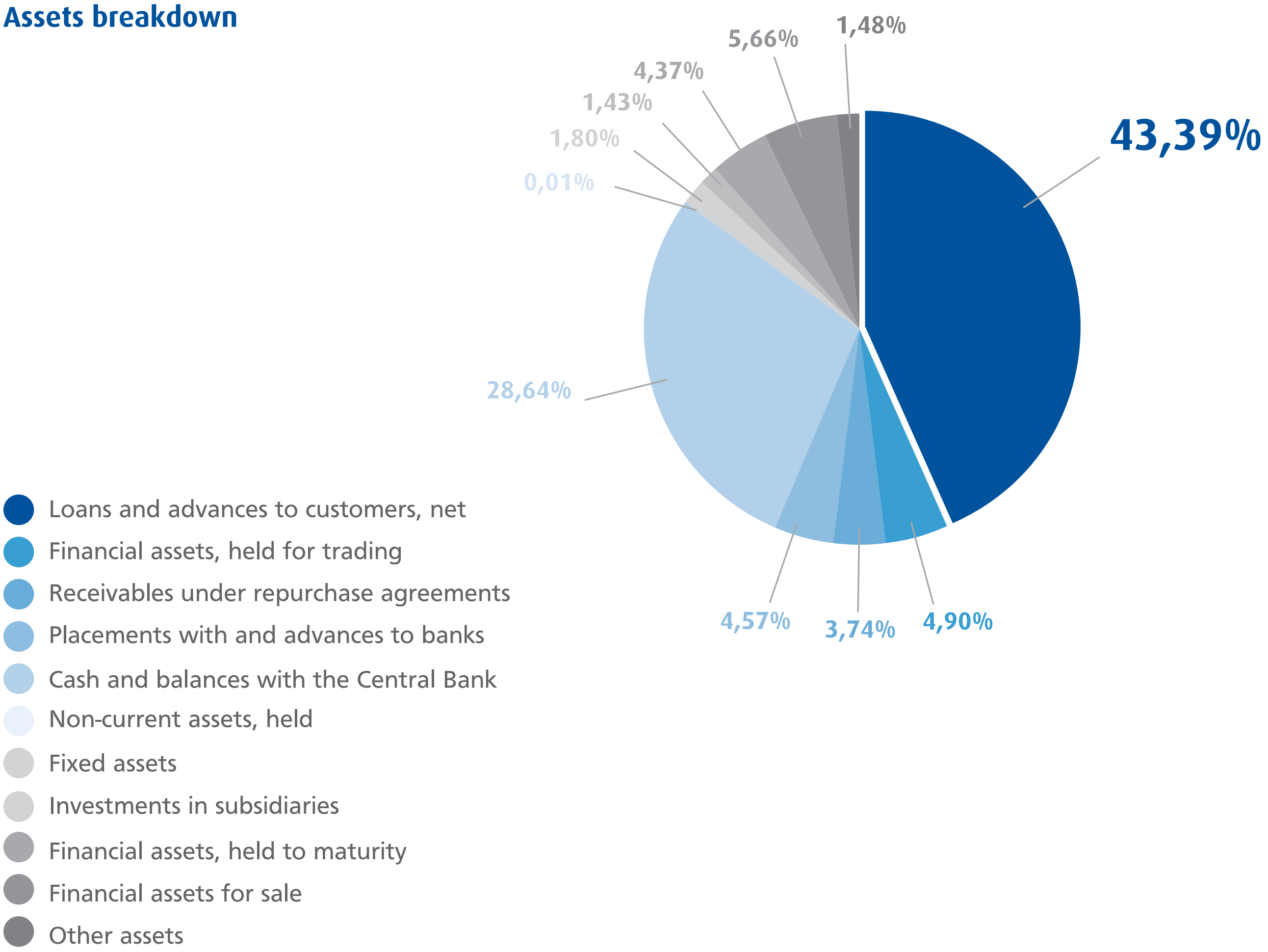
AN ANALYSIS OF THE ASSETS AND LIABILITIES

ASSETS

As at 31 December 2014 the book value of the assets of CCB Plc is BGN 4,180,681 thousand, whereas a year earlier they amount to BGN 3,745,233 thousand. Compared to 31 December 2013 the assets increase by BGN 435,448 thousand or 11.63%.

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

Assets breakdown

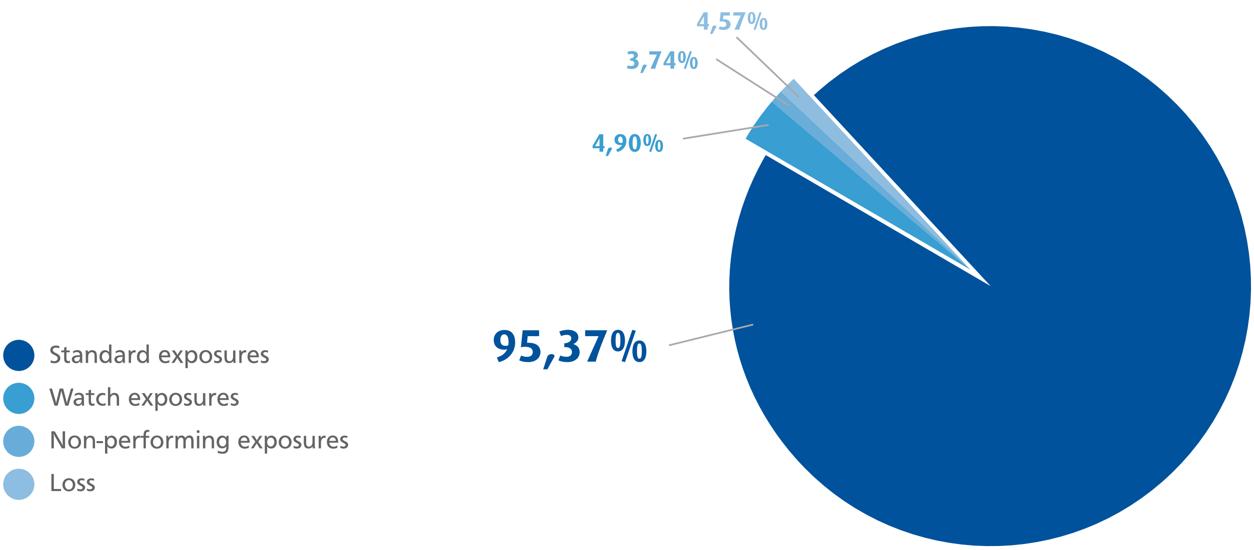


The cash and balances with BNB amount to BGN 1,197,165 thousand and are 28.64 % of total assets, compared to 24.86% in 2013. The funds with first-class banks, correspondent accounts and short-term deposits have a weight of 4.57 % of the Bank assets, compared to 7.84 % a year earlier.

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 14.94% of total assets, compared to 13.31% in 2013. Central Cooperative Bank Plc maintains a diversified portfolio, the main purpose of which is increasing the gains and profits from the traded securities, as well as the provision of a high degree of liquidity.

The greatest share in total assets have the loans and advances granted to clients. As at 31.12.2014 the loan portfolio of the Bank amounts to BGN 1,814,131 thousand, compared to BGN 1,771,998 thousand one year earlier. In 2014 total loans have 43.39 % of the assets, whereas a year earlier they amount to 47.31% of total assets. The Bank constantly aims at improving its market positions in retail banking, as well as financing SMEs.

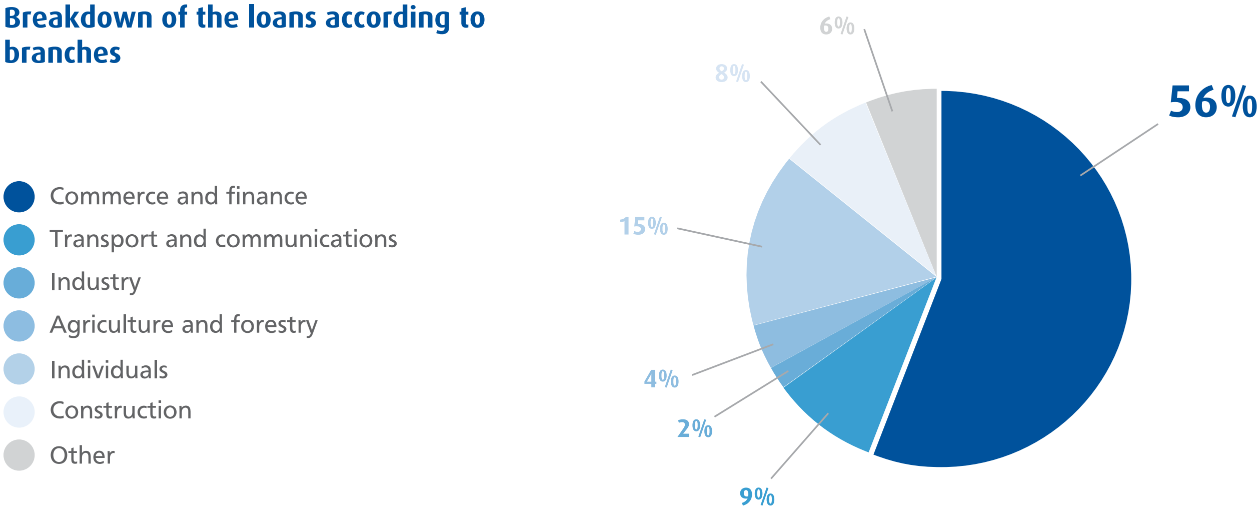
Breakdown of the loan portfolio according to the classification of credit risk



According to the type of currency, in which they are granted, the gross loans and advances to clients as at 31.12.2014 are: 54.50% in BGN, and 45.50% in foreign exchange, whereas according to the type of the client: 85.22% are loans to companies and 14.78 % are loans to the population. The quality of the loan portfolio is very good, the regular exposures are 95.37 %, and the non-performing exposures have a share of 0.69%.

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 56 % of the total portfolio, followed by the loans to individuals – 15%. As at 31.12.2014 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

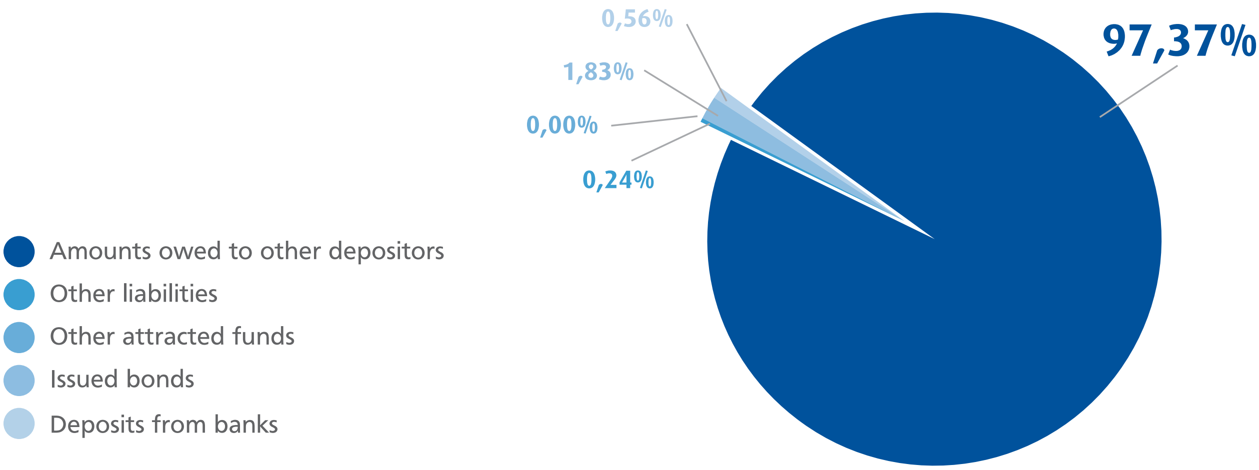
CCB Plc maintains a stable structure of the attracted funds, which allows it not to be dependent on external financing.

As at 31.12.2014 the total liabilities of CCB Plc are BGN 3,817,231 thousand. They have 91.31% of the total liabilities, whereas their increase compared to the previous year is by 12.64%.

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 3,716,850 thousand, which is 96.37% of the total liabilities. Compared to 2013 they are BGN 3,278,227 thousand or there is an increase by 13.38%. A detailed analysis of the liabilities to other depositors indicates that the greatest share belongs to deposits of individuals – 75.02 %, followed by those of companies – 24.42 % and the deposits of other institutions – 0.56 %.

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

Liabilities breakdown

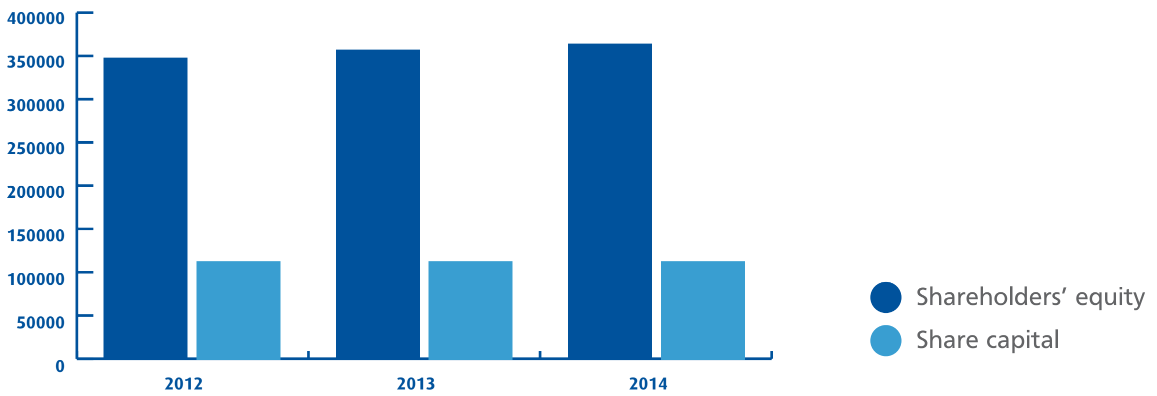


The considerable share of the funds attracted from the population is an important and stable source for the Bank. This is due to the strategy chosen by the Bank to concentrate on retail banking.

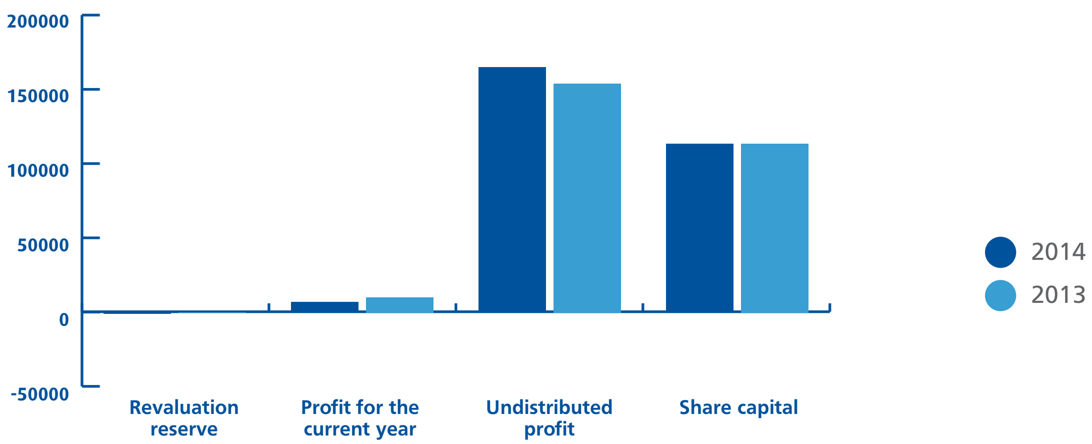
SHAREHOLDERS' EQUITY

At the end of 2014 shareholders' equity of CCB Plc amounts to BGN 363,450 thousand. The increase in shareholders' equity compared to the previous year is 2% and is mostly the result of the capitalized profit and the increased reserves. As at 31 December 2014 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 2014 is to the amount of BGN 7,255 thousand, whereas at the end of 2013 it was BGN 10,145 thousand.

Increase in shareholder's equity and share capital

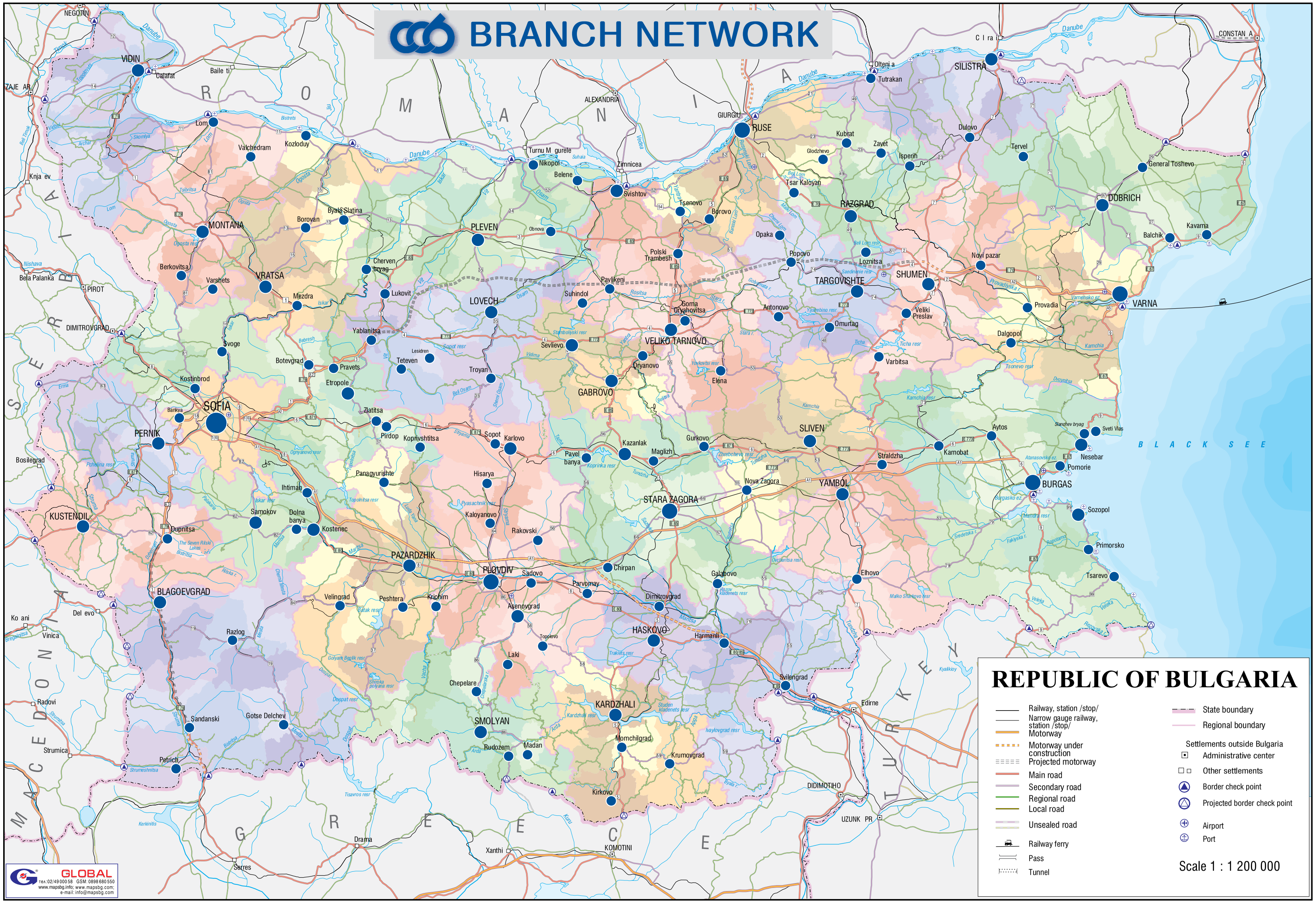


During this year the Bank continues its present policy via capitalization of the profits to assist the capital increase and its assets.



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
Credit Suisse, Zurich	CRESCHZZ80A	CHF	0835-0902027-53-001
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF (via DEUTGB2L)	GBP	100 9233560-00-GBP
Canadian Imperial Bank of Commerce	CIBCCATT	CAD	1724010
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
Skandinaviska Enskilda Banken AB (Publ), Stockholm	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

CENTRAL COOPERATIVE BANK AD

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

DECEMBER 31, 2014

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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	As of 31.12.2014	As of 31.12.2013
ASSETS			
Cash and balances with the Central Bank	4	1,197,165	930,904
Placements with and advances to banks	5	191,119	293,717
Receivables under repurchase agreements	6	156,201	48,664
Financial assets held for trading	7	205,015	131,833
Loans and advances to customers, net	8	1,814,131	1,771,998
Other assets	9	62,082	57,406
Financial assets available for sale	10	236,780	206,237
Financial assets held to maturity	11	182,883	160,252
Investments in subsidiaries	12	59,788	58,662
Property, plant, and equipment	13	75,164	82,039
Non-current assets held for sale	14	353	3,521
TOTAL ASSETS		4,180,681	3,745,233
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	15	21,288	16,125
Loans from banks	16	-	7,072
Amounts owed to other depositors	17	3,716,850	3,278,227
Funds from other sources	18	171	290
Issued bonds	19	69,946	69,897
Other liabilities	20	8,976	17,303
TOTAL LIABILITIES		3,817,231	3,388,914
SHAREHOLDERS' EQUITY			
Issued capital	21.1	113,154	113,154
Premium reserve		79,444	79,444
Reserves, including retained earnings	21.2	164,502	153,343
Revaluation reserves	21.3	(905)	233
Current year profit		7,255	10,145
TOTAL SHAREHOLDERS' EQUITY		363,450	356,319
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		4,180,681	3,745,233
Contingent liabilities	31	178,285	163,478

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on 31 March 2015 by:

Georgi Kostov
Executive Director

Tihomir Atanassov
Procurator

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

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

	Note	Year ended 31.12.2014	Year ended 31.12.2013
Interest income	22	149,190	155,783
Interest expenses	22	(98,263)	(101,171)
Net interest income		50,927	54,612
Fees and commissions income	23	44,047	38,291
Net fees and commissions income	23	(6,118)	(5,281)
Fees and commissions income		37,929	33,010
Gains from transactions with securities, net	24	7,781	9,614
Foreign exchange rate gains, net	25	7,248	5,233
Other operating income, net	26	16,698	20,868
Operating expenses	27	(107,457)	(106,068)
Impairment and uncollectability expense, net	28	(5,291)	(6,233)
Profit for the period before taxes		7,835	11,036
Taxes	29	(580)	(891)
PROFIT FOR THE PERIOD		7,255	10,145
Earnings per share (in BGN)	30	0.06-	0.09
Other comprehensive income after taxes		(1,138)	(1,060)
Revaluation of financial assets held for sale		(1,138)	(1,060)
TOTAL COMPREHENSIVE INCOME AFTER TAXES		8,976	9,085

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Executive Director

Tihomir Atanassov
Procurator

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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2014	Year ended 31.12.2013
Cash flows from operating activities:		
Profit before taxes	7,835	11,036
Depreciation and amortization	7,138	7,440
Income tax paid	(1,300)	(1,300)
Unrealized (gain) from revaluation of financial assets held for trading	(15,995)	(8,980)
Increase of provisions for liabilities and loans impairment allowances	5,291	6,233
Net cash flows before working capital changes	2,969	14,429
Change in operating assets:		
Increase/ (Decrease) in placements with, and advances to, banks with maturities above 90 days	705	(705)
Decrease / (increase) in receivables under repurchase agreements	(107,537)	15,312
(Increase) in financial assets held for trading	(57,187)	(26,652)
(Increase) in loans and advances to customers	(47,424)	(187,969)
Decrease / (increase) in other assets	(4,676)	9,977
Decrease / (Increase) in non-current assets held for sale	3,168	(967)
	(212,951)	(191,004)
Change in operating liabilities:		
Increase/ (increase) in deposits from banks	5,163	(15,480)
Decrease in loans from banks	(7,072)-	(33,865)
Increase in liabilities to other depositors	438,623	409,164
Decrease in funds from other sources	(119)	(710)
Increase in subordinated liabilities	-	(45,023)
Increase / (decrease) in other liabilities	(7,719)	2,764
	428,876	316,850
NET CASH FLOWS FROM OPERATING ACTIVITIES	218,894	140,275
Cash flows from investing activities:		
Acquisitions of property, plant, and equipment, net	(263)	(27,814)
Acquisitions of financial assets available for sale, net	(31,681)	(5,889)
Acquisitions of financial assets held to maturity, net	(22,631)	(7,753)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(54,575)	(41,456)
Cash flows from financing activities:		
Issue of new paid in equity capital	49	69,897
NET CASH FLOWS FROM FINANCING ACTIVITIES	49	69,897
INCREASE IN CASH AND CASH EQUIVALENTS, NET	164,368	168,716
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (Note 32)	1,220,877	1,052,161
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 31 March 2015 by:

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Executive Director

Tihomir Atanassov
Procurator

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

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

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revalu-ation reserve	Profit for the year	Total
BALANCE AS OF 31 DECEMBER 2012	113,154	79,444	143,257	1,293	10,086	347,234
Transfer of net profit for the year ended 31 December 2012 to re-tained earnings	-	50,927	54,612			
Net profit for the year ended 31 December 2013	-					
Other comprehensive income for the year ended 31 December 2013	-	44,047	38,291			
BALANCE AS OF 31 DECEMBER 2013	113,154	79,444	153,343	233	10,145	356,319
Transfer of net profit for the year ended 31 December 2013 to re-tained earnings	-	-	10,145	-	(10,145)-	-
Net profit for the year ended 31 December 2014	-	-	-		7,255	7,255
Other comprehensive income for the year ended 31 December 2014	-	-	-	(1,138)	-	(1,138)
Other movement			1,014			1,014
BALANCE AS OF 31 DECEMBER 2014	113,154	79,444	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 31 March 2015 by:

Georgi Kostov
Executive Director

Tihomir Atanassov
Procurator

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

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 2014 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 49 branches and 227 remote offices throughout the country and one branch in the Republic of Cyprus.

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

General framework for financial reporting

These financial statements are separate financial statements prepared for the year ended 31 December 2014. 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 2015.

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 (CONTINUED)

Changes in IFRS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

Standards and Interpretations 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 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1February 2015).

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

Changes in IFRS (continued)

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

- Amendment to IAS 19 Employee Benefits – Defined benefit plans : Contributions from employees- adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

- IFRIC 21 Levies ,adopted by the EU on 13 June 2014(effective for annual periods beginning on or after 17 June 2014)

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Standards and Interpretations 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 Estimates for regulatory deferred accounts (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures - sale or contribution of assets between the investor and his associate or joint venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 28 Investments in associates and joint ventures: Application exception of consolidation (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IFRS 11 Joint Arrangements - Accounting for acquisition of shares in joint venture (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of the eligible methods of depreciation (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 1 Presentation of Financial Statements - Initiative for Disclosure (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 27 Separate Financial Statements - Equity method in the separate financial statements (effective for annual periods beginning on or after 1 January 2016);

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

Changes in IFRS (continued)

- Amendments to various standards Improvements to IFRS (2012-2014 cycle), 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 (amendments applicable for annual periods beginning on or after 1 January 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 is the first part of the project of the IASB for replacing IAS 39. The project aims to improve the understanding of investors and other users of financial information regarding the presentation of financial assets in the financial statements. IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

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.

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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

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, which are non-monetary items in foreign currency in accordance with IAS 21 and are recorded at the 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

The exchange rates of USD and the Bulgarian Lev as of 31 December 2014 and 2013 are as follows:

December 31, 2014		December 31, 2013
USD 1 =	BGN 1.60841	USD 1 = BGN 1.41902

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.

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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

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.

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:

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

- 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;

- 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 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

The Bank has adopted a methodology for the calculation of allowances for impairment of loans based on IFRS. The Bank classifies its loans in several groups. A specified percentage rate for non-regular loans, which are above the minimum required by the regulations, 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 provision expense and decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

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. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

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..

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

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.

3.2.14. 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.14. Taxation (continued)

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.

3.3. 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

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 2014 and 2013 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 31.12.2014	As of 31.12.2013
Cash in hand:		
In BGN	112,807	76,583
In foreign currency	77,490	41,714
Cash in transit:		
In BGN	1,742	1,043
In foreign currency	568	618
Cash in Central Bank:		
Current account in BGN	1,002,537	721,072
Current account in foreign currency	187	574
Minimum required reserve in foreign currency	-	88,012
Reserve guarantee fund RINGS	1,834	1,288
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	1,197,165	930,904

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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

4. CASH AND BALANCES WITH THE CENTRAL BANK (CONTINUED)

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 31.12.2014	As of 31.12.2013
Term deposits with local banks		
In BGN	-	31,042
In foreign currency	64,565	64,510
Term deposits with foreign banks in foreign currency	68,982	152,208
Nostro accounts with local banks		
In BGN	4	33
In foreign currency	27,912	28,420
Nostro accounts with foreign banks in foreign currency	29,656	17,504
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	191,119	293,717

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of 31 December 2014 the Bank has signed repurchase agreements at the total amount of BGN 156,201 thousand, including interest receivables. Part of that is in the amount of BGN 70,899 thousand. The Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The remaining amount of BGN 85,302 thousand the Bank has pledged as collateral corporate securities having an approximately equal value. The agreements' maturities are between January and June 2015.

As of 31 December 2013 the repurchase agreements amount to BGN 48,664 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 31.12.2014	As of 31.12.2013
Short-term Bulgarian government notes	107,589	13,694
Medium-term Bulgarian government notes	-	16,805
Long-term Bulgarian government notes	4	711
Bulgarian corporate securities	91,354	87,526
Derivatives, held for trading	6,068	13,097
TOTAL FINANCIAL ASSETS HELD FOR TRADING	205,015	131,833

7. FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Short-term Bulgarian government notes

As of 31 December 2014 and 2013 the short-term Bulgarian government notes amounting to BGN 107,589 thousand and BGN 13,694 thousand, respectively, are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Medium-term Bulgarian government notes

As of 31 December 2013 the medium-term Bulgarian government notes amounting to BGN 16,805 thousand are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Long-term Bulgarian government bonds

As of 31 December 2014 and 2013 the long-term Bulgarian government bonds amounting to BGN 4 thousand and BGN 711 thousand, respectively, are stated at fair value and include securities in BGN, issued by the Bulgarian government.

Bulgarian corporate securities

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.

At 31 December 2013 the Bank owns corporate equity securities of non-financial and financial companies, amounting to BGN 87,526 thousand, as part of them at the amount of BGN 55,352 thousand represents share of equity of the Bulgarian public companies that are traded on the Bulgarian Stock Exchange and are stated in these financial statements at fair value.

As of 31 December 2013 the Bank owns shares in mutual funds at the amount of BGN 7,926 thousand.

Derivatives held for trading

As of 31 December 2014 and 2013 derivatives, held for trading, at the amount of BGN 6,068 thousand and BGN 13,097 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 31 December 2014 and 2013 government bonds, issued by the Bulgarian government amounting to BGN 54,825 thousand and BGN 31,106 thousand, respectively, have been pledged as a collateral for servicing of budget accounts.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

8. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by type of clients

	As of 31.12.2014	As of 31.12.2013
Individuals:		
In BGN	237,637	196,534
In foreign currency	35,403	30,916
Enterprises:		
In BGN	768,971	757,631
In foreign currency	804,948	814,567
	1,846,959	1,799,648
Allowance for impairment and uncollectibility	(32,828)	(27,650)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	1,814,131	1,771,998

Loans and advances to customers as of 31 December 2014 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 17,015 thousand
(2013: BGN 18,660 thousand), including result of transactions.

(b) Analysis by economic sector

	As of 31.12.2014	As of 31.12.2013
Agriculture and forestry	69,095	75,824
Manufacturing	44,216	85,233
Construction	149,156	91,320
Trade and finance	1,042,842	1,043,306
Transport and communications	165,710	164,247
Individuals	273,040	227,450
Other	102,900	112,268
	1,846,959	1,799,648
Allowance for impairment and uncollectibility	(32,828)	(27,650)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	1,814,131	1,771,998

(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 31.12.2014	As of 31.12.2013
Deferred tax assets	156	172
Current tax assets	743	427
Deferred expenses	3,944	4,607
Established real rights for use of buildings	51,429	46,929
Other assets	5,810	5,271
TOTAL OTHER ASSETS	62,082	57,406

9. OTHER ASSETS (CONTINUED)

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.

- 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.

- in 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 31.12.2014	As of 31.12.2013
Medium-term Bulgarian government bonds	55,988	28,895
Long-term Bulgarian government bonds	6,831	14,172
Foreign government bonds	24,672	34,819
Equity investments in financial institutions	24,554	9
Equity investments in non-financial institutions	28,198	27,741
Bulgarian corporate securities	47,763	70,957
Foreign corporate securities	48,696	29,566
Other	78	78
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	236,780	206,237

All amounts are in thousand Bulgarian Levs, unless otherwise stated

10. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

Bulgarian securities, pledged as collateral

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.

Equity investments in financial institutions

As of 31 December 2014 equity investments in financial institutions includes shares in commercial banks. They show and owned by the bank shares of the subsidiary ZAO „IK Bank" city. 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 Management Board of the Bank..

Equity investments in non-financial institutions

As of 31 December 2014 equity investments in non-financial institutions comprise shares in commercial companies and in mutual funds.

Bulgarian corporate securities

As at 31 December 2014 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

Foreign corporate securities

As at 31 December 2014 foreign corporate securities available for sale represent bonds in one commercial company.

Foreign government bonds

As of 31 December 2014 government bonds are of EU countries.

11. FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity represent Bulgarian government bonds and bonds of foreign commercial company, including the amount of the accrued interest and discount/premium, based on original maturity, as follows:

	As of 31.12.2014	As of 31.12.2013
Medium-term Bulgarian government bonds	70,139	93,952
Long-term government bonds	92,518	45,835
Corporate securities	20,226	20,465
TOTAL FINANCIAL ASSETS HELD TO MATURITY	182,883	160,252

Bulgarian securities pledged as a collateral

As of 31 December 2014 and 2013 government bonds issued by the Bulgarian government issued at the amount of BGN 133,542 thousand and BGN 122,954 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. As of 31 December 2010 the Bank's investment in the subsidiary amounts to BGN 11,336 thousand.

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.

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.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 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 46.216 thousand.

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

In December 2011 the Bank acquired 500,000 non-materialised, ordinary 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. As of 31 December 2011 the Bank's investment in its subsidiary amounts to BGN 3,200 thousand.

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.

12.3. 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.

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

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 2013	23,475	27,255	5,122	20,149	21,090	23,494	120,585
Acquisitions	43,279	1,332	37	512	50,010	1,134	96,304
Disposals	(9,191)	(1)	(378)	(4)	(62,656)	-	(72,230)
31 December 2013	57,563	28,586	4,781	20,657	8,444	24,628	144,659
Acquisitions	44	2,809	41	340	12,880	199200	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
Depreciation							
1 January 2013	3,777	20,800	3,958	13,329	-	17,056	58,920
Net charge for period	731	1,560	308	2,238	-	2,603	7,440
Depreciation on disposals	(3,359)	(1)	(376)	(4)	-	-	(3,740)
31 December 2013	1,149	22,359	3,890	15,563	-	19,659	62,620
Net charge for period	707	1,807	207	2,042	-	2,3756	7,138
Depreciation on disposals	(997)	(87)	(18)	(47)	-	(1)	(1,150)
31 December 2014	859	24,079	4,079	17,558	-	22,033	68,6098
Net book value							
31 December 2013	56,414	6,227	891	5,094	8,444	4,969	82,039
31 December 2014	42,344	7,072	725	3,389	18,841	2,793	75,164

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 2015 have been commenced.

15. DEPOSITS FROM BANKS

	As of 31.12.2014	As of 31.12.2013
Demand deposits – local banks:		
- in BGN	1,015	4,541
- in foreign currency	826	799
Demand deposits – foreign banks in foreign currency	1,721	665
Term deposits – foreign banks in foreign currency	17,726	10,120
TOTAL DEPOSITS FROM BANKS		
Demand deposits – local banks:	21,288	16,125

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. RECEIVED LOANS AND OTHER LIABILITIES TO BANKS

In 2014 the Bank has repaid to Bulgarian Development Bank loan in the amount of 7.319 thousand BGN.,including interest liability under loan contract concluded in 2013

17. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2014	As of 31.12.2013
Demand deposits		
In BGN	681,792	576,423
In foreign currency	83,372	93,795
	765,164	670,218
Term deposits		
In BGN	1,022,032	1,087,305
In foreign currency	875,877	979,378
	1,897,909	2,066,683
Savings accounts		
In BGN	698,342	354,260
In foreign currency	334,486	157,461
	1,032,828	511,721
Other deposits		
In BGN	13,464	20,983
In foreign currency	7,485	8,622
	20,949	29,605
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	3,716,850	3,278,227

(b) Analysis by customer and currency type

	As of 31.12.2014	As of 31.12.2013
Deposits of individuals		
In BGN	1,702,867	1,271,031
In foreign currency	1,085,458	871,013
	2,788,325	2,142,044
Deposits of enterprises		
In BGN	699,298	746,956
In foreign currency	208,278	359,622
	907,576	1,106,578
Deposits of other institutions		
In BGN	13,464	20,983
In foreign currency	7,485	8,622
	20,949	29,605
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	3,716,850	3,278,227

18. OTHER ATTRACTED FUNDS

As of 31 December 2014 and 2013 other attracted funds include financing from the State Agricultural Fund amounting to BGN 171 thousand and BGN 290 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. SUBORDINATED LIABILITIES

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 2014 came the first interest payment on the bond issue in the amount of TEUR 1,620, which amount is paid to the bondholders. The value of the liability as of December 31, 2014 is for the amount of 69.946 thousand, including obligations for interest and reflected costs associated with the issuance of the issue

20. OTHER LIABILITIES

	As of 31.12.2014	As of 31.12.2013
Liabilities for unused paid leave	1,345	1,387
Derivatives, held for trading	2,633	10,860
Other liabilities	4,381	4,576
Deferred income	617	480
TOTAL OTHER LIABILITIES	8,976	17,303

Derivatives held for trading

As of December 31, 2014 and 2013 derivatives held for trading at the amount of BGN 2,633 thousand and BGN 10,860 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, 2014 and 2013 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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Principal shareholders	2014		2013	
	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	3,783	3.34
Universal Pension Fund Suglasie	3,665	3.24	2,735	2.42
Other	16,852	14.90	17,850	15.78
	113,154	100	113,154	100

21.2 RESERVES, INCLUDING RETAINED EARNINGS

As of December 31, 2014 reserves, including retained earnings include undistributable portion of BGN 7,059 thousand and distributable portion of BGN 157,443 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 31.12.2014	Year ended 31.12.2013
Interest income by source:		
Loans	129,596	135,013
Securities	16,519	18,183
Deposits in banks	3,075	2,587
TOTAL INTEREST INCOME	149,190	155,783

	Year ended 31.12.2014	Year ended 31.12.2013
Interest expenses by recipients:		
Deposits to customers	94,192	98,247
Deposits to banks	653	590
Loans	246	139
Subordinated liabilities	-	1,991
Issued bonds	3,168	191
Other	4	13
TOTAL INTEREST EXPENSES	98,263	101,171

23.. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2014	Year ended 31.12.2013
Granting and repayment of loans	1,440	1,571
Servicing of off-balance sheet commitments	1,132	1,215
Servicing of accounts	7,702	7,060
Bank transfers - domestic and international	22,521	21,365
Other income	11,252	7,080
TOTAL FEES AND COMMISSIONS INCOME	44,047	38,291

	Year ended 31.12.2014	Year ended 31.12.2013
Servicing of accounts	207	190
Bank transfers - domestic and international	5,175	4,515
Securities' transactions	125	63
Clearing valuable consignments	231	203
Other expenses	380	310
TOTAL EXPENSES FOR FEES AND COMMISSIONS	6,118	5,281

24. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2014	Year ended 31.12.2013
Gains on dealing with securities available for sale, net	2,733	4,308
(Loss) on dealing with securities held to maturity,net	-	(6)
(Loss) on dealing with securities held for trading, net	(10,947)	(3,668)
Gains on revaluation of securities held for trading, net	15,995	8,980
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	7,781	9,614

25. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

	Year ended 31.12.2014	Year ended 31.12.2013
Dealing gains, net	6,757	6,347
Revaluation gains/(loss), net	491	(1,114)
TOTAL FOREIGN EXCHANGE GAINS, NET	7,248	5,233

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 31.12.2014	Year ended 31.12.2013
Income from dividends	1,024	789
Income from cession contracts	7,355	14,688
Income from sale of property, plant and equipment	5,233	4,294
Income from sale of non-current assets held for sale	1,604	-
Other operating income	1,482	1,097
TOTAL OTHER OPERATING INCOME, NET	16,698	20,868

The income from cession contracts in 2014 originates from cash receivables under loan agreements, which were transferred on the part of the Bank through cession contracts at the amount of BGN , 7,355 thousand. In 2013 income from cession contracts amounted to BGN 14,688 thousand.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

27. OPERATING EXPENSES

	Year ended 31.12.2014	Year ended 31.12.2013
Salaries and other personnel costs	31,270	31,201
Administrative and marketing costs	46,314	44,570
Other expenses	19,998	20,121
Depreciation/amortization	7,138	7,440
Materials and repair works	2,737	2,736
TOTAL OPERATING EXPENSES	107,457	106,068

28. NET EXPENSES FOR IMPAIRMENT AND UNCOLLECTIBILITY

	Loans granted to clients
BALANCE AS OF JANUARY 1, 2013	27,238
Charges for the period	12,219
Recoveries during the period	(5,986)
Written off	(5,821)
BALANCE AS OF DECEMBER 31, 2013	27,650
Charges for the period	19,209
Recoveries during the period	(13,918)
Written off	(113)
BALANCE AS OF DECEMBER 31, 2014	32,828

29. TAXES

Tax expenses are presented as follows:

	Year ended 31.12.2014	Year ended 31.12.2013
Current tax expenses	564	880
Income from deferred taxes, related to the origination and reversal of temporary differences	16	11
TOTAL TAX EXPENSES	580	891

29. TAXES (CONTINUED)

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2014 and 2013. 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, 2014 and 2013 are calculated based on the tax rate of 10%, effective for 2015 and 2014.

Deferred tax assets are as follows:

	As of 31.12.2014	As of 31.12.2013
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	151	156
Property, plant and equipment and intangible assets	5	16
DEFERRED TAX ASSET	156	172

Deferred tax liabilities are as follows:

	As of 31.12.2014	As of 31.12.2013
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 31.12.2014	Year ended 31.12.2013
Profit before taxes	7,835	11,036
Taxes at applicable tax rates: 10% for 2014 and 10% for 2013	784	1,104
Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other	(204)	(213)
TAX EXPENSES	580	891
EFFECTIVE TAX RATE	7.40%	8,07%

30. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2014	Year ended 31.12.2013
Net profit before tax in BGN thousands	7,255	10,145
Weighted average number of shares	113,154,291	113,154,291
EARNINGS PER SHARE (IN BGN)	0.06	0.09

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, 2014 and 2013, respectively.

30. EARNINGS PER SHARE (IN BGN) (CONTINUED)

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.

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:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	As of 31.12.2014	As of 31.12.2013
Bank guarantees		
In BGN	51,484	33,636
In foreign currency	26,390	27,795
Irrevocable commitments	100,203	101,806
Other contingent liabilities	208	241
TOTAL CONTINGENT LIABILITIES	178,285	163,478

As of December 31, 2014 and 2013 the Bank has signed contracts for granting loans to customers at the total amount of BGN 100,203 thousand and BGN 101,806 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 31.12.2014	Year ended 31.12.2013
Cash	192,607	119,958
Balances with the Central Bank	1,004,558	810,946
Placements with, and advances to, banks with residual maturity up to 3 months	188,080	289,973
TOTAL CASH AND CASH EQUIVALENTS	1,385,245	1,220,877
AS OF DECEMBER 31	178,285	163,478

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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

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

The Bank's exposures in derivative financial instruments are presented at fair value 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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.

Cash and balances with the Central bank at the amount of BGN 1,197,165 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 191,119 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 is 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 156,201 thousand bears credit risk for the Bank depending on the provided collateral. Part of the receivables at the amount of BGN 70,899 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 85,302 thousand are secured with corporate securities and bears 100% risk.

Financial assets held for trading at the amount of BGN 205,015 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 52,830 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 52,830 thousand as an absolute amount.

Debt securities available for sale and issued by the Republic of Bulgaria at the amount of BGN 62,819 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 24,672 thousand bear credit risk for the Bank depending on the country issuer.

Debt securities available for sale and issued by local and foreign commercial companies at the amount of BGN 96,459 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 96,459 thousand as an absolute amount.

Debt securities held to maturity and issued by the Republic of Bulgaria at the amount of BGN 162,656 thousand do not bear credit risk for the Bank due to the fact that they are guaranteed by the Bulgarian State.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Debt securities held to maturity and issued by foreign commercial companies at the amount of BGN 20,226 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 20,226 thousand as an absolute amount.

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 amounts 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.

Loans and advances to customers with carrying amount of BGN 1,814,131 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 1,558,410 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, 2014 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 32,828 thousand.

Quality of the credit portfolio

Classification groups as of December 31, 2014:

Debt	By granted loans			Undrawn commitment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allowances
Regular	1,761,403	95,37	6,092	99,387	72,767	93,44	-
Watch	20,445	1,11	928	534	3,168	4,07	-
Irregular	12,870	0,69	2,868	153	-	-	-
Non-performing	52,241	2,83	22,940	129	1,939	2,49	-
Total	1,846,959	100	32,828	100,203	77,874	100	-

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

Classification groups as of December 31, 2013:

Debt	By granted loans			Undrawn commitment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allowances
Regular	1,717,182	95,42	2,627	100,940	61,431	100	-
Watch	21,959	1,22	725	533	-	-	-
Irregular	17,278	0,96	2,718	184	-	-	-
Non-performing	43,229	2,40	21,580	149	-	-	-
Total	1,799,648	100	27,650	101,806	61,431	100	-

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

Groups	31.12.2014			31.12.2013		
	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
Group	BGN' 000	%	BGN' 000	%		%
Neither past due nor impaired	1,230,975	66,65	156,201	1,332,437	74,04	48,664
Past due but not impaired	578,629	31,33	-	425,513	23,64	-
Impaired on individual basis	37,355	2,02	-	41,698	2,32	-
Total	1,846,959	100	156,201	1,799,648	100	48,664
Allowances for impairment provided	(32,828)		-	(27,650)		-
Net loans	1,814,131		156,201	1,771,998		48,664

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of December 31, 2014 and 2013 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 31.12.2014	As of 31.12.2013
Individuals		
Credit cards and overdrafts	14,908	22,066
Consumer loans	135,510	92,951
Mortgage loans	58,674	40,496
Corporate clients	1,021,883	1,176,924
Total	1,230,975	1,332,437

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

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 31.12.2014	As of 31.12.2013
Individuals		
Credit cards and overdrafts	6,429	8,152
Consumer loans	15,019	15,577
Mortgage loans	19,656	20,234
Corporate clients	537,525	381,550
Total	578,629	425,513

The carrying amount of the loans, which have been provided allowances for on an individual basis as of December 31, 2014 and 2013 is BGN 37,355 thousand and BGN 41,698 thousand. These amounts exclude cash flows from utilization of collaterals under these loans.

2014	Carrying amount before impairment	Carrying amount before impairment	Carrying amount before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
Credit cards and overdrafts	1,441	666	2,720	-
Consumer loans	4,947	2,107	7,598	3,417
Mortgage loans	13	-	1,828	2,629
Corporate clients	75	2,004	13,956	24,221
Total	6,476	4,777	26,102	30,267

2013	Carrying amount before impairment	Carrying amount before impairment	Carrying amount before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
Credit cards and overdrafts	134	60	1,894	-
Consumer loans	6,896	3,677	8,082	5,074
Mortgage loans	15	-	6,341	9,882
Corporate clients	226	133	14,240	21,358
Total	7,271	3,870	30,557	36,314

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)
The table below presents the net exposure of the ten largest loans and advances to Bank's customers.

Customer	Contractual amount -limit	Net exposure as of 31.12.2014	Customer	Contractual amount -limit	Net exposure as of 31.12.2013
Company 1	81,771	80,416	Company 1	75,008	80,112
Company 2	64,884	44,201	Company 2	75,916	77,810
Company 3	68,388	67,592	Company 3	65,850	65,864
Company 4	55,076	52,667	Company 4	68,255	60,385
Company 5	73,301	48,085	Company 5	71,697	49,444
Company 6	42,246	46,971	Company 6	48,070	49,273
Company 7	43,764	45,739	Company 7	42,246	44,096
Company 8	39,420	40,697	Company 8	39,420	39,576
Company 9	73,998	73,480	Company 9	52,844	37,699
Company 10	31,793	36,023	Company 10	58,969	36,611
Total	574,641	535,871		598,275	540,870

The total amount of the net exposure for 2014 and 2013 is 29.53% and 27.19% ,respectively, from the loans and advances of the Bank's customers.

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

Sector	Amount Group	Number of transactions	Liability	Including overdue on:			Allowances	Unutilized
				principal	interest	Court receivables		
Retail	regular	67,222	234,502	319	136	-	2,047	37,771
	watch	2,825	11,401	383	199	-	640	463
	irregular	1,252	7,451	442	346	-	1,383	153
	non-performing	3,340	19,686	1,356	1,267	10,382	9,241	108
Total		74,639	273,040	2,500	1,948	10,382	13,311	38,495
Corporate	regular	694	1,520,282	8,915	3,220	-	4,025	61,605
	watch	34	9,044	17	186	-	288	22
	irregular	8	5,419	24	58	-	1,485	-
	non-performing	108	332,555	5,125	1,492	15,785	13,699	21
Total		844	1,567,300	14,081	4,956	15,785	19,497	61,648
Budget	regular	6	6,619	345	-	-	20	11
	watch	3	-	-	-	-	-	49
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
Total		9	6,619	345	-	-	20	60
	Total portfolio	75,492	1,846,959	16,926	6,904	26,167	32,828	100,203

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)
Business sector, classification group and overdue as of December 31, 2013:

Sector	Amount Group	Number of trans-actions	Liability	Including overdue on: principal	Including overdue on: interest	Including overdue on: Court re-ceivables	Allow-ances	Unutilized
Retail	regular	65,911	183,641	416	161	-	2,627	34,667
	watch	3,069	13,718	440	248	-	703	508
	irregular	1,476	9,850	510	418	-	1,870	183
	non-performing	3,108	19,366	1,513	1,164	9,262	12,971	134
Total		73,564	226,575	2,879	1,991	9,262	18,171	35,492
Corporate	regular	1,020	1,416,079	2,095	2,389	-	-	66,224
	watch	84	8,241	61	97	-	22	24
	irregular	50	5,863	286	194	-	67	2
	non-performing	165	23,863	934	880	14,446	9,390	15
Total		1,319	1,454,046	3,376	3,560	14,446	9,479	66,265
Budget	regular	9	119,027	-	92	-	-	49
	watch	-	-	-	-	-	-	-
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
Total		9	119,027	-	92	-	-	49
	Total portfolio	74,892	1,799,648	6,255	5,643	23,708	27,650	101,806

Forborne loan exposures

The Bank accepts as forborne the 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 forbearance may include:
- Decrease/writing off/ of the dept 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 favorable 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..

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

The information of Forborne loan exposures is as follows:

2014	Corporate customers	Physical persons
Amount before impairment	15,921	
Impairment	2,851	8,152
Amount after impairment	13,070	15,577

2013	Corporate customers	Physical persons
Amount before impairment	9,563	1,915
Impairment	1,006	867
Amount after impairment	8,557	1,048

Liquidity risk

Liquidity risk arises from the mismatch of the assets' and liabilities' maturity and the lack of sufficient funds 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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, 2014 their share is over 28% 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, 2014 such deposits represent approximately 5% of total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise over 4% of total assets. By maintaining above 35% 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, 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	FFrom 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	14,754	6,534	-	-	-	21,288
Loans from banks						
Liabilities to other depositors	1,716,433	322,917	948,211	724,238	5,051	3,716,850
Other attracted funds	6	12	75	78	-	171
Subordinated liabilities	-	-	-	-	69,946	69,946
Other liabilities	8,976	-	-	-	-	8,976
TOTAL FINANCIAL LIABILITIES	1,740,169	329,463	948,286	724,316	74,997	3,817,231

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – retail and corporate depositors. More than 65.4 % are with residual term within one month. According to the statistics, in the Republic of Bulgaria the customers prefer to sign a deposit agreement with one month term and its renegotiation for prolonged period of time. On account of this the one month deposits are practically a long-term and relatively permanent resource for the Bank.

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	FFrom 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	8,454	7,671	-	-	-	16,125
Loans from banks	-	-	-	7,072	-	7,072
Liabilities under repurchase agreements of securities	1,266,099	383,565	957,691	665,886	4,986	3,278,227
Liabilities to other depositors	17	34	82	157	-	290
Other attracted funds	-	-	-	-	69,897	69,897
Other liabilities	17,303	-	-	-	-	17,303
TOTAL FINANCIAL LIABILITIES	1,291,873	391,270	957,773	673,115	74,883	3,388,914

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 714,035 thousand as of 31.12.2014 and BGN 658,031 thousand as of 31.12.2013 is 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 2014 and 2013.

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 unfavorable 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 31, 2014 is negative and amounts to BGN 1,160,294 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 40.77%.

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	FFrom 1 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	1036148	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
Other attracted funds	6	12	75	78	-	171
Issued bonds	-	-	-	-	69,946	69,9456
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)

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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, 2014 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 1,658 thousand (2013: BGN 1,835 thousand).

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2013 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%.

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	FFrom 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	289,191	782	710	3,034	-	293,717
Receivables under repurchase agreements of securities	11,469	17,246	19,949	-	-	48,664
Financial assets held for trading	-	10,167	31,387	3,605	9,556	54,715
Loans and advances to customers, net	223,468	109,900	367,939	739,143	331,548	1,771,998
Financial assets available for sale	-	1,041	1,956	149,855	25,557	178,409
Financial assets held to maturity	-	31,869	8,000	85,883	34,500	160,252
TOTAL INTEREST-BEARING ASSETS	524,128	171,005	429,941	981,520	401,161	2,507,755
INTEREST-BEARING LIABILITIES						
Deposits from banks	8,454	7,671	-	-	-	16,125
Loans from banks	-	-	-	7,072	-	7,072
Liabilities to other depositors	1,266,099	383,565	957,691	665,886	4,986	3,278,227
Issued bonds	-	-	-	-	69,897	69,897
Other attracted funds	17	34	82	157	-	290
TOTAL INTEREST-BEARING LIABILITIES	1,274,570	391,270	957,773	673,115	74,883	3,371,611
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	(750,442)	(220,265)	(527,832)	308,405	326,278	(863,856)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The tables above feature part of the attracted funds in current accounts without remaining maturity amounting to BGN 714,035 thousand as of 31.12.2014 and BGN 658,031 thousand as of 31.12.2013 is 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 2014 and 2013.

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, 2014 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

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	191,119758
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
Loans from banks					
Amounts due to other depositors	2,415,629	1,097,915	177,635	25,671	3,716,850
Other attracted funds	171	-	-	-	171
Subordinated liabilities	-	69,946	-	-	69,946
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)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2013 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	31,075	132,504	101,214	28,924	293,717
Receivables under repurchase agreements of securities	47,695	969	-	-	48,664
Financial assets held for trading	97,491	21,209	10,822	2,311	131,833
Loans and advances to customers, net	928,568	756,123	87,307	-	1,771,998
Financial assets available for sale	40,916	153,891	11,430	-	206,237
Financial assets held to maturity	69,837	90,415	-	-	160,252
Investments in subsidiaries	3,200	46,216	-	9,246	58,662
TOTAL FINANCIAL ASSETS	1,218,782	1,201,327	210,773	40,481	2,671,363
FINANCIAL LIABILITIES					
Deposits from banks	4,541	10,971	383	230	16,125
Loans from banks	7,072	-	-	-	7,072
Liabilities under repurchase agreements of securities	2,038,970	1,037,195	177,733	24,329	3,278,227
Amounts due to other depositors	-	69,897	-	-	69,897
Other attracted funds	290	-	-	-	290
TOTAL FINANCIAL LIABILITIES	2,050,873	1,118,063	178,116	24,559	3,371,611
NET POSITION	(832,091)	83,264	32,657	15,922	(700,248)

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 to lead to slump of the net profit. The Bank does not own material exposures in derivate instruments, based on equity instruments or indexes and therefore the carrying amount of the equity instruments from the portfolio of financial assets held for trading – BGN 79,270 thousand (2013: BGN 64,021 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, 2014 and 2013 is as follows:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

2014	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assess-ment –non-observed market levels	Fair value is not available
ASSETS					
Financial assets held for trading	205,015	198,947	6,068	-	-
Financial assets available for sale	236,780	126,827	-	109,187	766
Financial assets held to maturity	182,883	162,657	-	20,226	-
TOTAL ASSETS	624,678	488,431	6,068	129,413	766
LIABILITIES					
Derivative financial instruments	2,633	-	2,633	-	-
TOTAL LIABILITIES	2,633	-	2,633	-	-

2013	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assess-ment –non-observed market levels	Fair value is not available
ASSETS					
Financial assets held for trading	131,833	115,729	13,097	3007	-
Financial assets available for sale	206,237	134,959	-	70,507	771
Financial assets held to maturity	160,252	139,787	-	20,465	-
TOTAL ASSETS	498,322	390,475	13,097	93,979	771
LIABILITIES					
Derivative financial instruments	10,860	-	10,860	-	-
TOTAL LIABILITIES	10,860	-	10,860	-	-

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.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2014 and 2013 the Bank has receivables from, payables and contingent commitments to related parties as follows:

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

Related parties and balances	As of 31.12.2014	As of 31.12.2013
Parent company		
Deposits received	-	95
Received subordinate debt	44,688	44,620
Loans granted	1,969	1,976
Companies under common control		
Loans granted	108,048	172,819
Guarantees issued	22,672	19,235
Receivable under repurchase agreements	34,657	15,400
Other receivables	8,045	24,422
Deposits granted	-	-
Deposits received	5,605	5,952
Subsidiaries		
Deposits received	11,378	9,390
Deposits granted	60,366	68,872
Key management personnel of the Bank or its main shareholder		
Loans granted	4,616	5,410
Deposits received	1,810	1,290

Income and expenses realized by the Bank in 2014 and 2013 from transactions with related parties are as follows:

Related parties and transactions	Turnover in 2014	Turnover in 2013
Parent company		
Interest income	124	64
Interest expense	-	(1991)
Income from fees and commissions	2	7
Expenses for services	(756)	(756)
Companies under common control		
Interest income	9,308	9,256
Income from fees and commissions	1,269	1,226
Income from services	59	106
Interest expense	(1,676)	(2,069)
Expenses for services	(8,358)	(4,499)
Subsidiaries		
Interest expense	(517)	(390)
Interest income	845	654
Income from fees and commissions	12	13
Expense from fees and commissions	-	-
Income from services	-	-
Expenses for services	-	(1,007)
Dividends	634	476
Key management personnel of the Bank or its main shareholder		
Interest income	184	216
Income from fees and commissions	9	10
Interest expense	(37)	(43)
Expenses for services	(201)	(206)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. RELATED PARTY TRANSACTIONS (CONTINUED)

The remunerations of the members of the Supervisory Board paid in 2014 are BGN 200 thousand (2013: BGN 192 thousand). The remunerations of the members of the Management Board paid in 2014 are BGN 301 thousand (2013: BGN 323 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 Bank started its banking activity on the territory of Cyprus in 2007.

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	
	2014	2013	2014	2013
Operating Income	120,311	123,241	272	96
Financial Result before tax	8,105	11,597	(270)	(561)
Tax Expense	(580)	(891)	-	-
Return on Assets (%)	0.18	0.29	(1.39)	(10.68)
Number of Employees	1,978	1,999	4	4
Received Government Grants	-	-	-	-

37. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred subsequent to the preparation of the separate financial statements for 2014 that may have significant impact on the future development of the Bank.

Central Cooperative Bank

Our clients feel important

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