



Central Cooperative Bank

Our clients feel important

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

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

CCB kept sustainable development and as of the end of August was at 8th position in the Bulgarian Banking System, based on the balance sheet total amount of assets, according to BNB.

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

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

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

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

At the end of the third quarter, the Bank was able to meet all regulatory compliance requirements.

The Bank has complied with all applicable minimum regulatory requirements during the reported period.

I. Information related to significant events that occurred during the reported period of financial 2016, accumulated and its impact on the financial result.

Within the first there ended the process of the repurchase by Visa Inc of the owned by the Bank one ordinary share with a nominal value of EUR 10 of Visa Europe Ltd. As a result of the finalization of this issue the Bank received cash, privileged shares of Visa Inc and the right to receive an additional future /deferred/ payment. The effect of the finalization to the amount of BGN 12 168 thousand was reflected in the profit for the period.

At the regular annual General Meeting of the Shareholders of Central Cooperative Bank Plc that took place on 30.06.2016 a decision was taken the accumulated profit for 2015 of CCB Plc to the amount of BGN 6 703 805,78 (six million seven hundred and three thousand eight hundred and five leva and seventy-eight stotinkas) to be transferred to the Reserve Fund.

Within the third quarter Tsvetanka Donkova Krumova was released as a member of the Management Board of CCB Plc.

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

During the Bulgaria economic activity and the positive growth, the Bank will pursue its goals of sustainable development, while preserving the achieved results and market share.

Potential differences between observed and expected results are the major source of risks and uncertainties during the fourth quarter of 2016.

Therefore, the most significant risks are detailed in the following list:

- 1. Credit risk** - the possibility that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Detailed policies are applied in process of lending, concerning the assessment of the creditworthiness of Bank's clients, and the control over the use of the advanced funds and the associated administration. In accordance with the credit risk mitigation policy, CCB accepts different types of collaterals and guarantees depending on the internal rules, the approach applied in the calculation of minimum required capital and the effective banking legislation. Evaluation of the risk exposures in the portfolio is done once per month, by classifying and making provisions for loans in the portfolio. The exposures treated as big exposures are subject to constant supervision and reporting. The Bank has adopted and keeps the credit exposure in the limits set by sector and by regional level. The above limits aim at avoidance of concentration, either geographically or by sector, in loan portfolios, which could lead to an increased credit risk.
- 2. Liquidity risk** - the risk of having difficulties in meeting payment obligations due to a mismatch in maturity and amount between anticipated cash inflows and outflows. The Bank manages its assets and liabilities so as to address regularly and without any delay its daily liquidity obligations, under both normal and potentially adverse market conditions.
- 3. Market risk** - the probability for the Bank to experience losses from fluctuations in stock prices, interest rates and foreign exchange rates.
- 4. Operational risk** - the probability of direct or indirect losses resulting from inadequate or failed internal processes, people and systems.

The level of CCB's risk ratios and indicators is similar to the average values of the Bulgarian bank system. The Bank's management do not expect any adverse progress in the above mentioned level of risks during the fourth quarter of 2016.

III. Information about transactions with related parties.

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

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

receivables of the Bank from companies under common control are to the amount of BGN 104 310 thousand, whereas the predominant part stems from granted loans. At the end of the third quarter of 2016 the liabilities of the Bank to companies under common control are to the amount of BGN 96 760 thousand, of which BGN 44 257 thousand come from received deposits. The remaining part of the liabilities concerns an issue of convertible bonds, issued by the Bank, to the amount of EUR 36 000 thousand.

At the end of the third quarter of 2016 the Bank does not have receivables from the mother company.

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



GEORGE KOSOV
EXECUTIVE DIRECTOR



SAVA STOYNOV
EXECUTIVE DIRECTOR



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 30.09.2016	As at 31.12.2015
ASSETS		
Cash and balances with the Central Bank	1,242,638	908,317
Placements with and advances to banks	267,492	204,009
Receivables under repurchase agreements	217,713	152,448
Financial assets held for trading	138,964	202,666
Loans and advances to customers, net	2,111,565	2,087,078
Other assets	51,869	53,953
Financial assets available for sale	200,182	227,520
Financial assets held to maturity	422,336	646,342
Investments in subsidiaries	84,333	59,788
Fixed assets	96,758	98,810
Investment properties	17,397	-
Non-current assets held for sale	5,491	2,537
TOTAL ASSETS	4,856,738	4,643,468
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits from banks	16,504	9,282
Liabilities under securities repurchase agreements	13,450	9,000
Amounts owed to other depositors	4,339,759	4,166,847
Other attracted funds	52	105
Issued bonds	72,507	70,055
Other liabilities	9,724	8,261
TOTAL LIABILITIES	4,451,996	4,263,550
SHAREHOLDERS' EQUITY		
Issued capital	113,154	113,154
Premium reserve	79,444	79,444
Reserves, including retained earnings	178,461	171,757
Revaluation reserve	3,576	8,859
Current year profit	30,107	6,704
TOTAL SHAREHOLDERS' EQUITY	404,742	379,918
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	4,856,738	4,643,468
Commitments and contingencies	177,613	197,883

George Kostov
Executive Director

Sava Stoynov
Executive Director

Yordan Hristov
Chief accountant



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
AS OF 30 SEPTEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 30.09.2016	As at 30.09.2015
Interest income	112,754	113,777
Interest expenses	(31,099)	(60,784)
Net interest income	<u>81,655</u>	<u>52,993</u>
Fees and commissions income	37,691	34,716
Fees and commissions expenses	(5,218)	(5,025)
Net fees and commissions income	<u>32,473</u>	<u>29,691</u>
Gains from transactions with securities, net	16,153	3,755
Foreign exchange rate gains, net	4,094	2,968
Other operating income, net	3,462	1,999
Operating expenses	(83,411)	(73,276)
Impairment and uncollectability income (expenses), net	<u>(20,974)</u>	<u>(12,343)</u>
Profit for the period before taxes	33,452	5,787
Taxes	(3,345)	(579)
PROFIT FOR THE PERIOD	<u><u>30,107</u></u>	<u><u>5,208</u></u>
Earnings per share (in BGN)	0.27	0.05
Other comprehensive income after taxes	(5,283)	4,129
Revaluation of financial assets held for sale	(5,283)	4,129
TOTAL COMPREHENSIVE INCOME AFTER TAXES	<u>24,824</u>	<u>9,337</u>

George Kostov
Executive Director

Yordan Hristov
Chief accountant

Sava Stoynov
Executive Director



CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS

AS AT 30 SEPTEMBER 2016

All amounts are in thousand Bulgarian Levs

	As at 30.09.2016	As at 30.09.2015
Cash flows from operating activities:		
Profit before taxes	33,452	5,787
Depreciation and amortization	6,966	4,738
Paid profit tax	(180)	(540)
Unrealized (gains) from revaluation of financial assets held for trading	(2,537)	(4,675)
Increase (decrease) of provisions for liabilities and loans impairment allowances	20,974	12,343
Net cash flows before working capital changes	58,675	17,653
Change in operating assets:		
(Increase) / decrease in placements with, and advances to, banks with maturities above 90 days	(29,059)	3,000
(Increase) in receivables under repurchase agreements	(65,265)	(1,747)
Increase in financial assets held for trading	66,239	10,978
(Increase) in loans and advances to customers	(45,461)	(106,246)
Decrease (Increase) in other assets	2,084	(1,679)
(Increase) in non-current assets held for sale	(2,954)	(1,256)
	(74,416)	(96,950)
Change in operating liabilities:		
Increase / (decrease) in deposits from banks	7,222	(10,604)
Increase in the liabilities under securities repurchase agreements	4,450	-
Increase in liabilities to other depositors	172,912	413,591
Increase / (decrease) in other attracted funds	(53)	(53)
Increase / (decrease) in other liabilities	1,463	(1,516)
	185,994	401,418
NET CASH FLOWS FROM OPERATING ACTIVITIES	170,253	322,121
Cash flows from investing activities		
(Acquisitions) of property, plant, and equipment, net	(4,914)	(27,668)
Acquisitions) of investment properties	(17,397)	-
(Acquisitions) of financial assets available for sale, net	(5,655)	(513,139)
(Acquisitions) of financial assets held to maturity, net	224,006	23,176
NET CASH FLOWS USED IN INVESTING ACTIVITIES	196,040	(517,631)
Cash flows from financing activities		
Increase in the issued bonds	2,452	2,452
NET CASH FLOW FROM FINANCING ACTIVITY	2,452	2,452
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	368,745	(193,058)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	1,102,710	1,385,245
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,471,455	1,192,187

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CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2016

All amounts are in thousand Bulgarian Levs

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Profit for the year	Total
BALANCE AS OF 31 DECEMBER 2014	113,154	79,444	164,502	(905)	7,255	363,450
Transfer of net profit for the year ended 31 December 2014, to retained earnings	-	-	7,255	-	(7,255)	-
Net profit for the period ended 30 September 2015	-	-	-	-	5,208	5,208
Other comprehensive income for the period ended 30 September 2015	-	-	-	4,129	-	4,129
BALANCE AS OF 30 SEPTEMBER 2015	113,154	79,444	171,757	3,224	5,208	372,787
BALANCE AS OF 31 DECEMBER 2015	113,154	79,444	171,757	8,859	6,704	379,918
Transfer of net profit for the year ended 31 December 2015, to retained earnings	-	-	6,704	-	(6,704)	-
Net profit for the period ended 30 September 2016	-	-	-	-	30,107	30,107
Other comprehensive income for the period ended 30 September 2016	-	-	-	(5,283)	-	(5,283)
BALANCE AS OF 30 SEPTEMBER 2016	113,154	79,444	178,461	3,576	30,107	404,742

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EXPLANATORY NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2016 OF CENTRAL COOPERATIVE BANK AD /THE BANK/

1. Selected positions from the financial statements

The financial assets, held for trading, are acquired with the aim of receiving a profit, which stems from short-term fluctuations in the prices or the dealing margin or are financial assets, included in a portfolio, for which there is a probability for a short-term realization of a profit. These include the acquired for the purpose of trading discount and interest-bearing government and corporate securities, as well as acquired capital investments in financial and non-financial companies, in which the Bank does not have a control participation. The structure of these assets at the end of the quarter in thousand BGN is as follows:

<i>Derivatives, held for trading</i>	1000
<i>Equity instruments</i>	97 226
<i>Debt instruments</i>	40 738

Compared to the previous year the Bank decreased its investments in Bulgarian government securities, whereas for the period from the beginning of 2016 the decrease is to the amount of BGN 38 613 thousand. Compared to the previous year the Bank decreased its investments in government securities of EU countries to the amount of BGN 51 000 thousand.

The financial assets available for sale are those financial assets, which are not held by the Bank for trading, to maturity and are not loans and receivables, which initially occurred at the Bank. The financial assets available for sale are acquired interest-bearing government and corporate securities, as well as acquired capital investments in financial and non-financial companies. The structure of these assets at the end of the quarter in BGN thousand is as follows:

<i>Equity instruments</i>	78 545
<i>Debt instruments</i>	121 637

Compared to the previous year the Bank increased its investments in Bulgarian government securities to the amount of BGN 22 295 thousand. There are no significant changes in the investments of the Bank in government securities of the EU countries.

During the third quarter of 2016 the financial assets, held for trading and for sale are evaluated at fair value, whenever for them there is a quotation on an active market, and when this quotation was not present, they are evaluated at acquisition price.

The financial assets, held to maturity, are with a fixed payment and fixed maturity, which the Bank has the intention and possibility to keep to their maturity, regardless of any possibility to be traded in the future upon any favorable conditions. These assets are acquired interest-bearing government securities.

Compared to the previous year there are no significant changes in the Bank investments in Bulgarian government securities. During the period the Bank decreased its investments in government securities from European Union countries to the amount of BGN 181 664 thousand.

During the third quarter of 2016 the financial assets, held to maturity are reported at amortized value according to the effective interest rate method and are not devaluated, due to the lack of indicators of the potential devaluation of these assets.

The loans and advances that initially originated at the Bank with a fixed maturity are financial assets, created via a direct provision by the Bank of money or services to certain clients with a fixed maturity.

During the third quarter of 2016 the loans with a fixed maturity, which initially originated at the Bank, are recorded at amortized value according to the effective interest rate method and are devaluated under conditions, which prove the decrease in the loans value.

CCB Plc works with specialized financial institutions, registered under Ordinance N 26 of BNB for the acquisition of loan receivables, due to which the share of the non-performing loans in the Bank portfolio is lower than that of the system.

The receivables under securities repurchase agreements are recorded at acquisition price, which is equal to the fair value of the funds placed by the Bank, secured by the value of the securities. The securities, received as collateral under securities repurchase agreements, are not recorded in the financial statements of the Bank in the cases, when the risks and the profits from their ownership have not been transferred. The reflected receivables under securities repurchase agreements at the end of the third quarter of 2016 have been secured by a pledge of Bulgarian government securities and corporate securities.

Fixed tangible and intangible assets

The fixed tangible and intangible assets are acquired and held by the Bank discernible non-financial resource, which is used for the production and/or sale of services, for letting, for administrative or for other purposes. They are recorded at acquisition cost, decreased by the accrued depreciation and the accumulated losses of devaluation.

The depreciation of fixed tangible and intangible assets is calculated according to the linear method, so that the amortization corresponds to the term of use, intended for these assets. The annual depreciation rates are as follows:

Buildings	4%	(25 years)
Inventory	15%	(7 years)
Transport vehicles	15%	(7 years)
Other assets	15%	(7 years)
Specific equipment, cable networks and security systems	4%	(25 years)
Equipment, including hardware and software products	20%	(5 years)

Depreciation does not accrue for land, assets for resale, assets in the process of acquisition, assets in the process of liquidation and the fully amortized assets up to their residual value.

During the third quarter of 2016 a devaluation of inventories, a devaluation of the fixed tangible and intangible assets was not performed, due to the lack of indicators for a potential devaluation of these assets.

Noncurrent assets held for sale

Real estates and movables, acquired by the Bank, associated with granted and non-performing loans are classified as non-current assets, held for sale and are recorded initially at acquisition price. After their initial recognition, these assets are recorded at the lower of their current book value or their fair value, decreased by the realization expenses. No depreciation accrues for these assets.

Investment properties

The investment properties are acquired and held by the Bank real estates, which the Bank will not use in its activity and which the Bank holds with the aim of receiving rent income and/or increasing the value of the capital. As its accounting policy with regard to the investment properties reporting, the Bank has adopted the model of acquisition cost in compliance with the requirements of IAS 16. In this regard the investment properties are recorded at acquisition cost, decreased by the accrued depreciation and the accumulated losses from devaluation. The depreciation accrues for the buildings, acquired as investment properties, whereas their annual depreciation rate is 4% (25 years). Depreciation does not accrue for the land, acquired as investment properties.

2. Transactions with related parties

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

At the end of the third quarter of 2016 the receivables of the Bank from subsidiaries are to the amount of BGN 28 359 thousand, which stem from placed deposits. At the end of the third quarter of 2016 the liabilities of the Bank to subsidiaries are to the amount of BGN 5 746 thousand, which stem from received deposits. At the end of the third quarter of 2016 the receivables of the Bank from companies under common control are to the amount of BGN 104 310 thousand, whereas the predominant part stems from granted loans. At the end of the third quarter of 2016 the liabilities of the Bank to companies under common control are to the amount of BGN 96 760 thousand, of which BGN 44 257 thousand come from received deposits. The remaining part of the liabilities concerns an issue of convertible bonds, issued by the Bank, to the amount of EUR 36 000 thousand.

At the end of the third quarter of 2016 the Bank does not have receivables from the mother company.

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

3. Accounting policy

During the third quarter of 2016 the Bank applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual individual financial statements for 2015.

4. Information about seasonality or cyclic nature of the interim operations

During the third quarter of 2016 no interim operations were performed, stemming from the specific seasonality or cycles. All interim operations during this period stem from the ordinary activity of the Bank.

5. Information about usual in amount and character assets, liabilities, shareholders' equity, income and expenses.

During the third quarter of 2016 there are no extraordinary positions with respect to the assets, liabilities, shareholders' equity, the income and expenses.

The total amount of the assets in the financial statements of the Bank as at 30.09.2016 increased compared to the total amount of the assets in the financial statements of the Bank as at 31.12.2015 by 4.6% and reached BGN 4 856 738 thousand. The increase in the assets of the Bank is related to the increase in the funds, attracted from other depositors.

6. Information about issued, repurchased and repaid debt and equity securities.

During the third quarter of 2016 the Bank does not have issued, repurchased or repaid debt securities, as well as issued and repurchased equity securities.

7. Information about accrued /paid/ dividend.

During the third quarter of 2016 the Bank did not accrue or pay dividend to its shareholders.

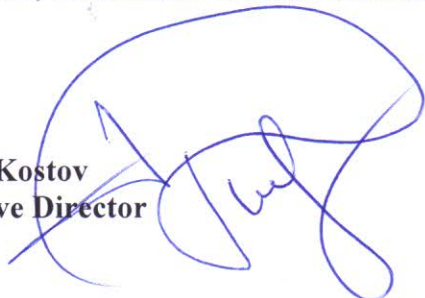
8. Events after the date of the financial statements

After the end of the third quarter of 2016 no events occurred, which have a significant influence on the future development of the Bank.

9. Information about changes in the conditional assets and liabilities

During the third quarter of 2016 compared to 31.12.2015 there are changes in the amount in the direction of an increase in the conditional assets of the bank concerning the assets, provided by clients as loan collateral. With respect to the conditional liabilities during the period there are changes in the direction of a decrease in their amount compared to 31.12.2015, whereas the decrease concerns guarantees, issued by the Bank.

Georgi Kostov
Executive Director



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Executive Director



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Chief accountant

