

**2019' THIRD QUARTER INTERIM FINANCIAL REPORT
ON THE ACTIVITIES OF
CENTRAL COOPERATIVE BANK /CCB/
ON A CONSOLIDATED BASIS**

Banking group on a consolidated basis include Central Cooperative Bank AD, Sofia and its controlled subsidiaries Central Cooperative Bank AD Skopje (Subsidiary) and AMC CCB Assets Management JSC (Subsidiary) as a reporting entity (the Group).

At the end of the third quarter of 2019, the parent Bank owns 87.35% of the capital of Central Cooperative Bank AD Skopje and investments of BGN 3,200 thousand in the subsidiary AMC "CCB Assets Management" JSC as well.

ASSETS

At the end of the third quarter of 2019, CCB's balance sheet total assets were BGN 6,135,737 thousand. Compared to a year ago, the assets grew by 5.03% or by BGN 293,956 thousand and from the end of the previous quarter they recorded an increase by 2.56% or by BGN 152,877 thousand in absolute terms.

Cash and cash balances with central banks formed 27.50% of the total assets of the Group, against 30.47% a year ago and 27.25% at the end of the previous quarter. Loans and receivables to banks were 4.26% of total assets, against 5.01% a year ago and 3.90% at the end of the previous quarter. Investments in financial assets held for trading, available-for-sale, held-to-maturity, measured at fair value through other comprehensive income and measured at amortized cost include government bonds of Republic of Bulgaria, bonds issued by Government of Republic of Macedonia and NBRM bonds, government bonds of countries in the EU and other European countries, corporate bonds, stocks and compensatory tools which are used to improve the profitability of the Group, and represented 17.52% of its assets against 14.42% a year ago and 17.75% at the end of the previous quarter.

At the end of 2019' third quarter the amount of granted loans and advances reached 41.94% share in the structure of balance sheet assets on consolidated basis, compared to a 42.24% a year ago and 42.353% at the end of the previous quarter.

The tangible assets of Group are 1.96% of total amount of the assets as of the end of the third quarter of 2019.

LIABILITIES

At the end of 2019' third quarter, total liabilities of the Group on a consolidated basis were BGN 5,565,285 thousand. They increased by 3.22% compared to a year ago and increased by 2.59%, compared to the end of previous quarter.

The majority of these liabilities - over 98% - are liabilities due to individuals, businesses and non-financial institutions. The increase, compared to a year ago is 3.37% and compared to the end of the previous quarter they increased by 2.48%. The Group maintains a stable structure of borrowings, which allows independence from external funding in the time of fluctuations on the global financial markets.

The equity of the Group totaled BGN 570,452 thousand and includes shareholders' equity of the parent Bank – BGN 564,915 thousand and minority interest amounted at BGN 5,537 thousand. Compared to a year ago, the equity increased by 26.75% and to the end of the previous quarter, the equity increased by 2.26%.

FINANCIAL RESULTS

As of 31.03.2019, the Group' net profit amounted to BGN 34,268 thousand. There is an increase by 77.43% compared to year ago.

The operating expenses of the Group in the third quarter of 2019 increased by 3.60%, compared to a year ago and reached absolute amount of BGN 103,576 thousand.

At the end of 2019' third quarter, the Bank was able to meet all regulatory compliance requirements and has complied with all applicable minimum regulatory requirements during the period. Historically, adequacy of the capital of CCB has been significantly above the minimal regulatory requirements, moreover the Own funds position was regularly strengthen by retaining the Earnings of the bank. In compliance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, minimal Total capital adequacy ratio for the banks is 8%.

The capital adequacy ratios of CCB on consolidated basis as of 31.03.2019 are:

- Common equity Tier 1 ratio 15.10%;
- Total equity ratio 15.71%;

I. Information related to significant events that occurred during the reported period of financial 2019, accumulated and its impact on the financial result.

On 25 February 2019 the capital increase of CCB, via the issuance of new shares, issued as a result of converting bonds, was recorded at the Trade Register in the sections of the Bank. The capital increase as a result of the conversion is in the amount of 13 975 679 ordinary voting shares, with a nominal value of BGN 1 per share.

After the increase the issued share capital of CCB consists of 127 129 970 ordinary voting shares, with a nominal value of BGN 1 per share. All shares entitle the holders to the right to receive dividend and a liquidation share and one share represents one vote at the general meeting of the shareholders of the Bank.

At the General meeting of shareholders that took place the annual financial statements and the annual consolidated financial statements of CCB for 2018 were approved and a decision was taken the accumulated profit of CCB for 2018 in the amount of BGN

33 770 258.31 (thirty-three million seven hundred seventy thousand two hundred fifty-eight leva and thirty-one stotinkas) to be allocated to the Reserve Fund.

II. Information about major risks and instability during the fourth quarter of 2019.

In terms of economic growth and the financial system as a whole, CCB will try to continue its development while preserving performance and market share.

Potential differences between observed and expected results are the major source of risks and uncertainties during the fourth quarter of 2019.

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 levels of CCB's risk ratios and indicators are similar to the average values of the Bulgarian bank system. The Bank's management does not expect any adverse negative movement in the above mentioned levels of risks in the next quarter of 2019.

III. CCB's Governing Body opinion on the forecasts implementation for this year results, taking into account the results of the current quarter.

CCB's results on a consolidated basis at the end of 2019's third quarter represent the Bank's performance in comparison with the last year corresponding period.

CCB's Management does not have non-public information that might have a significant adverse influence on the Group performance during the year.

IV. Transactions with related parties

The Group regards as related parties the persons, where one person can control another or exercise considerable influence on the other person upon taking financial and operative decisions, as well as in the cases, when the two persons are under common control. The Group performed transactions with the following related parties: mother company, companies under common control, key management staff of the Group or of the main shareholder, whereas the performed transactions are related to the granting of loans, the issuance of guarantees, attracting funds, performance of repo transactions, etc. All transactions have been concluded under ordinary commercial conditions in the course of the activity of the Group 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 2019 the receivables of the Group from companies under common control are to the amount of BGN 48 032 thousand, whereas the predominant part stems from granted loans. At the end of the third quarter of 2019 the liabilities of the Group to companies under common control are to the amount of BGN 56 302 thousand, and the major part thereof comes mainly from obtained deposits. At the end of the third quarter of 2019 the Group does not have receivables from the mother company. At the end of the third quarter of 2019 the Group has liabilities to the mother company to the amount of BGN 40 thousand. At the end of the third quarter of 2019 the receivables of the Group from key management staff of the Group or of the main shareholder are in the amount of BGN 1 045 thousand, and stem mainly from granted loans. At the end of the third quarter of 2019 the liabilities of the Group to key management staff of the Group or of the main shareholder are in the amount of BGN 4 293 thousand and stem from received deposits.

Georgi Kostov
Executive Director

Tihomir Atanasov
Procurator

