

## 2017' THIRD QUARTER INTERIM FINANCIAL REPORT

### ON THE ACTIVITIES

#### OF CENTRAL COOPERATIVE BANK /CCB/

At the end of third quarter of 2017, CCB's balance sheet total assets were BGN 5,210,662 thousand. As of 30 September 2017, the Bank's net profit amounted to BGN 27,685 thousand.

CCB is developing sustainably 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 7.29% or by BGN 353,924 thousand in absolute terms, against BGN 4,856,738 thousand a year ago. From the beginning of the year, assets grew by 4.84% or by BGN 240,531 thousand and from the end of second quarter, assets increased by 2.31% or BGN 108,556 thousand.

At the end of the third quarter of 2017 the amount of granted loans and advances reached BGN 2,229,268 thousand so their amount increased by 5.57% on an annual base, 3.20% from the start of the year and increased by 2.38% compared to the end of previous quarter.

The CCB's net profit as of the end of 2017' third quarter is BGN 27,685 thousand and is decreasing by -8.04%, compared to BGN 30,107 thousand a year ago.

At the end of September 2017, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 4,665,269 thousand. For the 12-month period, they increased by 7.50% compared to BGN 4,339,759 thousand as of end-September 2016. From the beginning of the year they are increasing by 4.66% and compared to the end of previous quarter by 2.26%.

The ratio of liquid assets to total liabilities reached 44.67% in September 2017. The average ratio on annual base is 42.13%.

At the end of the 2017 third quarter, the Bank is complying with all applicable minimum regulatory requirements.

#### **I. Information related to significant events that occurred during the reported period of financial 2017, accumulated and its impact on the financial result.**

At the annual regular General Meeting of the Shareholders of CCB Plc the annual financial statements and the annual consolidated financial statements of Central Cooperative Bank Plc for 2016 were approved and a proposal was made the profit of CCB Plc for 2016 at the amount of BGN 26 598 200,51 (twenty-six million five hundred ninety-eight thousand two hundred leva and fifty-one stotinkas) to be transferred to the Reserve fund.

In relation to an amendment of the Law on the Independent Financial Audit, the General Meeting of the shareholders of CCB Plc elects "Deloitte Audit" OOD, UIC 121145199 and "Grant Thornton" OOD, UIC 831716285 as certified auditors that perform a verification and certification of the annual financial statements of the Bank for 2017 and the supervisory reports, determined by the Bulgarian National Bank.

## II. Information about major risks and instability during the fourth quarter of 2017.

Bulgarian economy is growing rapidly and economic activity is vivid as a whole, so 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 instability during the fourth quarter of 2017. 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 banking system. The Bank's Management do not expect any adverse movement in the above mentioned level of risks during the fourth quarter of 2017.



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