

**EXPLANATORY NOTES TO THE INTERIM SEPARATE FINANCIAL
STATEMENTS FOR THE FOURTH QUARTER OF 2017 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>	1 025
<i>Equity instruments</i>	67 754
<i>Debt instruments</i>	13 024

Compared to the previous year the Bank decreased its investments in the capital of Bulgarian public commercial companies, which are traded on the Bulgarian Stock Exchange.

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>	79 326
<i>Debt instruments</i>	509 368

Compared to the previous year the Bank decreased its investments in Bulgarian government securities in the amount of BGN 116 584 thousand.

Compared to the previous year the Bank increased its investments in government securities of EU member states in the amount of BGN 55 188 thousand.

During the fourth quarter of 2017 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 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 fourth quarter of 2017 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 fourth quarter of 2017 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 fourth quarter of 2017 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 fourth quarter of 2017 the receivables of the Bank from subsidiaries are to the amount of BGN 6 823 thousand, which stem from placed deposits. At the end of the fourth quarter of 2017 the liabilities of the Bank to subsidiaries are to the amount of BGN 2 556 thousand, which stem from received deposits. At the end of the fourth quarter of 2017 the receivables of the Bank from companies under common control are to the amount of BGN 90 262 thousand, whereas the predominant part stems from granted loans. At the end of the fourth quarter of 2017 the liabilities of the Bank to companies under common control are to the amount of BGN 90 153 thousand, of which BGN 45 136 thousand come from obtained funds from an issue of convertible bonds, issued by the Bank, to the amount of EUR 36 000 thousand and the remaining part comes mainly from obtained deposits. At the end of the fourth quarter of 2017 the Bank does not have receivables from the mother company. At the end of the fourth quarter of 2017 the Bank has liabilities to the mother company to the amount of BGN 109 thousand.

3. Accounting policy

During the fourth quarter of 2017 the Bank applied the same accounting policy and the same methods of evaluation, as in the preparation of the annual individual financial statements for 2016.

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

During the fourth quarter of 2017 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 fourth quarter of 2017 there are no extraordinary positions with respect to the assets, liabilities, shareholders' equity, the income and expenditure.

The total amount of the assets in the financial statements of the Bank as at 31.12.2017 increased compared to the total amount of the assets in the financial statements of the Bank as at 31.12.2016 by 8.88% and reached BGN 5 411 304 thousand. The increase in the assets of the Bank is related to the increase in the funds, attracted from other depositors. Within this quarter no operations of extraordinary character have been recorded in the income statement as a result of which the accumulated financial result as at 31.12.2017 stems only from income and expenditure, concerning the ordinary activity of the Bank.

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

During the fourth quarter of 2017 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 fourth quarter of 2017 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 fourth quarter of 2017 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

At the end of the fourth quarter of 2017 compared to 31.12.2016 there are changes in the amount in the direction of a decrease 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 31.12.2016, whereas the decrease concerns commitments for the granting of loans by the Bank and guarantees, issued by the Bank.

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