

2018' SECOND 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), AMC CCB Assets Management JSC. (Subsidiary) and ZAO "IK Bank" Kazan city, Republic of Tatarstan, Russian Federation (Subsidiary) as a reporting entity (the Group).

At the end of the second quarter of 2018, the parent Bank owns 87.35% of the capital of Central Cooperative Bank AD Skopje, investments of BGN 3,200 thousand in the subsidiary AMC "CCB Assets Management" JSC and 86.273% of the share capital of ZAO "IK Bank", Kazan, Republic of Tatarstan, Russian Federation as well.

ASSETS

At the end of the second quarter of 2018, CCB's balance sheet total assets were BGN 5,677,682 thousand. From the start of the quarter they recorded an decrease by 0.09% or by BGN 4,948 thousand in absolute terms. Compared to a year ago, the assets grew by 6.57% or by BGN 350,265 thousand.

Cash and cash balances with central banks formed 30.07% of the total assets of the Group, against 32.53% at the end of December 2017. Loans and receivables to banks were 5.21% of total assets, against 5.93% a year ago. 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, government bonds of the Russian Federation, corporate bonds, stocks and compensatory tools which are used to improve the profitability of the Group, and represented 14.15% of its assets against 12.59% at the end of December 2017.

At the end of 2018' second quarter the amount of granted loans and advances reached 42.94% share in the structure of balance sheet assets on consolidated basis, compared to a year ago, when it was 45.51%.

The parent bank works with specialized financial institutions, registered according to Ordinance №26 of BNB on the acquisition of loan receivables due to which the share of non-performing loans in the Group portfolio is lower than that for the system.

The tangible and other assets of Group were 2.24% of total amount of the assets.

LIABILITIES

At the end of June 2018, total liabilities of the Group on a consolidated basis were BGN 5,232,158 thousands. They decreased by 0.37%, compared to the end of 2017.

The majority of these liabilities - over 98% - are liabilities due to other depositors - individuals, businesses and non-financial institutions. The increase compared to the end of June 2017 is 7.01%. 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 445,524 thousand and includes shareholders' equity of the parent Bank – BGN 438,023 thousand and minority interest amounted at BGN 7,501 thousand. Compared to the end-June 2017 the equity reported an increase by 3.89%.

FINANCIAL RESULTS

As of 30 June 2018, the Group' net profit amounted to BGN 14,501 thousand. There is a decrease by 17.10% compared to year ago.

The operating expenses of the Group in the second quarter of 2018 increased by 3.23%, compared to the level at the end of the second quarter of 2017 and reached absolute amount of BGN 64,756 thousands.

At the end of 2018' second quarter, the Bank was able to meet all regulatory compliance requirements.

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

I. Information related to significant events that occurred during the reported period of financial 2018, accumulated and its impact on the financial result.

On 27 June 2018 a General Meeting of the Shareholders of CCB Plc took place and the following important decisions were taken at this meeting:

The annual financial statements and the annual consolidated financial statements of Central Cooperative Bank Plc for 2017 were approved and a proposal was made the accumulated profit of CCB Plc for 2017 to the amount of BGN 36 813 920.83 (thirty-six million eight hundred thirteen thousand nine hundred twenty leva and eighty-three stotinkas) to be transferred to the Reserve fund.

The following persons were elected as members of the Supervisory Board with a 5-year mandate, as from the election date: Ivo Kamenov Georgiev, Marin Velikov Mitev, Rayna Dimitrova Kuzmova and Central Cooperative Union

“Deloitte Audit” OOD, UIC 121145199 and “Grant Thornton” OOD, UIC 831716285 were elected as auditing companies, which make a verification and certify the annual financial statements of the Bank for 2018 and the supervisory reports, determined by the Bulgarian National Bank.

II. Information about major risks and instability during the third quarter of 2018.

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 third quarter of 2018.

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 does not expect any adverse progress in the above mentioned level of risks in the third quarter of 2018.

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 2018' second 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.

Georgi Kostov
Executive Director



Tihomir Atanasov
Procurator