

**2018' THIRD QUARTER**  
**INTERIM FINANCIAL REPORT**  
**ON THE ACTIVITIES OF**  
**CENTRAL COOPERATIVE BANK /CCB/**

At the end of third quarter of 2018, CCB's balance sheet total assets were BGN 5,593,443 thousand. As of 30 September 2018, the Bank's net profit amounted to BGN 21,781 thousand.

CCB is developing sustainably and as of the end of September 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 7.35% or by BGN 382,781 thousand in absolute terms, against BGN 5,210,662 thousand a year ago. From the end of previous quarter, assets increased by 3.06% or BGN 166,082 thousand.

At the end of the third quarter of 2018 the amount of granted loans and advances reached BGN 2,269,116 thousand so their amount increased by 1.79% on an annual base and increased by 1.30% compared to the end of previous quarter.

The CCB's net profit as of the end of 2018' third quarter is BGN 21,781 thousand and is decreasing by 21.33%, compared to BGN 27,685 thousand a year ago.

At the end of September 2018, the liabilities due to other depositors were approximately 98% of total liabilities and amounted to BGN 5,007,020 thousand. For the 12-month period, they increased by 7.33% compared to BGN 4,665,269 thousand as of end-September 2017 and compared to the end of previous quarter increased by 2.80%.

The liquid coverage ratio of the bank reached 619.27% at the end of September 2018.

At the end of the 2018 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 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 fourth quarter of 2018.

Bulgarian economy is growing rapidly and economic activity is vivid in general, 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 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 banking system. The Bank's Management do not expect any adverse movement in the above mentioned level of risks during the next quarter of 2018.

**George Kostov**  
Executive director

**Sava Stoynov**  
Executive director

**Tihomir Atanasov**  
Procurator

