ProCredit HOLDING

DISCLOSURE REPORT 2015

ProCredit Holding AG & Co. KGaA

Contents

1 Introduction

The ProCredit financial holding group (ProCredit group or the group) is a banking group that is active in transition economies and in Germany. The business model focuses on the core activities comprising classical banking. Our corporate strategy and our activities are guided by the objective of making a sustainable contribution to economic, social and environmental development in our countries of operation. ProCredit's business strategy is based on the formation of long-term relationships with our clients and staff and on careful risk management.

The ProCredit banks are providers of financial services that give long-term support to sound small and medium-sized enterprises (SMEs), and in this way make a sustainable contribution to creating jobs, enhancing capacity for innovation, and raising ecological and social awareness. In this regard, we concentrate on small and medium-sized enterprises with stable, formalised structures, and attach particular importance to supporting local production, especially in agriculture. For the private individuals associated with our business clients, we offer transparent and responsible banking services with a special focus on savings.

The ProCredit group is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, or BaFin) and the Deutsche Bundesbank. ProCredit Holding AG & Co. KGaA (ProCredit Holding) is the parent company of the group. From a regulatory point of view, as the superordinated company, it is responsible for the strategic management, capital adequacy, reporting, risk management and proper business organisation of the group pursuant to section 25a of the German Banking Act (KWG).

With this disclosure report, ProCredit Holding complies with the disclosure requirements for the ProCredit group as of 31 December 2015, particularly as set forth in Part Eight, Articles 431-455 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation – CRR). This report also contains disclosures on remuneration in accordance with Article 450 CRR. The requirements set forth in Article 441 CRR are not relevant for ProCredit, as it is not classified as an institution of global systemic importance. Disclosures in this report are carried out in an aggregate manner at group level. The disclosure report is approved by the Management of ProCredit Holding. Disclosures of significant subsidiaries in accordance with Article 13 CRR are published on ProCredit Holding's website. Each of those reports is approved by the relevant Management Boards. Information on country-specific disclosure pursuant to section 26a KWG is available in ProCredit Holding's Annual Report for 2015.

The disclosure report of the ProCredit group is compiled on the basis of completeness and our internal policies, regulations and procedures that are set out in writing for the fulfilment of disclosure requirements. One fundamental aspect in this context is the regular review of the suitability of disclosure practices.

This report has not been audited by the group's external auditors. However, the information disclosed is based on the audited financial statements of the individual ProCredit institutions and the audited consolidated financial statements of the ProCredit group as reported in the 2015 Annual Report. As a supplement to this disclosure report, information on the ProCredit group is available in ProCredit Holding's 2015 Annual Report, which is published on the website.

This report contains summed figures and percent calculations that may, due to rounding, contain minor deviations.

2 Scope of consolidation

This disclosure report is prepared on the basis of the companies in the ProCredit group which have been consolidated for regulatory purposes; in accordance with section 10a KWG in conjunction with Article 18 CRR, this includes only institutions carrying out banking and other financial business. The aim of regulatory consolidation is to prevent multiple use of capital that in fact exists only once by subsidiary companies in the financial sectors. In contrast to the scope of consolidation for regulatory purposes, the companies consolidated under IFRS comprise all the companies controlled by the parent company.

All entities that are included either in the consolidation for regulatory purposes or in the consolidation under IFRS are listed in the following consolidation matrix as of 31 December 2015. There are currently no entities which are proportionally consolidated.

Consolidation matrix

Company name and location	Regulatory treatment			Consolidation according to IFRS: full
	Consolidation according to Art. 18 CRR: full	Exclusion according to Art. 19 CRR	Risk-weighted equity investments	
Financial holding company				
ProCredit Holding AG & Co. KGaA, Germany	x			x
Credit institutions				
ProCredit Bank sh.a., Albania	x			x
Banco PyME Los Andes ProCredit S.A., Bolivia	x			x
ProCredit Bank d.d., Bosnia	x			x
ProCredit Bank (Bulgaria) EAD, Bulgaria	x			x
Banco ProCredit Colombia S.A., Colombia	x			x
Banco ProCredit S.A., Ecuador	x			x
Banco ProCredit S.A., El Salvador	x			x
JSC ProCredit Bank, Georgia	x			x
ProCredit Bank AG, Germany	x			x
ProCredit Bank sh.a., Kosovo	x			x
ProCredit Bank A.D., Macedonia	x			x
CB ProCredit Bank S.A., Moldova	x			x
Banco ProCredit S.A., Nicaragua	x			x
ProCredit Bank S.A., Romania	x			x
ProCredit Bank a.d., Belgrade, Serbia	x			x
ProCredit Bank JSC, Ukraine	x			x
Financial institutions				
Pro Confianza S.A. de C.V., SOFOM, E.N.R., Mexico	x			x
Administración y Recuperación de Cartera Michoacán, S.A. de C.V., SOFOM, E.N.R., Mexico	x			x
ProCredit Leasing d.o.o., Serbia	x			x

continued on next page

Company name and location	Regulatory treatment			Consolidation according to IFRS: full
	Consolidation according to Art. 18 CRR: full	Exclusion according to Art. 19 CRR	Risk-weighted equity investments	
continued				
Ancillary services undertakings				
Quipu GmbH, Germany	x			x
Quipu Sh.P.K., Kosovo	x			x
ProCredit Properties EAD, Bulgaria	x			x
ProCredit Properties LLC, Georgia	x			x
ProCredit Reporting DOOEL, Macedonia		x	x	
Special purpose vehicles				
Fideicomiso Primera Titularización de Cartera Comercial Pymes ProCredit, Ecuador	x			x
PC Finance II B.V., The Netherlands	x			x
Other				
ProCredit Academy GmbH, Germany			x	x
ProCredit Regional Academy Eastern Europe, Macedonia			x	x

For the ProCredit group there are few distinctions between the scope of consolidation for regulatory purposes and the scope of consolidation applied for group accounting purposes. The ProCredit Academies in Germany and Macedonia are not included in the scope of consolidation for regulatory purposes, as they do not provide any financial services or ancillary services. The ProCredit group established these academies to constantly enhance the professional standards of middle management staff in the ProCredit banks. Likewise, ProCredit Reporting DOOEL, located in Macedonia, has not been included in the scope of consolidation for regulatory purposes, as the company does not exceed the size criteria set forth in Article 19 (1) CRR.

Due to their structure, the SPVs established in the framework of securitisation transactions, namely Fideicomiso Primera Titularización de Cartera Comercial Pymes ProCredit and PC Finance II B.V., were consolidated according to IFRS and also for regulatory purposes. Details are disclosed in the "Securitisations" section of this report.

Based on the group's strategy of focusing on SMEs, the banks in Armenia (ProCredit Bank JSC) and in Congo (ProCredit Bank Congo SARL) were sold during the 2015 financial year. Due to the sale of ProCredit Bank Congo, its subsidiaries s.p.r.l. des Aviateurs and s.p.r.l. Matadi Vangu are no longer included within the scope of consolidation. Furthermore, in 2015 the entities ProCredit Capital Funding LLC and ProCredit Capital Funding Trust were deconsolidated. These had been established in connection with the issuance of Trust Preferred Securities (TPS) in 2008 and were dissolved following their repayment in July 2015.

The financial company founded in 2015 as Administración y Recuperación de Cartera Michoacán, S.A. de C.V., SOFOM, E.N.R. (ARDEC) was included in the scope of consolidation for both regulatory and group consolidation purposes. This company manages a small portfolio of loans to SMEs in the Mexican region of Michoacán.

The ProCredit banks in El Salvador (Banco ProCredit S.A.) and Nicaragua (Banco ProCredit S.A.) as well as Pro Confianza S.A. de C.V., SOFOM, E.N.R. have been classified as discontinued operations held for sale in the consolidated financial statements for 2015. No separate presentation of these entities will be made for the purposes of the disclosure report. In 2015 the ProCredit group increased its presence in South Eastern Europe by opening a branch of ProCredit Bank (Bulgaria) E.A.D. in Thessaloniki, Greece.

There are currently no known material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among ProCredit Holding and its subsidiaries, in accordance with Article 436 (c) CRR. Dividend payments are subject to certain restrictions in some countries where the ProCredit group operates insofar as the regulatory authorities must approve of the dividend payout, thus representing a potential time constraint.

As of the end of 2014, the National Bank of Ukraine had introduced limits on foreign currency transactions with the aim of stabilising the Ukrainian currency. Among other restrictions, it is not permissible to purchase foreign currency for the payment of dividends to foreign investors. The restrictions on foreign currency transactions in Ukraine continue to apply.

The ProCredit group makes no use of the option to derogate from the application of prudential requirements on an individual basis pursuant to Article 7 CRR.

3 Risk management

3.1 Business strategy

ProCredit banks specialise in meeting the demands of small and medium-sized enterprises, including their owners and partners. They provide banking services while at the same time offering simple and easily accessible deposit facilities, thereby promoting the development of a savings culture and contributing to greater economic stability and security in private households. The ProCredit banks do not offer any complex financial products or asset management services, but focus on transparent and simple products that SMEs and private households request.

The ProCredit group pursues a sustainable business strategy. By supplying financial services in a responsible manner, the group makes a contribution to economic development in the countries in which it operates. We aim to be a leading bank for SMEs in our markets. These companies make an important contribution to economic growth and are highly valuable for job creation. Moreover, we are convinced that small and medium-sized businesses are particularly important for the political stability of a country.

We are particularly committed to building long-term relationships with our business clients and encouraging long-term investments, particularly in production and agriculture as well as green energy and energy conservation. In this way we also want to reduce dependency on fossil fuels. Already in 2011 the ProCredit group began to develop and implement a concept for a comprehensive Environmental Management System.

We build well-structured, efficient institutions characterised by a high degree of professionalism, transparency, communication and trust, creating a satisfying environment and fostering loyalty among our clients and our staff. By carefully recruiting and continuously providing training to our staff, we ensure that our clients are served in an optimal and responsible way.

3.2 Risk strategy

In accordance with our simple, transparent and sustainable business strategy, our risk strategy is a conservative one. By following a consistent group-wide approach to managing risks, the aim is to ensure the risk-bearing capacity of the group and each individual bank at all times and to achieve steady results, despite volatile external conditions.

The group's risk strategy and business strategy are updated annually and are approved by the Management of ProCredit Holding following discussions with the Supervisory Board. While the business strategy lists the objectives of the group for all material business activities and regions of operation and presents measures to be taken to achieve them, the group risk strategy addresses the material risks arising from the implementation of the business strategy and defines the objectives and measures of risk management. The risk strategy is broken down into strategies for all material risks in the group. These are described in greater detail in the following sections.

The principles of our business activity, as listed below, provide the foundation for our risk strategy. The consistent application of these principles significantly reduces the risks to which the group is exposed.

i. Focus on core business

The ProCredit institutions focus on the provision of financial services to small and medium-sized businesses as well as to private clients. All of the banks' other operations are performed mainly in support of the core business. ProCredit institutions assume mainly customer credit risk in the course of their day-to-day operations. At the same time, ProCredit avoids or strictly limits all other risks involved in banking operations.

ii. High degree of transparency, simplicity and diversification

ProCredit's focus on small and medium-sized businesses entails a very high degree of diversification in both customer loans and customer deposits. Geographically, this diversification spans regions and countries, comprising urban and rural areas within countries. In terms of client groups, this diversification spans economic sectors, client segments (small and medium-sized enterprises) and income groups. Both the high degree of diversification and our simple, transparent products and processes contribute to a significant reduction in the group's risk profile.

iii. Careful staff selection and intensive training

Responsible banking is characterised by long-term relationships not only with clients, but also with staff. This is why we select our staff very carefully and have invested heavily in staff training over many years. From a risk perspective, well-trained employees who are accustomed to voicing their opinions openly are an important factor for managing and reducing risk, specifically operational risk and fraud risk.

Key elements of risk management

Risk management comprises identifying, quantifying, managing, monitoring, controlling and reporting risks. In managing risks, the ProCredit group takes account of the "Minimum Requirements for Risk Management" (MaRisk), of relevant publications by local and international regulatory authorities and of our knowledge of the markets acquired over many years. The mechanisms designed to hedge and mitigate risks are monitored regularly to ensure their effectiveness, and the procedures and methods used to manage risks are subject to ongoing further development. The key elements of risk management in the ProCredit group are presented below.

- All ProCredit institutions apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and establish minimum requirements for managing, monitoring and reporting.
- All risks incurred by the group are managed by ensuring at all times an adequate level of own funds and risk-bearing capacity of the group and all ProCredit institutions.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- Early warning indicators (reporting triggers) and limits are set and monitored for all material risks at the group level and at the level of each individual bank.
- Regular stress tests are performed for all material risks at the group level and at the level of each individual bank; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad-hoc reporting on the risk profile, including detailed descriptions and commentaries, is carried out at group level and at the level of each individual bank.
- Monitoring and management of risks and possible risk concentrations is carried out using comprehensive analysis tools for all material risks.
- The effectiveness of the chosen measures, limits and methods is continuously monitored and controlled. This also includes backtesting of the models used.
- All new or significantly changed products undergo a thorough analysis before being used for the first time (New Risk Approval process). This ensures that new risks are assessed and all necessary preparations and tests are completed prior to implementation.

These key elements of risk management in the ProCredit group are based on the extensive experience and thorough knowledge of both our risks and our clients that we have gained over the past 20 years in our markets. The ProCredit group operates in countries that are at different stages of development. Some of the countries in which ProCredit banks operate are characterised by more volatile macroeconomic environments and public institutions that are not yet fully developed.

3.3 Organisation of the risk management function and risk reporting

Risk management in the ProCredit group is the overall responsibility of the Management of ProCredit Holding. Customer credit risk, which is of particular significance for the ProCredit group, is managed by Mr Borislav Kostadinov; all other risks and the risk control function are managed by Dr Anja Lepp. Ms Helen Alexander manages the compliance function, which ensures the implementation of legal regulations and requirements and avoids the risks associated with non-compliance.

The Management of ProCredit Holding is supported by the Group Risk Management Committee (including its sub-committees) and the Group Assets and Liabilities Committee (Group ALCO). The Group Risk Management Committee develops the group-wide framework for risk management, monitors the risk profile of the group and, if necessary, takes decisions on risk mitigation measures. The Group ALCO particularly monitors the core liquidity reserve and liquidity management of the group, co-ordinates measures aimed at securing funding for the ProCredit banks and ProCredit Holding and reports on material developments in financial markets. In both committees the members of the Management of ProCredit Holding and the Management Board of ProCredit Bank Germany as well as the Manager Finance & Controlling and Manager HR & IT of ProCredit Holding are represented. As a general rule, the committees meet monthly.

Risk management on the group level is supported by the following functions: Group and PCH Risk Control, Group Credit Risk Management, Group Financial Risk Management, Group Operational Risk Management, Group AML and Fraud Prevention, Group Funding, Group Compliance, and Supervisory Reporting and Capital Planning. The responsibilities of these functions include proposing the framework for risk management in the group as well as limits for risk positions, monitoring risk positions and compliance with limits, performing the group's capital planning and monitoring risk-bearing capacity at both bank level and group level.

The Management Board at each individual bank bears responsibility for risk management within their institution. All ProCredit banks have risk management departments, a risk management committee and an ALCO that as a general rule meet at least monthly, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the respective institution.

The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus supporting the Management of ProCredit Holding in ensuring implementation of legal regulations and requirements. The committee is a forum for evaluating compliance risks, discussing the impacts of changes in legal regulations and prioritising identified compliance risks. Furthermore, this body can issue recommendations on measures which may be required. Each ProCredit bank has a compliance function which reports on a regular and ad-hoc basis to the Management of the bank, e.g. through the Compliance Committee.

Group Audit is an independent functional area within ProCredit Holding. It provides support in determining what constitutes appropriate risk management and an appropriate internal control system within the group. Additionally, each ProCredit bank has an internal audit department which carries out the auditing procedures established by Group Audit. Once per year, internal audit departments at ProCredit banks carry out risk assessments of all of their bank's activities in order to arrive at a risk-based annual audit plan. Each internal audit department reports to an audit committee, which generally meets on a quarterly basis. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance.

In all ProCredit banks, suitable processes and procedures for an effective internal control system are in place. The system is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front office functions.

At the individual bank level, risk positions are analysed regularly, discussed intensively and documented in standardised reports. ProCredit Holding prepares an aggregate risk report for the Group Risk Management Committee and the Supervisory Board. Monitoring of both the individual banks' risk situation and the group's overall risk profile is carried out through a review of these reports and of additional information generated by individual banks and at group level. If necessary, additional topic-specific ad-hoc reporting occurs. The aim is to achieve transparency on the material risks and to be aware at an early stage if potential problems might be arising.

The risk department of each bank reports routinely to the different risk functions at ProCredit Holding, and the respective supervisory board is informed on at least a quarterly basis about all risk-relevant developments.

3.4 Risk statement and risk profile

The risk management processes of the ProCredit group have been designed in a suitable manner considering the nature, scale, complexity and riskiness of the business activities as well as the business strategy and the risk strategy of the group. MaRisk and relevant publications of local and international regulatory authorities were taken into account at all times during this process. The group-wide processes for risk management address all material risks defined in the framework of the risk inventory; these processes are subject to ongoing further development and are approved by the Management of ProCredit Holding. As the business strategy of the ProCredit group focuses on SMEs, the credit risk associated with serving this client group constitutes the material item in the group's risk profile.

A comprehensive set of early warning indicators (reporting triggers) and limits is used to measure, manage and limit risks at the group level and at the level of each individual bank. The limit system is the operational counterpart of the principles established in the risk policies, and it represents the risk tolerance level defined by the Management. In addition to the limits for specific types of risk, limits for all material risks are set in the framework of the risk-bearing capacity calculation. Ongoing monitoring is performed in order to identify potential concentrations within risk categories or between risk types; if necessary, decisions are taken on measures to reduce any risk concentrations. For information on key risk indicators, please refer to the individual sections of the disclosure report on the material risks and the explanations regarding capital adequacy.

4 Management body

4.1 Composition

ProCredit Holding AG & Co. KGaA, the parent company of the ProCredit group, has the legal form of a partnership limited by shares. ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG. The Management Board of the general partner is responsible for managing ProCredit Holding in accordance with the requirements established in the law, in the Articles of Association and in the internal rules of procedure for ProCredit General Partner AG, as defined by its Supervisory Board.

The management body of ProCredit Holding comprises the six members of the Supervisory Board as well as the Management, which until 20 April 2016 comprised five members and as of 21 April 2016 is made up of four members.[1]

The members of the Supervisory Board have committed themselves to make substantial time commitments in order to perform their duties. The Supervisory Board thus decided against the formation of committees on the basis of the limited size of the ProCredit group, its simple balance sheet structure, transparent risk profile and a remuneration structure which largely avoids variable remuneration elements. All Supervisory Board duties are performed by the Supervisory Board members themselves. Five meetings of the Supervisory Board were held in the 2015 financial year.

1 On 21 April 2016, Dr Antje M. Gerhold assumed a management position at ProCredit Bank S.A., Romania, resigning her position as a member of the Management of ProCredit Holding as of that date.

4.2 Number of management or supervisory positions held by members of the management body

As a general rule, the members of the Management of ProCredit Holding do not hold supervisory positions outside of the group. However, due to the sale of the ProCredit banks in Armenia and Congo, as of year-end three members of the Management still held supervisory positions in these banks on a transitional basis. The supervisory positions of Dr Antje M. Gerhold and Dr Anja Lepp in Armenia were no longer applicable as of 2 February 2016.

The tables below indicate the number of positions held by the Management and Supervisory Board, including their positions at ProCredit Holding.[2]

Number of management or supervisory positions held by members of the Management

31.12.2015	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Gabriel Schor	1	6	–
Dr Antje M. Gerhold	1	2	1
Borislav Kostadinov	2	8	–
Dr Anja Lepp	1	2	1
Helen Alexander	1	4	1

As of 18 January 2016, Mr Borislav Kostadinov no longer held the position of Manager of ProCredit Academy GmbH. Therefore, one management position is currently held within the group.

Number of management or supervisory positions held by members of the Supervisory Board

31.12.2015	Management positions outside of the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Claus-Peter Zeitinger (Chairman)	–	6	–
Christian Krämer (Deputy)	–	2	1
Wolfgang Bertelsmeier	–	3	1
Rochus Mommartz	2	1	4
Petar Slavov	–	3	–
Jasper Snoek	1	1	–

2 The members of the Supervisory Board of the general partner, ProCredit General Partner AG, are the same as for the Supervisory Board of ProCredit Holding AG & Co. KGaA. As a general rule, the Supervisory Board of ProCredit General Partner AG meets immediately before the meeting of the Supervisory Board of ProCredit Holding AG & Co. KGaA. The positions at ProCredit Holding AG & Co. KGaA and ProCredit General Partner AG are presented together in the tables.

4.3 Strategy for selecting the members of the management body

The managers are carefully selected by the Supervisory Board of the general partner, ProCredit General Partner AG. Managers of ProCredit Holding must be professionally and personally suitable and reliable, adhering to the requirements set forth in section 25c KWG. The managers have both theoretical and practical experience in the business areas which are relevant for the ProCredit group and in all bank management functions, and they possess management experience. Information about the professional experience of the members of the Management is presented on the ProCredit Holding website.

The members of the Supervisory Board are appointed by the Shareholders' Meeting, with consideration given to the balanced and comprehensive knowledge, skills and experience of all Supervisory Board members and taking account for the requirements established in section 25d KWG. The aim is to select reliable Supervisory Board members, thus ensuring that the Management is subject to qualified controls and receives qualified advice from the Supervisory Board. The Supervisory Board is constituted in such a way that all of its members together possess the knowledge, skills and professional experience necessary for the proper performance of its duties. For each aspect of the Supervisory Board's function, at least one member possesses the relevant experience, thereby ensuring that the knowledge and experience of the Supervisory Board as a whole is complete.

The members of the Supervisory Board are/were active for many years in the business areas that are material for the ProCredit group and possess relevant experience in the respective markets. They are/were engaged in management activities in various institutions and possess relevant knowledge in the areas of risk management, accounting, financial auditing and SME business.

In the process for selecting the members of the Management and of the Supervisory Board, the aim is to ensure an appropriate degree of diversity within the management bodies. As a result, both bodies comprise individuals representing diverse nationalities, professional and educational (university) backgrounds. Three of the five members of the Management of ProCredit Holding are women.

4.4 Flow of information concerning risk

The Management is provided with regular daily, monthly and quarterly risk reports in a timely manner after the respective reporting date. Furthermore, escalation mechanisms and ad-hoc reporting are implemented in the event of new risks, non-compliance with existing limits or, for known risks, in case of a significant increase in the probability of occurrence or the loss amount.

The Management of ProCredit Holding works closely together with the Supervisory Board for the welfare of the company. The Management reports to the Supervisory Board in a regular, timely and complete manner concerning all matters which are of particular significance for the group (including for individual ProCredit banks). This includes all relevant issues in regard to planning, business development, the risk situation, risk management and compliance. Information which is of material importance from a risk point of view is provided without delay to the Supervisory Board, independent of the regular quarterly reports on the risk situation. The Management determines the strategic orientation of the company in consultation with the Supervisory Board and discusses with the Supervisory Board at regular intervals regarding the implementation status of the strategy. If necessary, divergences of the course of business from established plans and targets are explained and reasons are provided. The Supervisory Board must also be informed in the event of changes in the management of the risk control function.

5 Capital adequacy

5.1 Capital management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may at any time incur greater risks than they are able to bear. This principle is monitored using different indicators for which early warning indicators and limits have been established. The indicators for each individual ProCredit bank and the group as a whole include, in addition to regulatory standards in each country, a capital adequacy calculation in accordance with CRR requirements, a Tier 1 leverage ratio in compliance with CRR and a risk-bearing capacity calculation.

The capital management framework of the group has the following objectives:
- compliance with regulatory capital requirements, taking account for new requirements defined by supervisory authorities
- compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure the group's capacity to act
- support for the group in implementing its plans for continued growth

Whereas the external capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College pursuant to section 8a KWG, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities.

Methods for the calculation of capital adequacy vary between countries. An increasing number of jurisdictions where the ProCredit banks operate base their calculation methods on recommendations of the Basel Committee on Banking Supervision. Compliance with supervisory requirements is monitored for each ProCredit institution on the basis of the respective local accounting rules, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation.

5.2 Structure of own funds

Own funds are calculated on the basis of CRR and KWG. As of the 2014 financial year the ProCredit group has switched from the aggregation method to the consolidated financial statements for the calculation of own funds and risk positions.

The table below presents the own funds of the ProCredit group as of 31 December 2015.

Structure of own funds during the transitional period

Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
Common Equity Tier 1 capital: instruments and reserves						
1	Capital instruments and the related share premium accounts	351	–	351	–	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: subscribed capital (shares)	254	–	254	–	EBA list 26 (3)
2	Retained earnings	224	–	187	–	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–44	–	–48	–	26 (1)
3a	Funds for general banking risk	–	–	–	–	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	–	–	–	–	486 (2)
	Public sector capital injections grandfathered until 1 January 2018	–	–	–	–	483 (2)
5	Minority interests (amount allowed in consolidated CET1)	6	–1	14	–5	84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	30	–	23	–	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	568	–	527	–	
Common Equity Tier 1 (CET1) capital: regulatory adjustments						
7	Additional value adjustments (negative amount)	0	–	0	–	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–30	–	–7	–27	36 (1) (b), 37, 472 (4)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–2	4	–2	–6	36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges	–	–	–	–	33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts	–	–	–	–	36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)	–	–	–	–	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	–	–	–	33 (b)
15	Defined-benefit pension fund assets (negative amount)	–	–	–	–	36 (1) (e) , 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–	–	–	36 (1) (f), 42, 472 (8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	–	–	36 (1) (g), 44, 472 (9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	–	–	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)

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Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
continued						
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–	–	–	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	–	–	–	–	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–	–	–	36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)	–	–	–	–	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)	–	–	–	–	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets that rely on future profitability and arise from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15 % threshold (negative amount)	–	–	–	–	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–	–	–	36 (1) (i), 48 (1) (b), 470, 472 (11)
25	of which: deferred tax assets arising from temporary differences	–	–	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)	–	–	–	–	36 (1) (a), 472 (3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–	–	–	36 (1) (1)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	–	–1	–	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	–	–1	–	
	of which: … filter for unrealised loss 1	–	–	–	–	467
	of which: … filter for unrealised loss 2	–	–	–	–	467
	of which: filter for unrealised gains (afs instruments and actuarial gains)	0	–	–1	–	468
	of which: … filter for unrealised gain 2	–	–	–	–	468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	–	–	–	481
	of which: …	–	–	–	–	481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–	–	–	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**–32**	**–**	**–9**	**–**	
29	**Common Equity Tier 1 (CET1) capital**	**535**	**–**	**518**	**–**	
continued on next page						

Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
continued						
Additional Tier 1 (AT1) capital: instruments						
30	Capital instruments and the related share premium accounts	–	–	–	–	51, 52
31	of which: classified as equity under applicable accounting standards	–	–	–	–	
32	of which: classified as liabilities under applicable accounting standards	–	–	–	–	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	–	52	–	486 (3)
	Public sector capital injections grandfathered until 1 January 2018	–	–	–	–	483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–	–	–	85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out	–	–	–	–	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	–	**52**	–	
Additional Tier 1 (AT1) capital: regulatory adjustments						
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–	–	–	–	52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	–	–	56 (b), 58, 475 (3)
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	–	–	56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	–	–	56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0	–	–27	–	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	0	–	–27	–	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	of which: intangibles	0	–	–27	–	472 (4)
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	–	–	–	477, 477 (3), 477 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.	–	–	–	–	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	–	–	–	467, 468, 481
	of which: … possible filter for unrealised losses	–	–	–	–	467
continued on next page						

Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
continued						
	of which: … possible filter for unrealised gains	–	–	–	–	468
	of which: …	–	–	–	–	481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	–	–	–	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	**–**	**–27**	**–**	
44	**Additional Tier 1 (AT1) capital**	**0**	**–**	**25**	**–**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**535**	**–**	**542**	**–**	
Tier 2 (T2) capital: instruments and provisions						
46	Capital instruments and the related share premium accounts	79	–	62	–	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	16	–	33	–	486 (4)
	Public sector capital injections grandfathered until 1 January 2018	–	–	–	–	483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	8	–	13	–	87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out	8	–	13	–	486 (4)
50	Credit risk adjustments	–	–	–	–	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**103**	**–**	**108**	**–**	
Tier 2 (T2) capital: regulatory adjustments						
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	–	–	–	63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	–	–	66 (b), 68, 477 (3)
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	–	–	66 (c), 69, 70, 79, 477 (4)
54a	of which: new holdings not subject to transitional arrangements	–	–	–	–	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	–	–	–	–	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–	–	–	66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	–	–	–	–	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	–	–	–	–	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	–	–	–	–	
continued on next page						

Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
continued						
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	–	–	–	475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.	–	–	–	–	
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	–	–	–	–	467, 468, 481
	of which: … possible filter for unrealised losses	–	–	–	–	467
	of which: … possible filter for unrealised gains	–	–	–	–	468
	of which: …	–	–	–	–	481
57	**Total regulatory adjustments to Tier 2 (T2) capital**	–	–	–	–	
58	**Tier 2 (T2) capital**	**103**	**–**	**108**	**–**	
59	**Total capital (TC = T1 + T2)**	**639**	**–**	**651**	**–**	
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0	–	0	–	
	of which: deferred tax assets that rely on future profitability and do not arise from temporary differences	0	–	0	–	472 (5)
	Of which: … items not deducted from AT1 items (Regulation (EU) No. 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	–	–	–	–	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Of which: … items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, etc.)	–	–	–	–	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	**Total risk-weighted assets**	**5,258**	**–**	**5,102**	**–**	
Capital ratios and buffers						
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	10.2%	–	10.1%	–	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	10.2%	–	10.6%	–	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	12.1%	–	12.8%	–	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	–	–	–	–	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	–	–	–	–	
66	of which: countercyclical buffer requirement	–	–	–	–	
67	of which: systemic risk buffer requirement	–	–	–	–	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	–	–	–	CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	–	–	–	–	CRD 128
continued on next page						

Row		Amount 31.12.2015 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2015	Amount 31.12.2014 in EUR m	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013 31.12.2014	Regulation (EU) No. 575/2013 article reference
continued						
Amounts below the thresholds for deduction						
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	–	–	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	–	–	36 (1) (i), 45, 48, 470, 472 (11)
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2	–	4	–	36 (1) (c), 38, 48, 470, 472 (5)
Applicable caps on the inclusion of provisions in Tier 2						
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–	–	–	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	–	–	–	–	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	–	–	–	62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	–	–	–	–	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan. 2013 and 1 Jan. 2022)						
80	Current cap on CET1 instruments subject to phase-out arrangements	–	–	–	–	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–	–	–	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements	0	–	52	–	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	–	13	–	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements	29	–	45	–	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	–	0	–	484 (5), 486 (4) & (5)

Own funds comprises Tier 1 (T1) capital (Common Equity Tier 1 (CET1) capital plus Additional Tier 1 (AT1) capital) and Tier 2 (T2) capital.

As of 31 December 2015, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 535 million. The CET1 of the ProCredit group is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, deferred tax assets which are conditional on future profitability and do not result from temporary differences, and additional valuation adjustments for fair-valued balance sheet positions. As of 31 December 2015 the interim profits as of 30 September 2015, less foreseeable charges and dividends, formed part of the Common Equity Tier 1 capital, as approved by the regulatory authorities.

The AT1 capital reported 31 December 2014 in the amount of EUR 25 million, consisting of grandfathered hybrid capital in the form of Trust Preferred Securities, no longer formed part of own funds as of 31 December 2015 following the repayment of the securities. No new Tier 1 capital instruments were issued in 2015. Therefore, as of 31 December 2015 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 103 million is recognised as Tier 2 capital. This item consists of long-term subordinated liabilities which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. This refers to subordinated debt instruments issued in 2014 and 2015, amounting to EUR 79 million in total, and the group's Tier 2 capital instruments recognised under the transitional provisions of the CRR.

The CET1, AT1 and T2 instruments in the ProCredit group are presented in the annex to this disclosure report.

5.3 Reconciliation of the components of regulatory own funds and the consolidated balance sheet

The following tables present the reconciliation of the consolidated balance sheet according to IFRS and the balance sheet for regulatory purposes. This includes a full reconciliation of CET1, AT1 and T2 items, as well as filters and deductions applied to own funds, and the balance sheet contained in the audited consolidated financial statements.

Reconciliation of consolidated financial statements according to IFRS with balance sheet for regulatory purposes

31.12.2015 in EUR m	Consolidated balance sheet according to consolidated financial statements	De-consolidation of subsidiaries*	Consolidated balance sheet for regulatory purposes
Assets			
Cash and cash equivalents	834	30	864
Loans and advances to banks	339	–30	310
Financial assets at fair value through profit or loss	1	0	1
Available-for-sale financial assets	207	–4	203
Loans and advances to customers	4,105	4	4,109
Allowances for losses on loans and advances to customers	–177	0	–176
Investments in subsidiaries, joint ventures and associates	0	2	2
Property, plant and equipment	172	–7	165
Investment properties	2	0	2
Intangible assets	24	0	24
Current tax assets	3	0	4
Deferred tax assets	6	0	6
Other assets	63	0	64
Discontinued operations	429	–1	428
Total assets	**6,009**	**–4**	**6,006**

continued on next page

* Includes re-classifications

31.12.2015 in EUR m	Consolidated balance sheet according to consolidated financial statements	De-consolidation of subsidiaries*	Consolidated balance sheet for regulatory purposes
continued			
Liabilities			
Liabilities to banks	394	0	394
Financial liabilities at fair value through profit or loss	2	0	2
Liabilities to customers	3,793	1	3,794
Liabilities to international financial institutions	509	0	509
Debt securities	205	0	205
Other liabilities	27	–1	26
Provisions	18	1	19
Current tax liabilities	2	1	3
Deferred tax liabilities	4	0	4
Subordinated debt**	131	0	131
Hybrid capital	0	0	0
Discontinued operations	319	–1	318
Total liabilities	**5,405**	**1**	**5,406**
Equity			
Subscribed capital	254	0	254
Capital reserve	97	0	97
Legal reserve	0	0	0
Retained earnings	284	–1	283
Translation reserve	–44	0	–44
Revaluation reserve	5	–3	1
Equity attributable to the equity holders of the parent company	**596**	**–4**	**592**
Non-controlling interests	8	0	8
Total equity	**604**	**–4**	**600**
Total equity and liabilities	**6,009**	**–4**	**6,006**

* Includes re-classifications

** Subordinated debt from discontinued operations is not included in this item. The amount presented thus deviates from the following table.

Reconciliation of shareholders' equity in balance sheet with regulatory own funds

in EUR m	31.12.2015	31.12.2014
Shareholders' equity reported on balance sheet	**596**	**538**
De-consolidation of subsidiaries	–4	–1
Shareholders' equity in regulatory balance sheet	**592**	**537**
Profit ineligible for recognition*	–29	–24
Non-controlling interests	8	17
Minority interests ineligible for recognition under transitional provisions	–2	–4
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**569**	**527**
Additional value adjustments	0	0
Adjustments relating to unrealised gains pursuant to Article 68 CRR	–1	–1
Intangible assets**	–30	–34
Tax assets which rely on future profitability and do not arise from temporary differences	–6	–8
Regulatory adjustments due to transitional provisions on intangible assets and on deferred tax assets that rely on profitability	4	33
Common Equity Tier 1 (CET1) capital	**535**	**518**
Hybrid capital instruments		
Reported on balance sheet	0	67
of which: accrued interest	0	–2
Amount excluded from AT1 due to cap	0	–13
Regulatory adjustments due to transitional provisions on intangible assets	0	–27
Additional Tier 1 (AT1) capital	**0**	**25**
Tier 1 (T1) capital	**535**	**542**
Subordinate liabilities		
Reported on balance sheet	135	156
of which: accrued interest and deferred fees	0	–1
of which: non-grandfathered instruments	–15	–16
Amortisation according to Article 64 CRR	–13	–40
Regulatory adjustments to balance sheet	–4	–4
Recognition of amount excluded from AT1 due to cap	0	13
Tier 2 (T2) capital	**103**	**108**
Total regulatory own funds	**639**	**651**

* As approved by the regulatory authorities, as of 31 December 2015 the interim profits as of 30 September 2015, less foreseeable charges and dividends, form part of the Common Equity Tier 1 capital.

** Deviations from the amount reported on the balance sheet arise due to static treatment.

5.4 Adequacy of own funds

This section presents the group's regulatory capital requirements and capital ratios.

Risk-weighted assets and capital requirements, by risk category

	2015		2014	
in EUR m	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	**3,950**	**316**	**3,757**	**301**
Exposures to central governments or central banks	363	29	327	26
Exposures to regional governments or local authorities	1	0	1	0
Exposures to public sector entities	–	–	–	–
Exposures to multilateral development banks	–	–	–	–
Exposures to international organisations	–	–	–	–
Exposures to institutions	12	1	23	2
Exposures to corporates	891	71	580	46
of which: SMEs subject to SME factor*	397	32	286	23
Exposures to institutions and corporates with a short-term credit assessment	64	5	79	6
Retail exposures	1,972	158	2,071	166
of which: SMEs subject to SME factor*	1,620	130	1,694	135
Exposures secured by mortgages on immovable property	–	–	–	–
Exposures in default	309	25	342	27
Exposures associated with particularly high risk	–	–	–	–
Exposures in the form of covered bonds	–	–	–	–
Items representing securitisation positions	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	67	5	53	4
Equity exposures	4	0	4	0
Other items	268	21	277	22
Credit Valuation Adjustment (CVA) risk	**2**	**0**	**2**	**0**
Market risk (foreign currency risk)	**505**	**40**	**540**	**43**
Operational risk	**801**	**64**	**803**	**64**
Total	**5,258**	**421**	**5,102**	**408**

* Amount of risk-weighted exposure after application of SME factor

For determining the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes.

Given the small volume of derivatives held by the group, the risk arising from Credit Valuation Adjustment (CVA) is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk.

As the ProCredit group consists exclusively of non-trading book institutions, which moreover do not engage in transactions involving commodities, foreign currency risk is the only market risk to be considered. The amount of foreign currency risk to be recognised at group level is determined using the aggregation method.

The ProCredit group applies the standardised approach to quantify operational risk.

The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the Common Equity Tier 1 (CET1) capital ratio, only those capital components qualifying as CET1 capital are taken into account; for the calculation of the Tier 1 capital ratio, CET1 and Additional Tier 1 (AT1) capital are considered; for the calculation of the total capital ratio all regulatory capital components are considered.

The group's regulatory capital ratios are shown in the table below.

Regulatory capital ratios

in EUR m	31.12.2015	31.12.2014
Common Equity Tier 1 (CET1) capital	535	518
Additional Tier 1 (AT1) capital	0	25
Tier 2 capital	103	108
Own funds	**639**	**651**
Credit risk	3,950	3,757
CVA risk	2	2
Market risk (foreign currency risk)	505	540
Operational risk	801	803
Risk-weighted assets	**5,258**	**5,102**
Common Equity Tier 1 (CET1) capital ratio	**10.2 %**	**10.1 %**
Tier 1 capital ratio	**10.2 %**	**10.6 %**
Total capital ratio	**12.1 %**	**12.8 %**

The CRR minimum capital ratios are set to 4.5 % for the Common Equity Tier 1 capital ratio, 6 % for the Tier 1 capital ratio and 8 % for the total capital ratio. With a CET1 capital ratio[3] of 10.2 %, a Tier 1 capital ratio of 10.2 % and a total capital ratio of 12.1 % as of 31 December 2015, the ProCredit group's ratios are above both regulatory and internal requirements. In addition to the minimum capital ratios set forth in CRR, from 1 January 2016 a capital buffer of CET1 capital is to be maintained; the amount of this buffer has initially been set at 0.625 %, increasing incrementally to 2.5 % by 2019.

All group banks also complied with their respective national regulatory capital requirements during the reporting period at all times.

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This ratio is used to prevent the build-up of excessive leverage in the banking sector. This ratio represents the relationship between Tier 1 capital and unweighted on- and off-balance sheet asset items. A mandatory minimum ratio has not yet been set; however, the Basel Committee on Banking Supervision is currently testing a minimum ratio of 3 %. The leverage ratio of the ProCredit group under the transitional provisions pursuant to Article 499 (1b) CRR stood at 8.67 % as of 31 December 2015.

Summary reconciliation of accounting assets and leverage ratio exposures

31.12.2015 in EUR m		**Applicable amount**
1	Total assets as per published financial statements	6,009
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–1
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429 (13) of Regulation (EU) No. 575/2013)	–
4	Adjustments for derivative financial instruments	5
5	Adjustment for securities financing transactions (SFTs)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	184
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	–
7	Other adjustments	–30
8	**Leverage ratio total exposure measure**	6,168

3 Pursuant to Article 465 CRR in conjunction with section 23 SolvV, different ratios were applicable in 2014: the minimum ratio for Common Equity Tier 1 capital was 4 % whereas the minimum for Tier 1 capital was 5.5 %.

Leverage ratio common disclosure

31.12.2015 in EUR m		**CRR leverage ratio exposures**
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6,002
2	(Asset amounts deducted in determining Tier 1 capital)	–24
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	5,978
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	–
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	–
EU-5a	Exposure determined under Original Exposure Method	5
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	**Total derivatives exposures (sum of lines 4 to 10)**	5
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	Counterparty credit risk exposure for SFT assets	–
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No. 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	–
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	599
18	(Adjustments for conversion to credit equivalent amounts)	–415
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	184
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–

continued on next page

31.12.2015 in EUR m		**CRR leverage ratio exposures**
continued		
Capital and total exposure measure		
20	**Tier 1 capital**	535
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	6,168
Leverage ratio		
22	**Leverage ratio**	8.7 %
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional arrangement
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	–

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

31.12.2015 in EUR m		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6,002
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	6,002
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	783
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	42
EU-7	Institutions	50
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	3,213
EU-10	Corporate	930
EU-11	Exposures in default	226
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	758

ProCredit Holding monitors the development of the consolidated balance sheet for the ProCredit group on a monthly basis and also performs an analysis of the key balance sheet ratios, including the leverage ratio. In the framework of monitoring the risk profile and regulatory capital adequacy, the leverage ratio is a material component of integrated performance and risk management. The Group Risk Management Committee is regularly informed about the development of the leverage ratio and also receives ratio forecasts which are updated monthly for the subsequent four quarters. On the basis of this information, early measures can be taken, if necessary, to manage the risk of excessive leveraging.

5.5 Risk-bearing capacity

Ensuring that the group as a whole and each individual bank has sufficient risk-bearing capacity at all times is a key element of ProCredit's group-wide risk management and internal capital adequacy assessment process. In the context of the risk-bearing capacity calculation the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is at all times sufficient to match our risk profile. It is an ongoing process that raises group-wide awareness of our capital requirements and our exposure to material risks.

The methods we use to calculate the amount of economic capital required to cover the different risks the group is exposed to are based on statistical models, provided that appropriate models are available. Macroeconomic stress scenarios, some of them historically observed in individual countries of operation, are applied to the group in its entirety to test its ability to withstand such shocks, both in individual risk areas and in combination. The guiding principle for our risk-bearing capacity calculations is that the group is able to withstand strong shock scenarios without endangering depositors and other providers of funding. In our view, the crisis years 2009 and 2010 underscored, firstly, the necessity for a conservative approach towards capital management, and secondly, the developments during that time proved the strength of the group in dealing with a difficult economic environment. Throughout this period, the group showed adequate levels of capital, leaving ample headroom for additional loss absorption had the economic conditions further deteriorated.

The group currently applies both a going concern and a gone concern approach in managing and monitoring its risk-bearing capacity. Both approaches are being further developed on a continual basis. In 2015 we mainly worked on the models used to quantify credit risk and operational risk, and in 2016 we will continue to develop the risk-bearing capacity concept. We are committed to being able to meet our (non-capital) obligations at all times in the event of unexpected losses in the gone concern approach, both in normal and in stress scenarios. The group applies the going concern approach to ensure that if risks materialise business operations can be continued. This implies that, as a regulated financial holding group, we must satisfy the minimum capital requirements set by the supervisory authority at all times.

When calculating the economic capital required to cover risk positions we apply a one-year risk assessment horizon. The included material risks and the limits set for each risk reflect the specific risk profile of the group and are based on the annually conducted risk inventory. These risks, which are described in detail in the following sections, are included in the risk-bearing capacity calculation as follows:

Material risk	Quantification/treatment
Customer credit risk	Portfolio model based on a Monte Carlo simulation
Counterparty risk (including issuer risk)	Analytical approach (risk- and term-adjusted exposure)
Foreign currency risk	VaR model
Interest rate risk	VaR-type model (potential impact of interest rate shocks on expected earnings)
Operational risk	Quantitative model based on a Monte Carlo simulation
Business risk	Internal capital model (business-VaR)
Funding risk	Qualified expert assessment
Liquidity risk (risk of insolvency)	Not taken into account in the risk-bearing capacity calculation because capital cannot be used to mitigate this risk.
Country risk	Covered by the risk-bearing capacity calculation at the level of ProCredit Holding and ProCredit Bank Germany. Country risk is classified as a material risk at group level; however, it is assessed to be insignificant. Therefore, country risk is not allocated a share of the risk-taking potential in the group's risk-bearing capacity calculation.

The group's Risk-Taking Potential (RTP) in the gone concern approach, defined as the group's equity (less minority interests, intangible assets and deferred taxes) plus subordinated debt from ProCredit Holding, amounted to EUR 665 million as of end-December 2015. In 2014 the Resources Available to Cover Risk (RAtCR) were set at 70 % of the RTP (less a fixed capital buffer), i. e. EUR 455 million. Only the RAtCR are used to establish the limits for each risk category. This creates a buffer amounting to 30 % of the RTP. In the standard scenario, which under the gone concern approach is calculated with a 99.9 % confidence level, the ProCredit group needs only 42.3 % of its RAtCR to cover its risk profile. Overall limit utilisation has increased compared to 2014, which can mainly be attributed to a change in the quantification methodology for customer credit risk.

Risk-bearing capacity, gone concern approach

	Limit in %	Limit in EUR m	Limit utilisation in EUR m	Limit utilisation in % of limit
Customer credit risk	25	163	99	60.6
Counterparty risk	4	26	7	27.8
Interest rate risk	10	65	23	35.9
Foreign currency risk	13	85	27	31.9
Operational risk	10	65	22	33.8
Business risk	6	39	12	30.5
Funding risk	2	13	3	19.3
Resources Available to Cover Risk 2015		**455**	**193**	**42.3**
Resources Available to Cover Risk 2014		454	153	33.7

In the going concern approach, the RAtCR are defined as the surplus over regulatory minimum capital plus the expected pre-tax profit for the next twelve months (less the fixed capital buffer). As of end-December 2015, the RAtCR amounted to EUR 188 million. In the standard scenario, which under the going concern approach is quantified with a 99 % confidence level, the ProCredit group needs 70.3 % of its RAtCR to cover the risks it has assumed.

Stress tests are performed at least quarterly on the group level to test the group's risk-bearing capacity under shock conditions. In this scenario we assume a significant deterioration of worldwide macroeconomic conditions and massive economic downturn in both South Eastern Europe and Central America at the same time. The results of the stress test show that the risks to which the group would be exposed in a severe stress event would not exceed its resources available to cover risk (66 % utilisation of RAtCR in the gone concern approach). Our analysis of the ProCredit group's risk-bearing capacity thus confirms that the group would have an adequate level of capitalisation even under extremely adverse conditions. The stress tests for individual risk categories and across all categories are supplemented by event-driven inverse stress tests performed at least once per year.

6 Credit risk

The ProCredit group defines credit risk as the risk that losses will be incurred if the party to a transaction fails to meet its contractual obligations, or fails to meet them in full or on time. Credit risk comprises the risk arising from customer credit exposures as well as counterparty risk (including issuer risk) and country risk. Credit risk is the most significant risk facing the ProCredit group, and customer credit exposures account for the largest share of that risk.

6.1 Customer credit risk

6.1.1 Strategy and principles

The key objectives of our credit risk management are to achieve high loan portfolio quality, low risk concentrations within the loan portfolio, appropriate coverage of credit risks with loan loss provisions and an adequate rate of return on the credit risk we assume. For our lending operations, we apply the following principles:

- intensively analysing the debt capacity of clients
- carefully documenting credit risk analyses and processes conducted during lending operations, ensuring that the analyses performed can be understood by expert third parties
- rigorously avoiding overindebtedness among clients
- building a personal and long-term client relationship, maintaining regular contact
- strictly monitoring credit exposure repayment
- customer-oriented, intensified loan management in the event of past-due loans
- collateral collection in the event of insolvency

The group framework for managing customer credit risk establishes the principles for the organisation of lending business, the principles involved in lending operations, and the framework for the valuation of collateral for credit exposures. The standards define in detail the group's lending operations focusing on business clients and private clients and the range of credit services offered. They also set forth the rules for loan restructuring, loan loss provisioning and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (regular monitoring of the financial situation and problem loan management).

The ProCredit group divides its credit exposures into four categories: very small, small and medium-sized business credit exposures and credit exposures to private clients. Very small exposures are typically below EUR 50k; small exposures are between EUR 50k and EUR 250k; and medium exposures are above EUR 250k. The vast majority of medium exposures are for amounts below EUR 1 million. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: degree of segregation of duties, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict division of front- and back-office functions up to the management level is applied for risk-relevant credit exposures.

The experience of the ProCredit group has shown that an appropriate creditworthiness assessment constitutes the most effective form of credit risk management. Credit decisions are based predominantly on an analysis of the financial situation of the client and an assessment of the creditworthiness of the client. Regular on-site visits are performed for all clients to ensure an adequate consideration of their specific features and needs.

According to the group policies, all credit decisions are taken by a credit committee. Its members have approval limits that reflect their expertise and experience. All decisions on medium credit exposures are taken by credit committees at the banks' head offices and, in exceptional cases, by the supervisory boards. Decisions on very small exposures are taken by credit committees in the service centres, whereas decisions on small exposures are taken by branch credit committees.

Setting appropriate credit limits, deciding which services correspond to the financial needs of clients and determining the proper structure of the credit exposure form an integral part of the discussion process within the credit committee. In this context, the following general principles apply: The lower the amount of the credit exposure, the stronger the documentation provided by the client, the shorter the term of the credit exposure, the longer the client's history with the bank and the higher the account turnover of the client with the bank, the lower will be the collateral requirements. An increase in the credit exposure is only allowed within approved limits and is monitored closely. The banks have far-reaching powers to limit increases in credit exposures swiftly when the credit risk profile of a client deteriorates.

The group credit risk management policies limit the possibility for unsecured credit operations. Depending on the riskiness and the term of the exposure, loans may be issued without being fully collateralised. The cap for unsecured credit exposures is determined in accordance with the stability of the respective economic environment. As a general rule, credit exposures with a higher risk profile are covered with collateral security, typically through mortgages.

The quality of credit operations is monitored by credit control units at the individual bank level. They assess the quality of the credit analysis, verify compliance with internal procedures and identify signs of fraudulent activity. These teams comprise experienced credit staff who not only conduct on-site visits to customers in order to monitor the lending process but also systematically screen the portfolio for irregularities.

The early detection of increases in credit risk at the level of individual credit exposures is incorporated into all lending-related processes, resulting in a fast and efficient assessment of the degree of financial difficulty faced by clients. The loan portfolios of the ProCredit institutions are predominantly composed of instalment loans with regular monthly payments of interest and principal. This is why payment delays are, among other things, a reliable indicator of increased credit risk. Credit exposures with overdue payments are reported daily to the branch manager, the bank's head office and in aggregated form to ProCredit Holding. Furthermore, other indicators such as recurring minor payment delays or movements in client accounts are also monitored. Follow-up measures are then taken in accordance with the policies and standards. The early warning indicators and the close monitoring of clients allow for solid tracking of increases in credit risk related to individual credit exposures (migration risk).

Once a higher risk of default is detected for a credit exposure, it is placed under intensified management. Intensified loan management centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of the client's business activities. At the individual banks, decisions on the most effective measures to reduce the credit default risk for individual credit exposures are taken by the authorised decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure.

When a loan is classified as a problem credit exposure, recovery officers take over responsibility for dealings with the client. If necessary, they are supported by litigation officers (legal department) and/or specialists in the sale of assets or collateral.

In addition to the daily monitoring of individual credit exposures, credit risk at the portfolio level is assessed on a monthly basis and, if necessary, more frequently. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, the coverage ratio (past-due portfolio in relation to provisions) and concentration risk. For the ProCredit group, the shares of the portfolio that are past due by more than 30 days (PAR 30) or more than 90 days (PAR 90) are important indicators of loan portfolio quality. We also track the degree to which credit exposures past due by more than 30 days and 90 days are covered with loan loss provisions, as an indicator of the adequate provisioning of our loan portfolio. The portfolio of restructured credit exposures, the corresponding provisions and the level of write-offs are also closely monitored.

Concentration risk is limited in the group due to the strong degree of portfolio diversification across the client groups (very small, small and medium-sized businesses) and the distribution of the loan portfolio between the different banks. In addition, the ProCredit banks limit the concentration risk of their portfolios by means of the following requirements: Large credit exposures (those exceeding 10 % of the regulatory capital of the respective ProCredit bank) require the approval of the Group Risk Management Committee; no single large credit exposure may exceed 25 % of regulatory capital of a bank; and the sum of all large credit exposures of a bank may not exceed 150 % of its regulatory capital.

6.1.2 Structure of the loan portfolio

The following tables provide an overview of the ProCredit group's client exposures, broken down by significant geographic areas, industries and contractual residual maturities, in accordance with Article 442 CRR.

Client exposures, by exposure type

in EUR m	Average amount of exposures 2015	Total amount of exposures 31.12.2015	Average amount of exposures 2014	Total amount of exposures 31.12.2014
Exposures to regional governments or local authorities	1	1	0	1
Exposures to corporates	841	933	579	630
Retail exposures	3,790	3,699	3,801	3,787
Exposures in default	218	200	236	224
Other items*	4	4	4	4
Total	**4,854**	**4,837**	**4,621**	**4,645**

* "Other items" comprises mainly account maintenance fees

The on- and off-balance sheet credit portfolio volume, net of provisions, stood at EUR 4.8 billion at year-end 2015. The group was able to achieve positive results in its target client business during the year. This growth more than offset the one-off effects of selling the institutions in Congo and Armenia, which had resulted in portfolio contraction. At EUR 0.6 billion, the volume of off-balance sheet items is limited, which reflects the focus of our business model on small and medium-sized business clients. Of this amount, 72 % consisted of credit commitments with immediate right of cancellation.

In 2015 each of the geographical regions where we operate showed loan portfolio growth (except Africa and Eastern Europe, due to the sale of the institutions in Congo and Armenia).

Client exposures, by significant geographic area

in EUR m	South Eastern Europe	Eastern Europe	South America	Central America	Africa	Germany
Exposures to regional governments or local authorities	1	–	–	–	–	–
Exposures to corporates	616	166	32	26	–	94
Retail exposures	2,030	519	826	324	–	–
Exposures in default	123	42	16	18	–	–
Other items	3	0	0	–	–	0
Total 2015	**2,774**	**727**	**874**	**368**	**–**	**94**
Total 2014	2,582	755	852	305	82	68

Due to the business model and credit technology of the ProCredit group, the relevant breakdown of the portfolio for steering purposes is by loan volume rather than industry. Detailed information on loan volumes in the ProCredit group is available in the 2015 Annual Report. The following table presents client exposures by industry. In 2015 the loan volume increased in all industries.

Client exposures, by industry

in EUR m	Non-financial companies				Other
	Production (including agriculture)	Trade	Transport and storage	Other non-financial companies	
Exposures to regional governments or local authorities	–	–	–	–	1
Exposures to corporates	357	334	26	195	34
of which: SMEs	324	287	23	169	18
Retail exposures	1,007	1,247	374	626	446
of which: SMEs	857	970	318	470	221
Exposures in default	61	64	12	48	16
of which: SMEs	58	60	11	45	10
Other items	–	–	–	–	4
Total 2015	**1,425**	**1,645**	**413**	**868**	**500**
Total 2014	1,371	1,581	392	839	461

The following table shows client exposures according to the residual maturity of the last tranche of the respective contract. Due to the stronger focus on SMEs and the further withdrawal from very small lending activities, the volume of loans with an outstanding maturity of over five years showed above-average growth in 2015.

Client exposures, by residual maturity

in EUR m	< 1 year	1–5 years	> 5 years
Exposures to regional governments or local authorities	–	0	0
Exposures to corporates	318	285	330
Retail exposures	976	1,819	905
Exposures in default	49	87	64
Other items	4	–	–
Total 2015	**1,346**	**2,192**	**1,299**
Total 2014	1,218	2,360	1,068

6.1.3 Past-due and non-performing exposures

The ProCredit group defines past-due exposures as credit exposures for which contractual interest and/or principal payments are past due for at least one day. In such cases, the total exposure to the client is regarded as being past due.

We define credit exposures as non-performing (or impaired) if the bank has objective evidence that the quality of the credit exposure has deteriorated. The main indicator of this is that the exposure is more than 30 days past due. However, credit exposures can show other signs of impairment as well. Typical examples are:

- breach of covenants or conditions, unless waived or modified by the bank
- initiation of legal proceedings by the bank
- initiation of bankruptcy proceedings
- any information on the customer's business or changes in the client's market environment that are having or will have a negative impact on the client's payment capacity

The ProCredit group views the adequate provisioning of credit risk as a key strategic objective, which is achieved by making credit risk adjustments (allowances for losses and impairment). In this context we draw a distinction between individually significant and individually insignificant credit exposures; the threshold is EUR/USD 30,000.

Individually significant credit exposures are assessed individually for impairment (individual specific provisions, ISP). Based on signs of deterioration in the quality of the credit exposure, we perform an impairment test, applying the discounted cash flow method. In this context, expected future cash flows from realised collateral items as well as other realisable cash flows are taken into account. The level of loan loss provisions is determined by the difference between the book value of the credit exposure and the net present value of the expected future cash flows.

Lump-sum specific provisions (LSP) are calculated for individually insignificant credit exposures past due more than 30 days on a portfolio basis at historical default rates; being more than 30 days past due is regarded as objective evidence of the need to make credit risk adjustments. The amount of such provisions is determined on the basis of the number of days that the payment is past due.

For all credit exposures that currently show no signs of impairment, portfolio-based provisions (PBP) are made, again based on historical loss experience. This applies to both individually significant and individually insignificant credit exposures.

The historical default rates are reviewed at least once per year. The results of this analysis are used to determine the applicable provisioning rates and for backtesting the validity of the previous year's provisioning rates.

In the 2015 financial year, these provisions were slightly below the level for the previous year, with the following changes during the reporting period:

Changes in risk provisions

in EUR m	Specific credit risk adjustments				General credit risk adjustments
		of which			
	Total	ISP	LSP	PBP	
Carrying amount as at 1 January 2015	188	77	53	59	–
Additions	214	76	82	55	–
Utilisation	–49	–27	–22	–1	–
Releases	–156	–42	–52	–62	–
Transfers	0	2	–10	8	–
Unwinding effects	–7	–7	0	0	–
Discontinued operations	–13	–4	–4	–6	–
Exchange rate adjustments	0	–5	3	2	–
Carrying amount as at 31 December 2015	**177**	**70**	**50**	**56**	**–**

The following tables present past-due and impaired exposures, as well as provisions, by industry and significant geographic area.

Past-due and impaired exposures, by industry

in EUR m		Past-due but not impaired exposures	Impaired exposures	ISP	LSP	PBP	Charges for specific credit risk adjustments
Non-financial companies	Production (including agriculture)	44	60	21	15	17	12
	Trade	33	63	25	15	18	25
	Transport and storage	11	12	4	4	5	2
	Other non-financial companies	22	46	15	8	10	5
Other		17	15	5	8	6	6
Total 2015		**127**	**197**	**70**	**50**	**56**	**50**
Total 2014		156	220	77	53	59	54

Past-due and impaired exposures, by significant geographic area

in EUR m	Past-due but not impaired exposures	Impaired exposures	ISP	LSP	PBP
South Eastern Europe	82	120	43	30	31
Eastern Europe	22	42	16	8	10
South America	16	16	5	10	10
Central America	8	18	6	2	4
Africa	–	–	–	–	–
Germany	–	–	–	–	1
Total 2015	**127**	**197**	**70**	**50**	**56**
Total 2014	156	220	77	53	59

Risk provisions for loans and advances to customers were accounted for in the income statement as follows.

Provisions recorded on the income statement for client exposures

in EUR m		1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Increase of risk provisioning	ISP	76	82
	LSP	82	101
	PBP	55	68
Releases of risk provisions	ISP	–42	–44
	LSP	–52	–62
	PBP	–62	–74
Direct write-offs		5	2
Recoveries of write-offs		–20	–18
Total		**42**	**55**

6.2 Counterparty risk, including issuer risk

The ProCredit group defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer is unwilling or unable to fulfil its obligations on time or in full. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of mitigating liquidity risk. There are also structural exposures towards national central banks in the form of mandatory minimum reserves.

Counterparty risk is managed according to the principle that our liquidity must be placed securely and, to the greatest extent possible, in a diversified manner. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability; risk considerations predominate. For this reason, we only work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms (up to three months, but typically shorter) and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. The ProCredit banks are prohibited from engaging in speculative trading. As a matter of principle, only highly liquid papers are bought, typically with a maximum maturity of three years (for fixed-interest securities). Liquidity in domestic currencies is predominantly invested in central bank papers or sovereign bonds in the respective country. EUR or USD, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals internationally rated at least AA-. The impact of market price changes on the group is limited. The reasons are that the volume of securities is rather low, their maturities are short and issuers are carefully selected based on conservative risk criteria.

Typically, our counterparties are central banks, central governments and commercial banks. The main types of exposure are account balances, short-maturity term deposits, highly liquid securities, and, on a very limited scale, simple derivative instruments for liquidity management and hedging purposes (particularly foreign currency forwards and swaps).

Because of our cautious investment strategy, counterparty risk and issuer risk are generally low for the ProCredit banks and the group. Due to mandatory minimum reserves, a certain concentration exists at group level with regard to exposures towards central banks. Since 2010 the group has insured more than half of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA).

The group's exposure to counterparty and issuer risk decreased slightly compared to end-2014. This is due to the reduced liquidity of the banks at year-end and to the sale of banks in 2015.

The following tables provide an overview of the ProCredit group's counterparty risk, broken down by significant geographical regions, counterparty types and residual maturities.

According to Article 107 (3) CRR, exposures to third-country credit institutions are to be treated as exposures to an institution only if the third country applies prudential and supervisory requirements to that entity that are at least equivalent to those applied in the European Union. Exposures to third-country credit institutions which do not meet the criteria set out above are reported under the exposure classes "corporates" and "institutions and corporates with short-term credit assessment".

Exposures to counterparties and issuers, by exposure type

in EUR m	Average amount of exposures 2015	Total amount of exposures 31.12.2015	Average amount of exposures 2014	Total amount of exposures 31.12.2014
Exposures to central governments or central banks	736	737	752	723
Exposures to regional governments or local authorities	31	37	32	35
Exposures to public sector entities	25	26	15	28
Exposures to multilateral development banks	18	18	17	10
Exposures to international organisations	–	–	9	9
Exposures to institutions	66	50	108	91
Exposures to corporates	81	97	89	73
Exposures to institutions and corporates with a short-term credit assessment	102	189	183	266
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	64	67	46	53
Total	**1,122**	**1,222**	**1,250**	**1,288**

Exposures to counterparties and issuers, by significant geographic area

in EUR m	EU member states	Third countries			
		South Eastern and Eastern Europe	Central and South America	Africa	Other OECD
Exposures to central governments or central banks	185	417	128	–	7
Exposures to regional governments or local authorities	37	–	–	–	–
Exposures to public sector entities	26	–	–	–	–
Exposures to multilateral development banks	18	–	–	–	–
Exposures to international organisations	–	–	–	–	–
Exposures to institutions	49	–	–	–	1
Exposures to corporates	–	12	85	–	–
Exposures to institutions and corporates with a short-term credit assessment	150	4	3	–	32
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	67	–	–
Total 2015	**465**	**432**	**284**	**–**	**40**
Total 2014	567	422	242	12	45

Exposures to counterparties and issuers, by counterparty type

in EUR m	Central banks, central governments, international organisations and development banks		Banks		Other
	OECD	Non-OECD	OECD	Non-OECD	
Exposures to central governments or central banks	64	673	–	–	–
Exposures to regional governments or local authorities	37	–	–	–	–
Exposures to public sector entities	16	–	10	–	–
Exposures to multilateral development banks	18	–	–	–	–
Exposures to international organisations	–	–	–	–	–
Exposures to institutions	–	–	51	–	–
Exposures to corporates	–	–	0	97	–
Exposures to institutions and corporates with a short-term credit assessment	–	–	179	10	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	–	–	67
Total 2015	**135**	**673**	**240**	**107**	**67**
Total 2014	126	666	337	104	56

Exposures to counterparties and issuers, by residual maturity

in EUR m	< 1 year	1–5 years	> 5 years
Exposures to central governments or central banks	708	29	–
Exposures to regional governments or local authorities	5	32	–
Exposures to public sector entities	21	5	–
Exposures to multilateral development banks	–	18	–
Exposures to international organisations	–	–	–
Exposures to institutions	49	–	1
Exposures to corporates	90	0	7
Exposures to institutions and corporates with a short-term credit assessment	189	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	59	9	–
Total 2015	**1,121**	**92**	**8**
Total 2014	1,220	68	–

For counterparty risk, the same definitions for past due and impaired apply in principle as for customer credit risk. Due to the careful selection of the counterparties, none of exposures listed was past due nor showed any signs of impairment as of 31 December 2015. Accordingly, no credit risk adjustments were made for these exposures during the 2015 financial year.

Counterparty and issuer risk is managed with a limit system. ProCredit banks conclude transactions only with counterparties that have previously been carefully analysed and for which a limit has been approved. The total limit towards a non-OECD bank or banking group may not exceed 10% of the ProCredit bank's capital without prior additional approval from Group ALCO or the Group Risk Management Committee. For an OECD bank, the threshold is 25%. The typical maximum maturity of our term deposits is three months; longer maturities must be approved by Group ALCO or the Group Risk Management Committee. Approval is likewise required before any investments in securities, except for central bank papers in the currency of the respective country with a remaining maturity of up to three months.

In order to avoid risk concentrations on group level, an additional maximum limit towards each banking group and each state group (total exposure towards central bank, government and state-owned entities) exists.

6.3 Default risk arising from derivative positions

In the ProCredit group, derivatives are utilised to a very limited extent. They are only used to hedge foreign currency and interest rate risk, to obtain liquidity or on behalf of clients; they may not be engaged in for the purposes of proprietary or speculative trading. The following derivatives are relevant for the ProCredit group:

- interest rate currency swaps, FX swaps and FX forwards
- interest rate swaps

For derivative exposures, the same risk classification, limit-setting and monitoring processes apply as for counterparty risk.

The following tables disclose the information in accordance with Article 439 CRR. Netting options are not exercised and collateral is not recognised.

Positive replacement value of derivatives

in EUR m	31.12.2015	31.12.2014
Interest rate currency swaps, FX swaps and FX forwards	1	1
Interest rate swaps	–	–
Total	**1**	**1**

Counterparty credit risk exposures from derivatives (original exposure method)

in EUR m	31.12.2015	31.12.2014
Interest rate currency swaps, FX swaps and FX forwards	5	5
Interest rate swaps	1	1
Total	**6**	**6**

The requirement to provide collateral given a downgrade in ProCredit's credit rating is currently not applicable (Article 439 (d) CRR).

In 2015, the ProCredit group held no derivatives on shares, credit or commodities, or other derivatives.

Due to the low volume of derivatives in the ProCredit group, possible correlations between counterparty/issuer risk and market risks are negligible.

6.4 Equities in the banking book

This section only covers equities within the meaning of Article 133 CRR. Accordingly, only those equities that are not included in the regulatory consolidation are shown.

The ProCredit group's equity holdings are not held for the purpose of earning a profit. The equities can be divided into two categories:

- investments in ProCredit Academies and providers of ancillary services
- investments supporting operating processes

The investments in the academies and providers of ancillary services are initially registered at fair value and subsequently recognised at amortised cost.

The investments for supporting processes, which are not part of an actively managed portfolio, are registered as available-for-sale financial assets. At initial recognition, available-for-sale financial assets are recorded at fair value including transaction costs. Subsequently they are generally carried at fair value. The fair values reported are either observable market prices in active markets or values calculated with a valuation technique based on currently observable market data.

The investments are 100% risk-weighted for the determination of the regulatory capital requirements.

Equity exposures in the banking book

in EUR m	Average amount of exposures 2015	Total amount of exposures 31.12.2015	Average amount of exposures 2014	Total amount of exposures 31.12.2014
Shares in academies and providers of ancillary services	2	2	2	2
Other shares	3	2	2	2
Total	**5**	**4**	**4**	**4**

Due to the nature of the investments (academies) and the non-materiality of other investments, neither "cumulative realised gains or losses arising from sales and liquidations in the period" nor "the total unrealised gains or losses, the total latent revaluation gains or losses and any of these amounts included in CET1 capital" according to section 447 (d) and (e) CRR are disclosed.

6.5 Use of external ratings and credit risk mitigation techniques in the credit risk standardised approach

The ProCredit group exclusively uses the standardised approach to determine its exposure to credit risk. The group has nominated the rating agency Fitch Ratings for the exposure classes "central governments or central banks", "institutions", "institutions and corporates with a short-term credit assessment" and "shares in collective investment undertakings (CIUs)". Since our customers are usually not rated, the ProCredit group does not use ratings for the exposure class "corporates".

For exposures where an external credit assessment is available, risk weighting is determined on the basis of that external rating. For unrated exposures, risk weighting is determined on the basis of a derived credit assessment, provided the conditions set forth in Article 139 and 140 CRR are met. In all other cases, the exposure is treated as unrated.

CRSA exposure values before credit risk mitigation, by risk-weighting category

in EUR m	Risk-weighting, in %									Total
	0	20	35	50	75	100	150	250	1,250	
Exposure class										
Exposures to central governments or central banks	196	–	–	4	–	505	37	3	–	744
Exposures to regional governments or local authorities	37	–	–	–	–	1	–	–	–	37
Exposures to public sector entities	26	–	–	–	–	–	–	–	–	26
Exposures to multilateral development banks	18	–	–	–	–	–	–	–	–	18
Exposures to international organisations	–	–	–	–	–	–	–	–	–	–
Exposures to institutions	–	50	–	4	–	–	–	–	–	55
Exposures to corporates	–	–	–	–	–	911	69	–	–	980
Exposures to institutions and corporates with a short-term credit assessment	–	135	–	42	–	6	7	–	–	189
Retail exposures	–	–	–	–	3,304	–	–	–	–	3,304
Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	60	166	–	–	226
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–
Exposures in the form of covered bonds	–	–	–	–	–	–	–	–	–	–
Items representing securitisation positions	–	–	–	–	–	–	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	–	–	–	67	–	–	–	67
Equity exposures	–	–	–	–	–	4	–	–	–	4
Other items	230	–	–	–	–	268	–	–	–	498
Total 2015	**507**	**185**	**–**	**50**	**3,304**	**1,822**	**279**	**3**	**–**	**6,149**
Total 2014	**493**	**322**	**–**	**29**	**3,467**	**1,541**	**245**	**3**	**–**	**6,100**

When determining the capital requirement for credit risk according to the standardised approach, only guarantees from MIGA for our mandatory minimum reserves held with central banks are recognised.

Exposures towards central governments or central banks in non-EU countries, in countries whose supervisory system is not materially equivalent to that of EU countries, or in countries with a rating below the lower-medium grade (i.e. below BBB- in the case of Fitch Ratings) are given a risk-weighting of at least 100% regardless of the underlying currency, as stipulated in CRR.

The mandatory minimum reserves are inevitable exposures driven by our business strategy, which is based on financing loans in transformation economies mainly through local customer deposits. We chose to insure this exposure against the risk of default and expropriation. As of 31 December 2015, EUR 204 million of the EUR 365 million in total mandatory reserves were covered by guarantees.

We do not include immovable property collateral or guarantees in the risk-weighted asset calculation.

CRSA exposure values after credit risk mitigation, by risk-weighting category

in EUR m	Risk-weighting, in %									Total
	0	20	35	50	75	100	150	250	1,250	
Exposure class										
Exposures to central governments or central banks	196	–	–	3	–	305	33	3	–	540
Exposures to regional governments or local authorities	37	–	–	–	–	1	–	–	–	37
Exposures to public sector entities	26	–	–	–	–	–	–	–	–	26
Exposures to multilateral development banks	222	–	–	–	–	–	–	–	–	222
Exposures to international organisations	–	–	–	–	–	–	–	–	–	–
Exposures to institutions	–	50	–	4	–	–	–	–	–	55
Exposures to corporates	–	–	–	–	–	911	69	–	–	980
Exposures to institutions and corporates with a short-term credit assessment	–	135	–	42	–	6	7	–	–	189
Retail exposures	–	–	–	–	3,304	–	–	–	–	3,304
Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	60	166	–	–	226
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–
Exposures in the form of covered bonds	–	–	–	–	–	–	–	–	–	–
Items representing securitisation positions	–	–	–	–	–	–	–	–	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	–	–	–	67	–	–	–	67
Equity exposures	–	–	–	–	–	4	–	–	–	4
Other items	230	–	–	–	–	268	–	–	–	498
Total 2015	**711**	**185**	**–**	**50**	**3,304**	**1,622**	**274**	**3**	**–**	**6,149**
Total 2014	712	322	–	28	3,467	1,327	241	3	–	6,100

6.6 Securitisations

The securitisation schemes in the ProCredit group were set up for the sole purpose of financing the loan portfolio growth of the banks in Ecuador and Serbia. They were not undertaken with the intention of freeing up regulatory capital on group level by transferring credit risks nor were they undertaken with tax considerations in mind.

The ProCredit group only takes part in securitisation schemes as originator, and neither plans to invest in securitised assets of third parties, nor to engage in securitisation schemes in any other role but originator. Furthermore, the ProCredit group is not involved in re-securitisations.

In the context of a structured finance transaction ("titularización"), in April 2013 Banco ProCredit S.A. in Ecuador (Banco ProCredit Ecuador) transferred an SME loan portfolio disbursed by the institution to the SPV Fideicomiso Primera Titularización de Cartera Comercial Pymes ProCredit (Ecuador transaction). The SPV subsequently issued overcollateralised securities. As of 31 December 2015, securities in the amount of USD 34 million were outstanding to third parties.

The "titularización" structure in Ecuador is governed by local capital market regulations and contains elements of a securitisation pursuant to German supervisory legislation. Titularización does not feature an explicit waterfall structure with distinct tranches for securitisations; however, a hierarchy is established due to the contractual stipulations concerning liquidity in connection with loan repayments. This ensures that claims of investors in securities are settled first. Any payment defaults in the transferred loan portfolio will be settled first through the claims held by Banco ProCredit Ecuador on the portion of the loan portfolio that serves as collateral. Only then is there equally ranking loss-sharing on the part of investors in securities. In this context, the exposure of Banco ProCredit Ecuador to the SPV resulting from overcollateralisation is comparable with a "first loss piece" of a securitisation transaction.

The ProCredit Serbia transaction (PC Finance II B.V.) was established in 2008 specifically in order to mobilise funding and issue selected customer loans which were serviced via the ProCredit Bank in Serbia. The ProCredit Serbia transaction is in the process of dissolution. The majority of the respective loan portfolio was transferred to the ProCredit banks in Serbia and Germany during the 2014 financial year. The securitisation structure currently contains mostly impaired exposures. ProCredit Holding provides funding for the SPV by means of subordinated debt (EUR 6 million as of end-December 2015).

Securitised loan portfolio exposures

in EUR m	Ecuador transaction	Serbia transaction	Total 2015	Total 2014
Exposures to corporates	0	1	1	1
Retail exposures	33	1	33	58
Exposures in default	0	3	3	6
Total	**33**	**4**	**37**	**65**

According to the principle of control established in IFRS 10, Fideicomiso Primera Titularización de Cartera Comercial Pymes ProCredit and PC Finance II B.V. are fully consolidated for group accounting purposes under IFRS and, following approval from German supervisory authorities, also for regulatory purposes as laid down in KWG/CRR.

The ProCredit group treats the securitised loan portfolio and the associated credit risks as an integral part of the customer loan portfolio. The securitised customer loans are reported in the exposure classes "retail exposures", "exposures to corporates" and "exposures in default" and are risk-weighted accordingly.

Past-due and impaired exposures in the securitised loan portfolio

in EUR m	Past-due but not impaired exposures	Impaired exposures	ISP	LSP	PBP
Ecuador transaction	–	0	0	0	0
Serbia transaction	–	4	2	0	0
Total 2015	**–**	**4**	**2**	**0**	**0**
Total 2014	1	6	3	0	1

Securitised loan portfolio: risk-weighted assets and capital requirements

in EUR m	Ecuador transaction	Serbia transaction	Total 2015	Total 2014
Risk-weighted assets	19	5	24	42
Capital requirements	2	0	2	3

6.7 Country risk

The ProCredit group defines country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to country-specific peculiarities. Country risk arises from cross-border transactions and comprises various aspects. Many of the elements that make up country risk are already included in other risk management areas, notably credit risk, foreign currency risk, interest rate risk and operational risk. The ProCredit group's country risk management therefore focuses on those aspects which are not otherwise covered. This includes the risk of convertibility, transferability and expropriation as well as regulatory risks, the risk of macroeconomic shocks and security risks.

Country risk is a material risk only for ProCredit Holding and ProCredit Bank Germany because only these institutions conduct cross-border transactions with other group banks. Other ProCredit banks are only permitted to enter into cross-border transactions in exceptional cases and with prior approval from the Group Risk Management Committee.

Country risk is limited by setting risk limits derived from internal country ratings. These ratings combine various aspects of country risk and are based on country risk ratings published by acknowledged rating agencies as well as internal information. Furthermore, all ProCredit banks monitor country-specific developments and report on them, both regularly and ad hoc, to ProCredit Holding.

7 Market risks

We define market risks as the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for the ProCredit group are foreign currency risk and interest rate risk. ProCredit aims to close the positions associated with such risks to the greatest extent possible, thereby managing market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with the group risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes; foreign currency derivatives and interest rate derivatives may only be used for hedging purposes or to obtain liquidity. All ProCredit banks are strictly non-trading book institutions.

7.1 Foreign currency risk

We define foreign currency risk as the risk that an institution incurs losses or is negatively affected by exchange rate fluctuations. At the level of individual banks, foreign currency risk can have adverse effects on income (P&L effect) and can lead to a decline in regulatory capital ratios. At group level, foreign currency risk primarily arises from the equity investments made by ProCredit Holding.

Income is impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the FX rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). The total OCP is limited to 10% of the bank's capital, unless deviation from this limit has been approved by the Group ALCO or Group Risk Management Committee. A threshold of 7.5% of a ProCredit bank's capital has been defined as an early warning indicator for the total OCP, and ±5% for each individual currency OCP.

Foreign currency risk can reduce regulatory capital ratios in cases where the capital of a bank is held in a different currency than many of the assets it supports. In that case, domestic currency depreciation can result in a significant deterioration of the regulatory capital ratios when the foreign currency assets appreciate (from each bank's perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims at increasing the share of domestic currency assets in the banks' balance sheets. At least once a year, extensive currency risk stress tests are performed that depict the effects of unfavourable exchange rate developments on the banks' regulatory capital ratios.

Foreign currency risk at group level arises primarily as a result of the equity holdings that ProCredit Holding maintains in its foreign subordinated companies. Most banks keep their equity in the respective domestic currency or in USD. Thus, from a consolidated group perspective, OCPs in the respective domestic currencies and USD exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and RTP are thus exposed to fluctuations due to changes in the exchange rates of domestic currencies and the USD against the EUR. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in EUR terms.

7.2 Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses driven by changes in market interest rates and arises from structural differences between the repricing maturities of assets and liabilities.

In order to manage interest rate risk, the ProCredit banks are increasingly issuing variable-rate loans to clients and offering products with shorter maturities. In this way, the repricing maturities of assets can be better matched to the repricing maturity of liabilities, even when liabilities have shorter maturities than loans. Financial instruments to mitigate interest rate risk (hedges) are not available in most domestic currencies.

The group-wide approach used to measure, monitor and limit interest rate risk is based on repricing gap analyses. The assets and liabilities are distributed across time buckets according to the terms of the underlying contracts, with sight deposits and savings accounts classified according to the expected repricing maturities. These maturities are derived from a group-wide analysis of historical developments.

The economic value impact is a key indicator for managing interest rate risk, and measures the potential economic value change on all assets and liabilities determined by a sudden unfavourable change in interest rates. For EUR or USD we assume a parallel shift of the interest rate curve by ± 200 basis points in line with the BaFin Circular on interest rate risk management dated November 2011. For domestic currencies the magnitude of the shocks is derived using a VaR-type methodology taking into consideration interest rate volatilities over the past seven years. The potential economic value impact when simulating a simultaneous detrimental (upward or downward) interest rate shock across all currencies must not exceed 15 % of a bank's capital, unless approved by the Group Risk Management Committee; the early warning indicator for each currency is set at 10 % (non-netted in each case).

A second key indicator measures the potential impact of interest rate shocks on the expected earnings of the individual banks (P&L effect) over a period of 12 months. This risk measure indicates how the income statement may be influenced by interest rate risk under a short-term perspective and is deemed significant if it exceeds 5 % of the bank's capital (early warning indicator). The P&L effect must not exceed 10 % of the capital (non-netted in each case). In addition, the P&L effect is monitored over three months.

Interest rate risk in the banking book

Currency in EUR m	31.12.2015 12-month P&L effect	31.12.2015 Interest rate shock: basis points	31.12.2014 12-month P&L effect	31.12.2014 Interest rate shock: basis points
EUR	6	–200	5	–200
USD	3	–200	4	–200
RSD	4	–445	1	–580
BOB	2	–144	2	–100
MDL	2	–942	0	–145
UAH	2	–363	0	0
GEL	2	–512	2	–440
RON	1	–321	3	–160
COP	0	–5	0	–160
AMD	0	0	0	160
Other*	1	–70	0	–54
Total	**23**		**17**	

* The interest rate shock for other currencies is the weighted average shock for the domestic currencies used in the group which are not listed individually. It is the interest rate shock that would have the severest adverse impact on the group and is based on the historical development over the past seven years.

The economic capital required to cover interest rate risk in the group (P&L effect) remained limited in 2015, but grew moderately in comparison to 2014. This is primarily due to a change in the way that the substantial minimum reserve in Serbian dinars is recognised. Following the Serbian National Bank's first change in interest rates since 2006, this minimum reserve is now assessed to be sensitive to interest rates.

8 Liquidity risks

8.1 Liquidity and funding risk

Liquidity and funding risk addresses the ProCredit group's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity and funding risk is limited in individual banks and at group level especially by the fact that we primarily issue instalment loans which feature monthly repayments and are financed largely by deposits. The financial crisis has shown that our customer deposits are a stable and reliable source of funding. As of end-December 2015 the largest funding source was customer deposits with EUR 3,793 million (2014: EUR 3,993 million). International financial institutions are the second-largest source of funding, accounting for EUR 509 million (2014: EUR 544 million).

We measure our liquidity risk (risk of insolvency) using a liquidity gap analysis, among other instruments, limiting this risk based on the liquidity indicator defined by the German Liquidity Regulation and in accordance with the minimum liquidity ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The liquidity indicator measures whether institutions have sufficient liquidity for the expected inflows and outflows of funds in the next 30 days. For deposits without contractual maturities we assume an outflow rate of 15 %, which is significantly more conservative than the figure applied in the German Liquidity Regulation.

In addition, early warning indicators are defined and monitored. A key indicator is the highly liquid assets (HLA) indicator, which ensures that the banks hold sufficient highly liquid assets at all times to be able to pay out at least 15 % of all customer deposits.

As of end-December 2015 the group liquidity indicator stood at 1.8 and the HLA ratio at 31 %, both indicating a comfortable liquidity situation for the group. As of year-end all group companies (except the bank in Nicaragua) complied with the required minimum liquidity indicator of 1. In Nicaragua the indicator stood at 0.96. Therefore, the institutions had enough liquidity available at all times to meet all financial obligations in a timely manner.

To assess our short-term liquidity risk, we also monitor the LCR, both at the level of each ProCredit Bank and at group level. This ratio indicates whether the banks and the group have sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario. As of 31 December 2015, the LCR was 174 % at group level, and thus comfortably above the regulatory requirement of 60 %.

Specific, market-related and combined stress tests are conducted monthly and ad hoc to make sure that every ProCredit bank keeps sufficient liquid funds to meet its obligations, even in difficult times. Moreover, each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, the ProCredit group also has a liquidity contingency plan and ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose.

The liquidity of the banks and of ProCredit Holding is managed on a daily basis by their respective treasury departments, based on cash flow projections which are approved by the respective ALCO and which take account of planned business developments and liquidity indicators, and is monitored by risk management and ALCO.

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at significantly higher costs. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through retail customer deposits, supplemented by long-term credit lines from international financial institutions. We make little use of interbank and financial markets.

The ProCredit group manages, measures and limits funding risk through business planning, maturity gap analysis and relevant indicators. The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed on group level. Group ALCO monitors the progress of all significant individual transactions with external funding providers, especially international financial institutions. ProCredit Holding and ProCredit Bank Germany also offer bridge financing in case a funding project is delayed. An important indicator to measure funding risk is deposit concentration. This is defined as the share of the ten largest depositors relative to the bank's total deposit base, which should not exceed 15 %. Additionally, the level of funding from the interbank market is restricted to a low level.

8.2 Encumbered and unencumbered assets

Assets are deemed to be encumbered when they have been pledged or are committed to collateral agreements or agreements to improve the credit assessment of on- or off-balance sheet transactions and it is not possible to withdraw these assets from the terms of such agreements (e.g. pledges for funding purposes).

The ProCredit group has a limited amount of encumbered assets, as the group largely funds its activities through deposits. The encumbered assets comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. As of 31 December 2015, the encumbered assets of the ProCredit group amounted to EUR 114 million, which is equivalent to 1.9 % of total assets.

Assets

31.12.2015	Encumbered assets		Unencumbered assets	
in EUR m	Carrying amount	Fair value	Carrying amount	Fair value
Assets	99		5,907	
Equity instruments	–	–	69	69
Debt securities	1	1	301	301
Other assets	22		897	

31.12.2014	Encumbered assets		Unencumbered assets	
in EUR m	Carrying amount	Fair value	Carrying amount	Fair value
Assets	114		5,854	
Equity instruments	–	–	55	55
Debt securities	2	2	258	258
Other assets	0		536	

The collateral received are shown in the following table:

Collateral received

	31.12.2015		31.12.2014	
in EUR m	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	**–**	**19**	**–**	**17**
Equity instruments	–	–	–	–
Debt securities	–	19	–	17
Other assets	–	–	–	–
Own debt securities issued other than own covered bonds or ABSs	–	–	–	–

The liabilities associated with or secured by encumbered assets are presented in the following table.

Encumbered assets/collateral received and associated liabilities

in EUR m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities, 31 December 2015	**70**	**75**
Carrying amount of selected financial liabilities, 31 December 2014	87	109

9 Operational risk

Following CRR, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This definition includes legal risk. Furthermore, the ProCredit group considers reputational risk as part of operational risk. Dedicated policies on operational risk management, fraud prevention, information security and outsourcing have been implemented across all group entities. This ensures effective management of operational risk and fraud risk throughout the group.

The Group Committee on Financial Crime Prevention, which as a rule meets every six months, was established as a supplement to the Group Risk Management Committee in order to ensure that fraud risk is limited effectively at group level. The duty of this committee is to analyse money laundering and fraud threats in the ProCredit group and to decide on measures to limit the associated risks or present the respective proposals to the Group Risk Management Committee.

The aim of our operational risk management activities is to detect risks at an early stage, to present them transparently and to avoid recurrence. The operational risk and fraud risk management process consists of the identification, evaluation/quantification, treatment, monitoring, communication and documentation, and follow-up of such risks. The main tools utilised within the group to manage operational and fraud risks are the Risk Event Database (RED), the annual risk assessments, established Key Risk Indicators (KRI) and the analysis of all new products (New Risk Approval (NRA) process).

The RED was developed to ensure that all operational risk events identified in the group are documented, analysed and communicated effectively. It guides all ProCredit institutions through the risk management process, ensuring that adequate attention is paid to the implementation of necessary corrective or preventive measures for reducing or avoiding operational and fraud risk. All risk events which involve losses above EUR 100 or which are of particular significance even if no financial loss was realised are recorded in the RED.

The table below provides an overview of the gross and net losses due to operational risk events in the ProCredit group (data as of 9 February 2016).

Gross and net losses due to operational risk events

in EUR m	2015	2014	2013
Gross loss	2.9	3.2	4.0
Current net loss	1.6	1.9	1.9
Number of loss events	890	1,095	1,355

In contrast to the ex-post analysis of risk events as recorded in the RED, annual risk assessments are systematically performed in order to identify and evaluate key risks and verify the adequacy of the control environment. These two tools complement each other and provide an overall picture of the operational risk profile of each institution as well as of the group.

Risk indicators (e.g. compliance with rotation rules for branch managers or the number of internal audit findings) are used to identify elevated fraud risk in specific areas of banking operations or specific branch locations that could be used by potential fraudsters. These indicators are analysed regularly and where needed preventive measures are agreed on.

To complete the management of operational risk, all new products need to be analysed to identify and manage potential risks before their implementation (NRA process).

10 Remuneration

10.1 Principles of remuneration

The overall aims of the group's staff management approach are to establish long-term relationships between our staff and the ProCredit institutions and to promote responsible behaviour among staff. ProCredit Holding sets the framework for the banks' HR management, including the remuneration structure, and organises a regular exchange of experience on these topics. Each ProCredit institution is responsible for the implementation of the standards.

The ProCredit group's remuneration system is in line with our sustainable business and risk strategy and does not encourage excessive risk-taking by individual employees. The remuneration structure of the ProCredit group has the following objectives:

- to encourage staff to perform their duties in line with the conservative risk profile of the ProCredit group
- to attract and retain staff and managers who have the requisite social and technical skills
- to support the development and maintenance of long-term working relationships
- to encourage staff to assume responsibility, to effectively manage the operations of the bank and to work together as a team
- to ensure that the remuneration is perceived to be transparent and fair

ProCredit institutions offer remuneration that, for the majority of the staff, reflects market averages. For the management staff, on the other hand, the monetary compensation paid by ProCredit is often below the level offered by competitors.

In addition to a fair salary, we offer every ProCredit staff member excellent training and rewarding professional opportunities. Given that the education systems in the countries in which we operate are not yet completely developed, the potential to participate in our professional development programmes represent a significant benefit for our staff. Participation in basic and advanced training measures are thus perceived by our staff to be an important part of the overall compensation package. Each individual institution in the ProCredit group invests significant amounts in training, and the expenditures for training measures are a substantial part of the group's overall personnel expenses. Other important factors which build long-term relationships between our staff and ProCredit institutions are the interesting jobs we offer, flat hierarchies, transparent promotion opportunities since our management staff predominantly come from within the group, independent responsibilities for duties as well as a stimulating and professional working environment.

10.2 Structure of remuneration

When defining the remuneration for their staff and managers, the ProCredit institutions apply the group's standardised salary structure which has 22 salary levels. The banks define the exact salary amounts for each step according to local market conditions, assigning their staff to one of the salary steps. This is carried out on the basis of the individual's position, the responsibilities they hold and their performance.

The ProCredit salary scheme applies to all ProCredit banks. The purpose of this salary structure is to ensure that positions with comparable responsibility within the group are also compensated according to the same principles. This salary scheme defines which professional development programmes an employee must have successfully completed in order to be appointed to the various positions. The salary structure applicable throughout the group is reviewed and approved yearly by the Management of ProCredit Holding and presented to the Supervisory Board of ProCredit Holding. The salary scheme specific to an individual bank is likewise subject to annual review; the Management Board of the bank examines the salary scheme and it is approved by the Supervisory Board. A review of the allocation of staff within the ProCredit institutions to one of the 22 salary steps is also carried out annually on the basis of extensive staff evaluations and feedback discussions carried out by the Human Resources Committee.

The remuneration of employees in the ProCredit group mainly consists of a fixed salary. Other possible remuneration elements include:

- employer contributions towards the purchase of shares in ProCredit Holding through ProCredit Staff Invest (ProCredit Staff Invest is an investment vehicle which pools investments from staff and managers of ProCredit institutions)
- employer contributions to private health insurance; for ProCredit Bank Germany and ProCredit Holding, contributions to a private pension scheme
- non-monetary rewards

One of the central principles of remuneration within the ProCredit group is that variable remuneration elements be tightly limited; in no cases are they to be contractually granted. As a general rule, salaries are not dependent on performance. Variable remuneration elements can be granted when a member of staff has performed exceptionally well during the course of a financial year. Such performance can be evident in a number of ways: i.a. high motivation of staff, above-average successes in new staff training, above-average results in terms of new client acquisition, the preparation of strongly convincing (form and content) reports and memoranda, especially responsible participation in committees, etc.

As a general rule, variable remuneration components consist of contributions to the purchase of shares in ProCredit Staff Invest, an employee investment company; in such cases, the respective ProCredit institution subsidises the purchase of ProCredit Staff Invest shares in an amount up to three months' salary for the employee or manager. These shares have a minimum holding period of five years. Decisions on such variable remuneration elements are taken by the Management Board/Human Resources Committee or by the Supervisory Board of the respective ProCredit institution, in co-ordination with ProCredit Holding. As a general rule, the extraordinary, non-contractual portion of remuneration does not exceed 25% of the fixed salary amount.

In individual cases, an institution may grant non-monetary remuneration components for outstanding performance or exceptional commitment. For example, such remuneration may take the form of opportunities to visit banks in other countries, to participate in a group-wide event or to participate in extra training. Decisions concerning such non-monetary remuneration are likewise to be taken by the respective human resources committee.

Our highly restrictive approach to variable remuneration is based on our belief that incentives based on variable remuneration components may negatively impact the performance of responsible and sustainable banking-specific activities in both front and back office.

ProCredit institutions also support their staff members by contributing towards the costs of private health insurance in the event that the state-sponsored health insurance system does not provide sufficient or appropriate coverage. Two years after becoming employees of ProCredit Bank Germany or ProCredit Holding, staff are eligible for employer contributions to a private pension scheme. The framework of the remuneration systems in the ProCredit group presented above also apply to staff whose professional activities have a material impact on the risk profile of the group (pursuant to Delegated Regulation (EU) No. 604/2014). As variable remuneration elements are of limited significance in the remuneration structure described above, our remuneration system provides no incentives to assume particular risks.

10.3 Communication and approval of remuneration schemes

The remuneration structure and particularly the salary scheme in each institution is communicated to staff in a transparent manner. The Management of the ProCredit banks report annually to the supervisory boards of the banks on the remuneration structure. The salary scheme in each bank and any variable remuneration elements are approved by the Management or the Supervisory Board of the bank, following discussions with the respective function at ProCredit Holding; however, the Management is permitted to delegate this responsibility to a Human Resources Committee. The Human Resources Committee is the bank body responsible for taking decisions regarding the professional development of staff members and reviewing the bank's remuneration practices. The Committee meets on a regular basis, at least four times per year.

Remuneration for the Management of the banks is approved by the Management of ProCredit Holding and the respective banks' supervisory boards.

ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG. As the remuneration structure which has been selected is simple and largely avoids variable remuneration elements, the Supervisory Board of ProCredit General Partner AG decided to retain responsibility for determining the amount and composition of Management remuneration, instead of delegating this decision-making authority to a remuneration committee. The six-member Supervisory Board of ProCredit General Partner AG convened five times during the financial year.

10.4 Remuneration 2015

The remuneration (including contributions to social security and pension insurance) of all staff in the ProCredit group whose professional activities have a material impact on the risk profile are given below. In particular, this includes management board members in ProCredit institutions and staff with management responsibilities, e.g. in a material business or risk/back-office unit (pursuant to Delegated Regulation (EU) No. 604/2014). Remuneration is presented separately for staff whose professional activities have an impact on the risk profile, i.e. "risk takers" (broken down according to banks and ProCredit Holding), and for management board members (likewise broken down according to banks and ProCredit Holding).

The "Management/Management Board" item for ProCredit Holding comprises the remuneration of the five members of the Management and the two members of extended management; for the ProCredit banks, this item comprises the remuneration of the extended management boards. As a general rule, the heads of the following units are classified as staff whose professional activities have an impact on the risk profile: risk management, finance, legal, internal audit, compliance, IT, as well as branch managers. Overall, less than 10% of all staff are classified as risk takers.

As with all employees in the ProCredit group, variable remuneration components for members of the management boards are only used to a limited degree and are not contractually set. At group level, the variable remuneration of all risk takers represented 8% of the total amount of fixed salaries for risk takers during the 2015 financial year. 75% of this variable remuneration component comprised employer contributions to the purchase of ProCredit Staff Invest shares, which must be held for at least five years.

Since 2015, each member of the Supervisory Board has been provided compensation of EUR 10,000.

The non-relevant remuneration positions in 2015 are: outstanding deferred remuneration (both vested and unvested); deferred remuneration awarded during the financial year, paid out or reduced through performance adjustments; and sign-on payments. These items have thus been excluded from the table below.

Remuneration

31.12.2015	Fixed remuneration	Variable remuneration				No. of beneficiaries	Severance payments		
in EUR '000		Cash	Shares	Share-linked instruments	Other types		Amount	No. of beneficiaries	Highest payment to a single person
Management/Management Board									
ProCredit Holding	937	194	180	–	–	7	–	–	–
ProCredit banks	2,828	–	404	–	–	63	210	7	145
Staff whose professional activities have an impact on the risk profile									
ProCredit Holding	1,047	15	–	–	–	16	–	–	–
ProCredit banks	8,960	60	202	–	53	394	242	45	35

Annex

Main features of capital instruments

No.	Features	Common Equity Tier 1	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	DE000A12UDJ3 Private placement	DE000A12T267 Private placement
3	Governing law(s) of the instrument	Germany	Germany	Germany
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Shares	Subordinated floating rate notes	Subordinated floating rate notes
8	Amount recognised in regulatory capital (as of 31 December 2014)	EUR 254.1 million	EUR 10.0 million	EUR 20.0 million
9	Nominal amount of instrument (issuing currency)	EUR 254.1 million	EUR 10.0 million	EUR 20.0 million
	Nominal amount of instrument (reporting currency)	EUR 254.1 million	EUR 10.0 million	EUR 20.0 million
9a	Issue price	Various	100	100
9b	Redemption price	N/A	100	100
10	Accounting classification	Shareholders' equity	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	Various	30.09.2014	26.06.2014
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	30.09.2024	26.06.2024
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A	30 September 2019; Tax/regulatory event call within 30–60 days; Redemption price: at nominal amount	26 June 2019; Tax/regulatory event call within 30–60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	From 30 September 2019 at any interest payment date	From 26 June 2019 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	6-month Euribor + 4.50 %	6-month Euribor + 4.50 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	N/A	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2		
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Note: All issued shares are ordinary shares. The nominal value of each share is EUR 5.0.
Complete information concerning the conditions of capital instruments pursuant to Article 437 (1) (c) CRR is available on the ProCredit Holding website.

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	Germany	Germany	Germany
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Floating rate subordinated note	Floating rate subordinated note	Floating rate subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2014)	EUR 3.7 million	EUR 10.1 million	EUR 2.1 million
9	Nominal amount of instrument (issuing currency)	USD 4.0 million	USD 11.0 million	USD 2.25 million
	Nominal amount of instrument (reporting currency)	EUR 3.7 million	EUR 10.1 million	EUR 2.1 million
9a	Issue price	100	100	100
9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	28.08.2014	28.08.2014	30.06.2015
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	28.08.2024	28.08.2024	30.06.2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	28 August 2019; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	28 August 2019; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	30 June 2020 within 30 days; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 28 August 2019 at any interest payment date	From 28 August 2019 at any interest payment date	30 June 2020 within 30 days at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50 %	6-month Libor + 4.50 %	6-month Libor + 4.50 %
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	Germany	Germany	Germany
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Floating rate subordinated note	Floating rate subordinated note	Floating rate subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2014)	EUR 7.3 million	EUR 0.9 million	EUR 5.3 million
9	Nominal amount of instrument (issuing currency)	USD 8.0 million	USD 1.0 million	USD 5.75 million
	Nominal amount of instrument (reporting currency)	EUR 7.3 million	EUR 0.9 million	EUR 5.3 million
9a	Issue price	100	100	100
9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30.06.2015	30.06.2015	30.06.2015
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.06.2025	30.06.2025	30.06.2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	30 June 2020 within 30 days; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	30 June 2020 within 30 days; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	30 June 2020 within 30 days; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	30 June 2020 within 30 days at any interest payment date	30 June 2020 within 30 days at any interest payment date	30 June 2020 within 30 days at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	DE000A11QHV9 Private placement	Bilateral contract	Bilateral contract
3	Governing law(s) of the instrument	Germany	Germany	United States of America
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Ineligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note	Subordinated loan	Subordinated loan
8	Amount recognised in regulatory capital (as of 31 December 2014)	EUR 12.5 million	EUR 7.5 million	EUR 15.9 million
9	Nominal amount of instrument (issuing currency)	EUR 12.5 million	EUR 7.5 million	USD 25.0 million
	Nominal amount of instrument (reporting currency)	EUR 12.5 million	EUR 7.5 million	EUR 23.0 million
9a	Issue price	93	93	100
9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30.04.2014	11.04.2014	24.12.2009
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.04.2024	11.04.2024	15.06.2019
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	N/A; Tax/regulatory event call within 30-60 days; Redemption price: at nominal amount	15 June 2017; N/A; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	Callable anytime after first call date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	6.50%	6.50%	5.90%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	Yes
37	If yes, specify non-compliant features	N/A	N/A	Art. 63 (l) CRR

No.	Features	Tier 2	Tier 2
1	Issuer	JSC ProCredit Bank, Georgia	Banco ProCredit S.A., El Salvador
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Bilateral contract	Bilateral contract
3	Governing law(s) of the instrument	United States of America	United States of America
	Regulatory treatment		
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated loan
8	Amount recognised in regulatory capital (as of 31 December 2014)	EUR 7.6 million	EUR 0.8 million
9	Nominal amount of instrument (issuing currency)	USD 15.0 million	USD 5.0 million
	Nominal amount of instrument (reporting currency)	EUR 13.7 million	EUR 3.9 million
9a	Issue price	100	100
9b	Redemption price	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	16.12.2009	22.07.2010
12	Perpetual or dated	Dated	Dated
13	Original maturity date	16.12.2019	15.07.2018
14	Issuer call subject to prior supervisory approval	Yes	No
15	Optional call date; contingent call dates; and redemption amount	16 December 2017; N/A; Redemption price: at nominal amount	N/A
16	Subsequent call dates, if applicable	Callable anytime after first call date	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Libor +3.00%	6-month Libor +5.25%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)		
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	Art. 63 (l), (m) CRR	Art. 63 (l), (m) CRR

ProCredit
HOLDING

ProCredit Holding AG & Co. KGaA
Rohmerplatz 33-37
60486 Frankfurt am Main, Germany
Tel. +49-(0)69 - 95 14 37-0
Fax +49-(0)69 - 95 14 37-168
www.procredit-holding.com