DISCLOSURE REPORT 2017

ProCredit Holding AG & Co. KGaA

Contents

1 Introduction

The ProCredit financial holding group (ProCredit group or the group) focuses on small and medium-sized enterprises (SMEs) in transition economies. The business model focuses on the core activities comprising classical banking. We operate in South Eastern Europe, Eastern Europe, South America and Germany. ProCredit Holding AG & Co. KGaA (ProCredit Holding) is the superordinated company of the group.

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, and in doing so achieving an appropriate return on investment for our shareholders. In this respect, we see good potential in the countries where we operate. ProCredit's business strategy is based on the formation of long-term relationships with our clients and staff and on careful risk management.

In the countries where we operate, it is the goal of the ProCredit banks to play a leading role as the "Hausbank" for SMEs. We offer the full range of banking services in terms of financing, account operations, payments and deposit business. Through our long-term support for sound SMEs, we make a contribution to creating jobs, enhancing capacity for innovation, and encouraging investments in ecological and social projects. We focus on innovative companies showing dynamic growth and stable, formalised structures. Furthermore, we place an emphasis on promoting local production, especially in agriculture.

In addition to serving SMEs, the ProCredit group also pursues a direct banking strategy for private clients. Our target group is primarily the growing middle class. The most prominent component of our support for private clients comprises account management and savings services. We also provide financing to enable such clients to purchase real estate and make other selected investments. We do not actively pursue consumer lending.

All ProCredit clients enjoy a range of innovative service channels centering around user-friendly online banking. In addition, our outlets are equipped with 24-hour self-service areas where the entire package of payment transactions can be completed. By means of these two channels, nearly all transactions have been fully automated. Our clients have access to personalised advice in our branches and through our call centres.

The ProCredit group is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, or BaFin) and the Deutsche Bundesbank. ProCredit Holding 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). The ProCredit Holding shares are traded on the Prime Standard segment of the Frankfurt Stock Exchange.

With this disclosure report, ProCredit Holding complies with the disclosure requirements for the ProCredit group as of 31 December 2017, particularly as set forth in Part Eight, Articles 431-455 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). The disclosed information is subject to the materiality principle set forth in Article 432 CRR. Legally protected or confidential information is generally excepted from disclosure. 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 the ProCredit group, as it is not classified as being of global systemic importance.

The disclosure report of the ProCredit group is compiled on the basis of completeness and on the basis of 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 review also applies to the frequency of disclosure in accordance with Article 433 CRR.

Disclosures in this report are carried out at group level. 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 2017 Annual Report. As a supplement to this disclosure report, information on the ProCredit group is available in ProCredit Holding's 2017 Annual Report, which is published on the website.

The disclosure report has been 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 has been approved by the respective bank's Management Board. Information on country-specific disclosure pursuant to Section 26a KWG is available in ProCredit Holding's Annual Report for 2017.

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. In contrast to the scope of consolidation for regulatory purposes, the companies consolidated under IFRS comprise all the companies over which the parent company can exercise a controlling influence.

The 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 2017. There are no entities which are proportionally consolidated.

Scope of consolidation

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
ProCredit Bank d.d., Bosnia and Herzegovina	x			x
ProCredit Bank (Bulgaria) EAD, Bulgaria	x			x
Banco ProCredit Colombia S.A., Colombia	x			x
Banco ProCredit S.A., Ecuador	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
BC ProCredit Bank S.A., Moldova	x			x
ProCredit Bank S.A., Romania	x			x

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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				
ProCredit Bank a.d. Beograd, Serbia	x			x
JSC ProCredit Bank, Ukraine	x			x
Financial institution				
Administración y Recuperación de Cartera Michoacán, S.A. de C.V., SOFOM, E.N.R., Mexico	x			x
Ancillary services undertakings				
Quipu GmbH, Germany	x			x
Quipu Sh.P.K., Kosovo	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 provide training for management staff from the ProCredit banks. Likewise, ProCredit Reporting DOOEL, located in Macedonia, has been excluded from the scope of consolidation for regulatory purposes, as it does not reach the size criteria set forth in Article 19 (1) CRR. ProCredit Reporting DOOEL provides reporting and controlling services exclusively for ProCredit Holding and the ProCredit bank in Germany.

Due to their structure, the special purpose vehicles (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 shares in the credit institution Banco ProCredit S.A. in El Salvador and the credit institution Banco ProCredit S.A. in Nicaragua were sold during the 2017 financial year.

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. Moreover, no such impediments are currently anticipated. Dividend payments are subject to certain restrictions in some countries where the ProCredit group operates insofar as the regulatory authorities retain the right to approve of the dividend payout and may impose time constraints. In the course of 2017, the National Bank of Ukraine gradually eased a part of the constraints which had been introduced in connection with currency transactions and international transfers of dividend payments to foreign investors.

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 Risk strategy

The group's risk strategy and business strategy are updated annually. 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. Both the risk strategy and business strategy are approved by the Management of ProCredit Holding following discussions with the Supervisory Board.

An informed and transparent approach to risk management is a central component of ProCredit's socially responsible business model. This is also reflected in our risk culture, resulting in decision-making processes that are well-balanced from a risk point of view. The Code of Conduct, which is binding for all staff, plays a key role in this respect as it describes these principles.

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 that the liquidity and capital adequacy of the group and each individual bank continues to be appropriate at all times no matter if external conditions are volatile, as well as to achieve steady results.

The principles of our business activity, as listed below, provide the foundation for our risk management. 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. Accordingly, income is generated primarily in the form of interest income on customer loans and fee income from account operations and payments. All of the banks' other operations are performed mainly in support of the core business. ProCredit banks assume mainly credit risk, interest rate risk and liquidity risk in the course of their day-to-day operations. At group level, foreign currency risk is furthermore relevant due to the investments made by ProCredit Holding in the equity capital of its subsidiary banks. 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 groups (SMEs and private clients) and income groups. The diversification of the loan portfolio is an integral part of the group's credit risk management policy. A further characteristic of our approach is that we seek to provide our clients with simple, easily understandable services. This leads to a high degree of transparency not only for the respective client, but also from a risk management point of view. Both the high degree of diversification and our simple, transparent services and processes result in a significant reduction of 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. Besides high levels of technical professionalism, the result of our training efforts is above all an open and transparent communication culture. 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 national 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 appropriateness and 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 assumed are managed by ensuring at all times an adequate level of regulatory and internal capital 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.
- Regular stress tests are performed for all material risks; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Monitoring and control 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.
- All new or significantly changed services 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 substantial experience we have gained over the past 20 years in our markets and on a precise understanding of both our clients and the risks we assume. The countries where the ProCredit group operates are at different stages of development. Although the operating environment in these countries has improved over the last ten years, some are still characterised by relatively volatile macroeconomic environments and public institutions that are not yet fully developed. The diversification of our business activities, combined with our comprehensive experience, provide a solid foundation for us to manage these risks.

3.2 Organisation of risk management and risk reporting

Risk management in the ProCredit group is the overall responsibility of the Management of ProCredit Holding, which regularly analyses the risk profile of the group and decides on appropriate measures. Customer credit risk, which is of particular significance for the ProCredit group, is managed by Mr Borislav Kostadinov; all other risks were managed by Dr Anja Lepp, with Ms Sandrine Massiani assuming this responsibility as from the beginning of 2018.

The Compliance Function, which ensures the implementation of legal regulations and requirements and avoids the risks associated with non-compliance, and Internal Audit report directly to the Management. A member of the Management of ProCredit Holding bears responsibility for the Risk Control Function, as required by MaRisk.

Risk management at group level is supported conceptually and implemented operationally by the Manager of Risk Management, the Manager of Finance and Controlling, and various risk management and finance functions.

The Management of ProCredit Holding is supported by various committees.

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and the internal and regulatory capital adequacy at the level of individual institutions and the group.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, co-ordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group and PCH Model Committee supports and advises the Management with respect to approving significant changes to the models used to quantify risks.
- The Group Committee on Financial Crime Prevention supports and advises the Management in connection with the ongoing monitoring of the group's risk profile regarding money laundering and fraud, as well as in the adoption of suitable measures to prevent these risks.
- 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 requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.
- The Internal Audit Committee supports and advises the Management in the approval of annual internal audit plans at the level of individual banks and ProCredit Holding, and in monitoring the timely implementation of measures to resolve the findings of internal and external auditors. Moreover, this body aims to achieve ongoing improvement in the Internal Audit Policy.

The group has an effective compliance management system which is supported by our Code of Conduct and our approach to staff selection and training. Compliance with the Code of Conduct is compulsory for all staff members. The Group Compliance Officer bears responsibility for the implementation of a group-wide system to ensure fulfilment of all regulatory requirements. Both the Group Compliance Committee and the corresponding committees at bank level enable efficient coordination of all compliance-relevant issues. Each ProCredit bank has a compliance function which bears responsibility for adhering to national banking regulations and reports regularly and on an ad hoc basis to the Management of the bank and to the Group Compliance Officer. Any conduct which is inconsistent with the established rules, whether at ProCredit Holding or in a subsidiary, can be reported anonymously to an e-mail address established for the group.

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, the internal audit departments of the 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. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance.

The Management 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, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the respective institution.

Both at group level and in all ProCredit banks, adequate 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.

Regular regional and group-wide meetings and training events support the exchange of best practices and the development and enhancement of the risk management functions.

At the individual bank level, risk positions are analysed regularly, discussed intensively and documented in standardised reports. Each month ProCredit Holding prepares an aggregate risk report for the Group Risk Management Committee, with the Supervisory Board receiving reports on a quarterly basis. A quarterly report on stress testing is also prepared for the Group Risk Management Committee. 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 regularly 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.

3.3 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 national and international regulatory authorities are taken into account at all times during this process.

The group-wide processes for risk management take account of all material risks defined in the risk inventory; these processes were found to be appropriate and approved by the Management of ProCredit Holding, and are subject to ongoing further development. 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 (risk appetite) defined by the Management. In addition to the limits for specific types of risk, e.g. limits for each borrower, limits for all material risks are set in the framework of the internal capital adequacy 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.

Key risk indicators, which provide a comprehensive overview of the risk profile of the group, are presented in the individual sections of the disclosure report on the material risks and in the explanations regarding capital adequacy.

4 Management body

4.1 Composition

ProCredit Holding AG & Co. KGaA, the superodinated 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 in the 2017 financial year comprised the four members of the Management[1] and the six members of the Supervisory Board[2].

The members of the Supervisory Board devote sufficient time to their duties. On the basis of the limited size of the Supervisory Board, the simple balance sheet structure of the group, its transparent risk profile and a remuneration structure which largely avoids variable remuneration elements, the Supervisory Board decided against the formation of committees. All Supervisory Board duties are performed by the Supervisory Board members themselves. Five in-person meetings of the Supervisory Board were held in the 2017 financial year.

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.[3]

The tables below indicate the number of positions held by the Management and Supervisory Board, including their positions at ProCredit Holding.[4]

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

31.12.2017	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Borislav Kostadinov	1	8	–
Dr Anja Lepp	1	–	–
Sandrine Massiani	1	4	–
Dr Gabriel Schor	1	2	1

1 Ms Sandrine Massiani's term as a member of the Management Board of the general partner of ProCredit Holding began on 1 March 2017; the term of Ms Helen Alexander expired on 31 March 2017. As a result, the management board comprised five members in March 2017. The term of Dr Anja Lepp ended on 31 December 2017.

2 The term of Mr Wolfgang Bertelsmeier as member of the Supervisory Board ended on 17 May 2017; the term of Ms Marianne Loner as member of the Supervisory Board began in May 2017.

3 Due to the sale of Pro Confianza S.A. in Mexico in 2016, as of year-end 2017 one member of the Management still held a supervisory position in this institution on a transitional basis. Furthermore, Ms Sandrine Massiani fulfils management member tasks of a group-external company, albeit only mandatory, non-time-consuming duties.

4 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.

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

31.12.2017	Management positions outside of the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Claus-Peter Zeitinger (Chairman)	–	3	–
Christian Krämer (Deputy Chairman)	1	3	–
Marianne Loner	–	1	2
Rainer Ottenstein	–	6	–
Petar Slavov	–	2	–
Jasper Snoek	1	1	1

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 Annual General 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 establish a reliable Supervisory Board, 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 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 in finance and possess relevant knowledge in the areas of risk management, accounting, auditing, internal auditing, compliance 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. As a result, both bodies comprise individuals representing diverse nationalities, professional and educational (university) backgrounds. The Supervisory Board established its goal of including at least one woman as a member of the Supervisory Board in the event that the Management has one or no women among its members. At the beginning of the 2018 financial year, both the Supervisory Board and the Management had a woman among its members. Furthermore, the Management has established a 25 % minimum level of gender representation for the first two levels of management. Moreover, the general rule for the maximum permissible age of Supervisory Board members is set at 75. Both of these requirements have also been met.

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 to achieve the goals 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 be informed of any changes in the management of risk control function, in the internal audit function or in the compliance officer position.

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 accordance with CRR and an internal capital adequacy assessment.

The capital management framework of the group has the following objectives:
- compliance with regulatory capital requirements
- ensuring internal capital adequacy
- 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 banks and for the group in implementing their plans for continued growth

Whereas the Pillar 1 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, but most jurisdictions where the ProCredit group operates base their calculation methods on the recommendations of the Basel Committee on Banking Supervision. Compliance with supervisory requirements is monitored for each ProCredit institution on the basis of the respective national requirements, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation. Furthermore, each ProCredit bank calculates its capital ratios in accordance with CRR and ensures compliance with internally defined minimum requirements.

The capital management of the ProCredit group is governed by group policies, and monitored on a monthly basis by the Group Risk Management Committee with regard to its current and future adequacy.

5.2 Structure of own funds

Own funds are calculated on the basis of CRR and KWG. A detailed presentation of the composition of own funds of the ProCredit group as of 31 December 2017 is provided in the table below.

Structure of own funds during the transitional period

Row		Amount 31.12.2017 in EUR m	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	383	26 (1), 27, 28, 29, EBA list 26 (3)	–
	of which: subscribed capital (shares)	268	EBA list 26 (3)	–
2	Retained earnings	303	26 (1) (c)	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–84	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)	3	84, 479, 480	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	16	26 (2)	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	621		–
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	0	34, 105	–
8	Intangible assets (net of related tax liability) (negative amount)	–22	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)	–3	36 (1) (c), 38, 472 (5)	1
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 31.12.2017 in EUR m	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
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) (l)	–
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	–		–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–		–
	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)	–	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)**	**–26**		**–**
29	**Common Equity Tier 1 (CET1) capital**	**595**		**–**
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	–	486 (3)	–
	Public sector capital injections grandfathered until 1 January 2018	–	483 (3)	–
continued on next page				

Row		Amount 31.12.2017 in EUR m	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
continued				
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**	**–**		**–**
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)	–		–
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	–	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	–
	of which: intangibles	–	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	–
	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**	**–**		**–**
44	**Additional Tier 1 (AT1) capital**	**–**		**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**595**		**–**
Tier 2 (T2) capital: instruments and reserves				
46	Capital instruments and the related share premium accounts	127	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	–	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	3	87, 88, 480	–
49	of which: instruments issued by subsidiaries subject to phase out	1	486 (4)	–
continued on next page				

Row		Amount 31.12.2017 in EUR m	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
continued				
50	Credit risk adjustments	–	62 (c) & (d)	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**130**		**–**
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.	–		–
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**	**130**		**–**
59	**Total capital (TC = T1 + T2)**	**725**		**–**
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)	–		–
	of which: deferred tax assets that rely on future profitability and do not arise from temporary differences	–	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**	**4,330**		**–**
continued on next page				

Row		Amount 31.12.2017 in EUR m	Regulation (EU) No. 575/2013 article reference	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
continued				
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.7 %	92 (2) (a), 465	–
62	Tier 1 (as a percentage of risk exposure amount)	13.7 %	92 (2) (b), 465	–
63	Total capital (as a percentage of risk exposure amount)	16.7 %	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)	5.8 %	CRD 128, 129, 130	–
65	of which: capital conservation buffer requirement	1.3 %		–
66	of which: countercyclical buffer requirement	0.0 %		–
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)	9.2 %	CRD 128	–
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 that rely on future profitability and arise from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2	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	–	484 (4), 486 (3) & (5)	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	484 (4), 486 (3) & (5)	–
84	Current cap on T2 instruments subject to phase-out arrangements	–	484 (5), 486 (4) & (5)	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	484 (5), 486 (4) & (5)	–

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

As of 31 December 2017, the Common Equity Tier 1 of the ProCredit group amounted to EUR 595 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 positions.

The Common Equity Tier 1 capital reported as of 31 December 2017 includes interim profits as of 30 September 2017, less foreseeable charges and dividends.

ProCredit Holding carried out a capital increase in February 2018. The gross proceeds of the share issue amounted to EUR 61 million. Subject to approval from BaFin, this will result in an increase of CET 1 capital of the ProCredit group in the 2018 financial year.

The ProCredit group issued no AT1 instruments. Therefore, as of 31 December 2017 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 130 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 since 2014, amounting to EUR 127 million in total, and the group's Tier 2 capital instruments recognised under the transitional provisions of the CRR. In July 2017, ProCredit Holding carried out an early repayment of grandfathered subdebt with the Overseas Private Investment Corporation (OPIC) in the amount of EUR 25 million, which led to a reduction of T2 capital by EUR 10 million. No new subordinated debt instruments were issued in 2017.

The CET1 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

31.12.2017 in EUR m	**Consolidated balance sheet according to consolidated financial statements**	**Deconsolidation of subsidiaries**	**Consolidated balance sheet for regulatory purposes**
Assets			
Cash and cash equivalents	1,077	0	1,077
Loans and advances to banks	196	0	196
Financial assets at fair value through profit or loss	1	–	1
Available-for-sale financial assets	215	–	215
Loans and advances to customers	3,910	3	3,913
Allowances for losses on loans and advances to customers	–129	–	–129
Investments in subsidiaries, joint ventures and associates	–	2	2
Property, plant and equipment	139	–7	132
Investment properties	3	–	3
Intangible assets	21	0	21
Current tax assets	4	–	4
Deferred tax assets	5	–	5
Other assets	58	1	58
Total assets	**5,499**	**–1**	**5,498**

continued on next page

31.12.2017 in EUR m	Consolidated balance sheet according to consolidated financial statements	Deconsolidation of subsidiaries	Consolidated balance sheet for regulatory purposes
continued			
Liabilities			
Liabilities to banks	359	0	359
Financial liabilities at fair value through profit or loss	0	–	0
Liabilities to customers	3,571	0	3,571
Liabilities to international financial institutions	550	–	550
Debt securities	183	–	183
Other liabilities	20	0	20
Provisions	14	0	14
Current tax liabilities	2	0	2
Deferred tax liabilities	1	–	1
Subordinated liabilities	141	–	141
Total liabilities	**4,841**	**0**	**4,841**
Equity			
Subscribed capital	268	–	268
Capital reserve	115	–	115
Legal reserve	0	–	0
Retained earnings	351	–1	350
Translation reserve	–84	0	–84
Revaluation reserve	1	–	1
Equity attributable to the equity holders of the parent company	**651**	**–1**	**650**
Non-controlling interests	7	–	7
Total equity	**659**	**–1**	**658**
Total equity and liabilities	**5,499**	**–1**	**5,498**

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

in EUR m	31.12.2017
Shareholders' equity reported on balance sheet	**651**
Deconsolidation of subsidiaries	–1
Shareholders' equity in regulatory balance sheet	**650**
Profit ineligible for recognition*	–32
Non-controlling interests	7
Minority interests ineligible for recognition under transitional provisions	–4
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**622**
Additional value adjustments	0
Adjustments relating to unrealised gains pursuant to Article 68 CRR	–1
Intangible assets**	–22
Tax assets which rely on future profitability and do not arise from temporary differences	–4
Regulatory adjustments due to transitional provisions on intangible assets and on deferred tax assets that rely on profitability	1
Common Equity Tier 1 (CET1) capital	**595**
Hybrid capital instruments	
Reported on balance sheet	–
of which: accrued interest	–
Amount excluded from AT1 due to cap	–
Regulatory adjustments due to transitional provisions on intangible assets	–
Additional Tier 1 (AT1) capital	**–**
Tier 1 (T1) capital	**595**
Subordinated liabilities	
Reported on balance sheet	141
of which: accrued interest and deferred fees	–1
of which: non-grandfathered instruments	–
Amortisation according to Article 64 CRR	–8
Regulatory adjustments to balance sheet	–2
Recognition of amount excluded from AT1 due to cap	–
Tier 2 (T2) capital	**130**
Total regulatory own funds	**725**

* As approved by the regulatory authorities, as of 31 December 2017 the interim profits as of 30 September 2017, 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

in EUR m	31.12.2017		31.12.2016	
	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	**3,341**	**267**	**3,446**	**276**
Exposures to central governments or central banks	301	24	306	25
Exposures to regional governments or local authorities	0	0	0	0
Exposures to public sector entities	–	–	–	–
Exposures to multilateral development banks	–	–	–	–
Exposures to international organisations	–	–	–	–
Exposures to institutions	14	1	12	1
Exposures to corporates	1,074	86	773	62
of which: SMEs subject to SME factor*	206	16	155	12
Exposures to institutions and corporates with a short-term credit assessment	35	3	68	5
Retail exposures	1,541	123	1,797	144
of which: SMEs subject to SME factor*	1,228	98	1,456	117
Exposures secured by mortgages on immovable property	–	–	–	–
Exposures in default	150	12	206	16
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")	14	1	18	1
Equity exposures	6	0	5	0
Other items	205	16	259	21
Credit Valuation Adjustment (CVA) risk	**2**	**0**	**1**	**0**
Market risk (foreign currency risk)	**439**	**35**	**462**	**37**
Operational risk	**549**	**44**	**694**	**56**
Total	**4,330**	**346**	**4,603**	**368**

* 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.

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 respective amount to be recognised at group level is determined using the aggregation method. Foreign currency risk at group level arises primarily as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. However, the effects of exchange rate fluctuations on the capital ratios of individual institutions or of the group as a whole are limited, as changes in equity are partially offset by corresponding changes in risk-weighted assets.

The ProCredit group applies the standardised approach to quantify operational risk. Compared to the regulatory capital requirements for operational risk, which amount to EUR 44 million, the average annual net loss according to data recorded in the Risk Event Database for the last three years amounted to less than EUR 2 million.

Given the small volume of derivatives held by the group, the risk arising from Credit Valuation Adjustment (CVA)[5] is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk.

The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the 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 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	31.12.2017	31.12.2016
Common Equity Tier 1 capital	595	574
Additional Tier 1 capital	–	–
Tier 2 capital	130	150
Own funds	**725**	**724**
Credit risk	3,341	3,446
CVA risk	2	1
Market risk (foreign currency risk)	439	462
Operational risk	549	694
Risk-weighted assets	**4,330**	**4,603**
Common Equity Tier 1 capital ratio	**13.7 %**	**12.5 %**
Tier 1 capital ratio	**13.7 %**	**12.5 %**
Total capital ratio	**16.7 %**	**15.7 %**

5 The CRR introduced a capital requirement to cover the CVA risk arising from over-the-counter (OTC) derivatives. In contrast to counterparty default risk, this risk refers to the danger that the market value is reduced because the credit risk premium for the counterparty increases, without a default occurring.

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. Furthermore, the as of 1 January 2016 incrementally implemented capital conservation buffer for 2017 is 1.25%. The countercyclical capital buffer which came into force on 1 January 2016 currently plays no role for the ProCredit group, due to the geographical distribution of loan exposures. This buffer will be addressed in detail in the following section.

With a Common Equity Tier 1 capital ratio of 13.7%, a Tier 1 capital ratio of 13.7% and a total capital ratio of 16.7% as of 31 December 2017, the ProCredit group's ratios clearly exceed the current regulatory requirements.

In addition, all group banks complied with their respective national regulatory capital requirements during the reporting period at all times.

5.5 Countercyclical capital buffer

The countercyclical buffer rate ranges from 0% to 2.5% and is set individually for each country by the responsible authority in the respective country, with consideration given to any country-specific recommendations of the macroprudential authorities. The individual countercyclical buffer for an institution is calculated as the weighted average of the capital buffer in Germany and abroad. The weighting is based on the geographical distribution of all credit exposures to the private sector. As the responsible supervisory authority, BaFin set the countercyclical capital buffer for Germany to 0% for all of 2017. Likewise, the 2017 countercyclical capital buffer for all other countries where ProCredit is active has either been set to 0% or has not yet been defined. The buffer requirement for the ProCredit group as of 31 December 2017 was less than EUR 2,000, therefore the countercyclical capital buffer is currently insignificant.

The following table presents, as of 31 December 2017, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer and the institution-specific rate for the requirement.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

31.12.2017	General credit exposures	Trading book exposure	Securitisation exposure	Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
in EUR m	Exposure value for SA	Sum of long and short position of trading book	Exposure value for SA	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
Breakdown by country									
Serbia	1,317	–	–	73	–	–	73	0.30	–
Bulgaria	778	–	–	41	–	–	41	0.17	0.000
Ukraine	403	–	–	23	–	–	23	0.10	–
Georgia	389	–	–	22	–	–	22	0.09	–
Macedonia	353	–	–	19	–	–	19	0.08	–
Ecuador	265	–	–	15	–	–	15	0.06	–
Romania	232	–	–	12	–	–	12	0.05	0.000
Albania	207	–	–	12	–	–	12	0.05	–
Bosnia and Herzegovina	195	–	–	9	–	–	9	0.04	–
Germany	133	–	–	7	–	–	7	0.03	0.000
Moldova	106	–	–	5	–	–	5	0.02	–
Colombia	43	–	–	2	–	–	2	0.01	–
Greece	17	–	–	0	–	–	0	0.00	0.000
United States of America	12	–	–	0	–	–	0	0.00	0.000
Honduras	12	–	–	1	–	–	1	0.00	–
Mexico	7	–	–	1	–	–	1	0.00	0.000
United Kingdom	1	–	–	0	–	–	0	0.00	0.005
Kyrgyzstan	1	–	–	0	–	–	0	0.00	–
Russia	1	–	–	0	–	–	0	0.00	0.000
Other	1	–	–	0	–	–	0	0.00	–
Total	**4,472**	**–**	**–**	**242**	**–**	**–**	**242**	**1.00**	

Amount of institution-specific countercyclical capital buffer

31.12.2017 in EUR m	
Total risk exposure amount	4,330
Institution-specific countercyclical buffer rate	0.00 %
Institution-specific countercyclical buffer requirement	0

5.6 Internal capital adequacy

Ensuring that the group as a whole and each individual bank has sufficient internal capital 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 internal capital adequacy assessment, 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 exposure to 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. The guiding principle for our internal capital adequacy assessment is that the group is able to withstand strong shock scenarios. In our view, the crisis years 2009 and 2010 underscored the necessity for a conservative approach to managing risks and capital, and the developments during that time proved the strength of the group in dealing with a difficult economic environment. Throughout this period, the group showed strong levels of capital, leaving ample scope for additional loss absorption had the economic conditions further deteriorated.

The group applies a gone concern approach in managing and monitoring internal capital adequacy. We are committed to being able to meet our non-subordinated obligations at all times in the event of unexpected losses in the gone concern approach, both in normal and in stress scenarios. The group considers the going concern approach to be an auxiliary condition which must be met. This implies that, as a regulated financial holding group, the ProCredit group must satisfy the minimum capital requirements set by the supervisory authority at all times. The internal capital adequacy of the group was sufficient at all times during 2017, both in the gone concern approach and in the going concern approach.

When calculating the economic capital required to cover risk exposures 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. The following risks are included in the internal capital adequacy calculation:

Material risk	Quantification/treatment
Credit risk, comprising: • customer credit risk • counterparty risk • country risk	Portfolio model based on a Monte Carlo simulation (VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
Business risk	Analytical method (Business VaR)
Funding risk	Qualified expert assessment
Model risk	Qualified expert assessment

The group's risk-taking potential (RTP) in the gone concern approach, defined as the consolidated group equity (net of intangibles, minority interests and deferred tax assets) plus ProCredit Holding's subordinated debt, amounted to EUR 752 million as of the end of December 2017. At the end of 2016, the Management set the Resources Available to Cover Risk (RAtCR) at an amount of EUR 675 million, applicable for one year. This reflects the maximum acceptable risk amount for the ProCredit group; moreover, taking account for the conservative risk tolerance, it was set significantly below the group's RTP in order to ensure the existence of a sufficient security buffer. The RAtCR is then, on the basis of the risk appetite, distributed among the individually quantifiable risks once per year. The economic capital required to cover the risks is compared monthly with the capital available for each risk and for covering all risks.

The table below shows the distribution of RAtCR among the different risks and the limit utilisation as of end-December 2017. In the standard scenario, which under the gone concern approach is calculated with a 99.9 % confidence level, the ProCredit group needs 71.3 % of its RAtCR and 63.9 % of its RTP to cover its risk profile.

Internal capital adequacy, gone concern approach

31.12.2017	Limit in EUR m	Limit utilisation in EUR m	Limit utilisation in %
Credit risk	350	253	72.3
Interest rate risk	80	65	81.1
Foreign currency risk	120	75	62.7
Operational risk	30	21	69.2
Business risk	25	23	92.4
Funding risk	10	6	58.8
Model risk	60	38	n. a.
Total 2017	**675**	**481**	**71.3**
Total 2016	675	500	74.1

Stress tests

Stress tests are performed regularly, at least once per quarter and ad hoc, to test the group's resilience. A range of stress scenarios are adopted and tested in order to analyse the impact of extraordinary but plausible events. Various types of analysis are performed, from simple sensitivity analysis for individual risk types to scenario analyses in which multiple or all risk factors are stressed simultaneously. Our analysis of the impact of stress scenarios includes an analysis of a severe economic downturn. The stress tests are supplemented by reverse stress tests and, if applicable, by ad-hoc stress tests.

The scenarios apply to both historical and hypothetical stress situations. They include, among other things, assumptions depicting significant deterioration of worldwide macroeconomic conditions and simultaneous massive economic downturn. The selection of the scenarios takes account for the group's strategic orientation and the economic environment.

The results of stress testing show that the risks to which the group would be exposed in a severe stress event would not exceed the RAtCR, meaning that the internal capital adequacy of the group would be sufficient at all times, even under stress conditions. Our analysis of the ProCredit group's internal capital adequacy thus confirms that the group would have an adequate level of capitalisation even under extremely adverse conditions.

6 Credit risk

The ProCredit group defines credit risk as the risk that losses will be incurred if the party to a transaction cannot fulfil its contractual obligations at all, not in full or not on time. Within overall credit risk we distinguish between customer credit risk, 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 and appropriate coverage of credit risks with loan loss provisions. For our lending operations with clients, we apply the following principles:

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

The group's framework for managing customer credit risk is presented in the relevant policies and standards. The policies define, among other things, the responsibilities for managing credit risk at the group and individual bank level, the principles for organising lending business, the principles of granting loans, and the framework for evaluating loan collateral. The standards contain detailed explanations of the group's lending operations with business clients and private clients and of the range of credit facilities offered. They also set forth rules for restructuring, risk 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 (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management).

The ProCredit group divides its credit exposures into three categories: small and medium-sized business credit exposures and credit exposures to private clients. Small exposures are typically between EUR 50,000 and EUR 250,000, and medium exposures are above EUR 250,000. The 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 separation 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 a thorough creditworthiness assessment constitutes the most effective form of credit risk management. The credit decisions of the ProCredit group are therefore based predominantly on an analysis of the client's financial situation and creditworthiness. Regular on-site visits are performed for all clients to ensure an adequate consideration of their specific features and needs.

All credit decisions in the ProCredit banks 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. If the exposures are particularly significant for the respective bank on account of their size, the decision is taken by the Supervisory Board, usually following a positive vote issued by the responsible team at ProCredit Holding.

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 more meaningful 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 the collateral requirements will be.

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 also be issued without being fully collateralised. As a general rule, credit exposures with a higher risk profile are covered with collateral security, mostly through mortgages.

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 ProCredit group has developed indicators for the early identification of risks based on quantitative and qualitative risk features; these indicators are implemented by the banks. These include, but are not limited to, declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, and arrears. The responsible member of staff checks whether there are indications of increased risk of default, and, if necessary, ensures that additional steps are taken in accordance with the policies. Reports on the affected portfolio are regularly given to the branch manager, the bank's head office and in aggregated form to ProCredit Holding. The early warning indicators and the close monitoring of clients allow for appropriate 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. This 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. Decisions on 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. The bank generally considers an exposure to be problematic when there is strong doubt that the client will be able to meet his/her contractual obligations, e.g. in the case of bankruptcy or arrears exceeding 90 days. If necessary, the recovery officers are supported by litigation officers (legal department) and/or specialists in the sale of assets or collateral.

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 (risk provisions in relation to past due portfolio) and concentration risk. For the ProCredit group, important indicators of loan portfolio quality are the shares of the portfolio that are past due by more than 30 days (PAR 30) or more than 90 days (PAR 90). 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.

In addition, three asset quality indicators have been introduced, on the basis of which the group's loan portfolio is divided into the categories: performing, underperforming and defaulted. The process of assigning exposures to these categories is based on a risk classification system and on additional risk characteristics of the exposures (e.g. whether a loan has been restructured). The indicators allow for a clear overview of the quality of the group's portfolio and of an individual bank, and provide support for the credit risk management process.

Concentration risk in the customer loan portfolio is effectively limited by a high degree of diversification. This diversification is a consequence of lending to small and medium-sized businesses in various economic sectors and the distribution of the loan portfolio across 13 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 regulatory capital of the respective ProCredit bank) require the approval of the Group Risk Management Committee. No individual 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 2017	Total amount of exposures 31.12.2017	Average amount of exposures 2016	Total amount of exposures 31.12.2016
Exposures to regional governments or local authorities	0	0	1	0
Exposures to corporates	1,055	1,231	708	814
Retail exposures	3,336	3,079	3,867	3,509
Exposures in default	129	104	182	143
Other items*	8	9	6	11
Total	**4,528**	**4,423**	**4,763**	**4,477**

* "Other items" comprises mainly account maintenance fees

The on- and off-balance sheet loan portfolio volume, net of provisions, stood at EUR 4.4 billion at year-end 2017. Due to the sale of the banks in Nicaragua and El Salvador and negative currency effects, client exposures remained stable in comparison with 2016 despite portfolio growth. At EUR 638 million, 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, 67 % consisted of credit commitments with immediate right of cancellation.

In 2017 nearly all of the geographical regions where we operate showed loan portfolio growth. The sale of the institutions in Central America, combined with the accelerated reduction of the loan segment below EUR 30,000 and the depreciation of the USD, led to a decrease in portfolio volume in Central and South America.

Client exposures, by significant geographic area

in EUR m	South Eastern Europe	Eastern Europe	Central America	South America	Germany
Exposures to regional governments or local authorities	0	–	–	–	–
Exposures to corporates	776	318	–	17	119
Retail exposures	2,329	545	0	205	–
Exposures in default	74	17	4	9	–
Other items	8	0	–	0	0
Total 2017	**3,187**	**881**	**4**	**232**	**119**
Total 2016	2,920	776	393	298	89

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 2017 Annual Report. The following table presents client exposures by industry.

Client exposures, by industry

	Non-financial companies				Other
in EUR m	Production (including agriculture)	Trade	Transport and storage	Other non-financial companies	
Exposures to regional governments or local authorities	–	–	–	0	–
Exposures to corporates	526	398	45	254	8
of which: SMEs	487	338	42	213	7
Retail exposures	1,081	920	195	545	339
of which: SMEs	923	692	159	416	72
Exposures in default	35	32	5	27	6
of which: SMEs	34	31	4	26	2
Other items	–	–	–	–	9
Total 2017	**1,641**	**1,350**	**245**	**827**	**361**
Total 2016	1,467	1,444	331	809	427

The following table shows client exposures according to contractual residual maturity.

Client exposures, by residual maturity

in EUR m	< 1 year	1-5 years	> 5 years
Exposures to regional governments or local authorities	–	0	–
Exposures to corporates	404	375	453
Retail exposures	1,085	1,272	721
Exposures in default	30	44	30
Other items	9	–	–
Total 2017	**1,527**	**1,692**	**1,205**
Total 2016	1,446	1,877	1,155

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
- initiation of legal proceedings by the bank
- initiation of bankruptcy proceedings
- information on the customer's business or changes in the client's market environment that are having or could have a negative impact on the client's payment capacity

The ProCredit group establishes appropriate risk provisions for customer credit risk. When determining provisions, a distinction is drawn 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 establish provisions. The amount of such provisions is determined on the basis of the number of days the payment has been 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 2017 financial year, these provisions were below the level for the previous year, with the following changes during the reporting period.

Changes in risk provisions

	Specific credit risk adjustments				General credit risk adjustments
		of which			
in EUR m	Total	ISP	LSP	PBP	
Carrying amount as at 1 January 2017	151	62	37	52	–
Additions	109	37	30	41	–
Utilisation	–32	–14	–17	0	–
Releases	–88	–22	–21	–45	–
Transfers	–	–2	–2	4	–
Unwinding effects	–5	–5	–	–	–
Discontinued operations	–	–	–	–	–
Exchange rate adjustments	–6	1	0	–6	–
Carrying amount as at 31 December 2017	**129**	**56**	**26**	**46**	**–**

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)	28	59	19	8	17	3
	Trade	20	57	20	7	14	0
	Transport and storage	4	8	2	2	2	0
	Other non-financial companies	16	43	14	4	8	3
Other		11	11	1	4	5	1
Total 2017		**81**	**179**	**56**	**26**	**46**	**7**
Total 2016		119	229	62	37	52	21

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	66	126	37	21	32
Eastern Europe	10	32	14	1	12
Central America	0	7	3	0	0
South America	5	14	2	4	2
Germany	0	–	–	–	1
Total 2017	**81**	**179**	**56**	**26**	**46**
Total 2016	119	229	62	37	52

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		01.01.-31.12.2017	01.01.-31.12.2016
Increase of risk provisioning	ISP	37	47
	LSP	30	48
	PBP	41	55
Releases of risk provisions	ISP	–22	–27
	LSP	–21	–30
	PBP	–45	–57
Direct write-offs		1	1
Recoveries of write-offs		–17	–19
Total		**5**	**19**

6.2 Counterparty risk, including issuer risk

The ProCredit group defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of managing liquidity. 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 in a manner which is as diversified as possible. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. 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).

We effectively limit counterparty and issuer risk within the ProCredit group through our conservative investment strategy. Due to mandatory minimum reserves, a 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 remained mostly stable compared to 2016. 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 EU. 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 2017	Total amount of exposures 31.12.2017	Average amount of exposures 2016	Total amount of exposures 31.12.2016
Exposures to central governments or central banks	882	1,049	800	974
Exposures to regional governments or local authorities	34	28	41	45
Exposures to public sector entities	15	17	21	11
Exposures to multilateral development banks	18	18	18	18
Exposures to international organisations	–	–	–	–
Exposures to institutions	61	64	55	48
Exposures to corporates	60	49	119	81
Exposures to institutions and corporates with a short-term credit assessment	57	87	96	164
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	16	14	54	18
Total	**1,144**	**1,328**	**1,204**	**1,360**

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	Other OECD	Other non-OECD
Exposures to central governments or central banks	532	479	23	15	–
Exposures to regional governments or local authorities	28	–	–	–	–
Exposures to public sector entities	17	–	–	–	–
Exposures to multilateral development banks	–	–	–	18	–
Exposures to international organisations	–	–	–	–	–
Exposures to institutions	62	–	–	3	–
Exposures to corporates	–	3	46	–	0
Exposures to institutions and corporates with a short-term credit assessment	70	5	3	10	0
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	14	–	–
Total 2017	**709**	**486**	**86**	**46**	**0**
Total 2016	680	456	201	23	0

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	413	635	–	–	–
Exposures to regional governments or local authorities	28	–	–	–	–
Exposures to public sector entities	9	–	8	–	–
Exposures to multilateral development banks	18	–	–	–	–
Exposures to international organisations	–	–	–	–	–
Exposures to institutions	–	–	65	–	–
Exposures to corporates	–	–	–	49	–
Exposures to institutions and corporates with a short-term credit assessment	–	–	80	7	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	–	–	–	–	14
Total 2017	**469**	**635**	**153**	**57**	**14**
Total 2016	355	687	206	94	18

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	1,000	49	0
Exposures to regional governments or local authorities	16	12	–
Exposures to public sector entities	4	13	–
Exposures to multilateral development banks	–	18	–
Exposures to international organisations	–	–	–
Exposures to institutions	62	2	0
Exposures to corporates	49	–	–
Exposures to institutions and corporates with a short-term credit assessment	87	–	–
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	7	7	–
Total 2017	**1,225**	**102**	**0**
Total 2016	1,251	109	1

For counterparty risk, the same definitions for "past due" and "non-performing" 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 2017. Accordingly, no provisions were made for these exposures during the 2017 financial year.

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for customer credit risk. 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 regulatory 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. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%.

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 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 convertibility or transfer restrictions or expropriation of its cross-border obligations. Country risk thus arises solely from cross-border transactions.

Country risk is a material risk only for ProCredit Holding and the ProCredit bank in Germany, because only these institutions conduct various cross-border transactions with other group banks or clients abroad. The other ProCredit banks are only exposed to country risk to a very limited extent through their nostro accounts maintained with ProCredit Bank Germany. Furthermore, they only carry out cross-border transactions in exceptional cases and only with prior approval from the Group Risk Management Committee.

Country limits are derived from internal country ratings. These ratings combine the three elements of country risk as well as other country-specific aspects and are based on country risk ratings published by established 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.

6.4 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	31.12.2017	31.12.2016
Interest rate currency swaps, FX swaps and FX forwards	1	0
Interest rate swaps	–	–
Total	**1**	**0**

Counterparty credit risk exposures from derivatives (original exposure method)

in EUR m	31.12.2017	31.12.2016
Interest rate currency swaps, FX swaps and FX forwards	3	4
Interest rate swaps	1	1
Total	**4**	**5**

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

In 2017, 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.

6.5 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 2017	Total amount of exposures 31.12.2017	Average amount of exposures 2016	Total amount of exposures 31.12.2016
Shares in academies and providers of ancillary services	4	4	2	2
Other shares	2	2	3	2
Total	**6**	**6**	**6**	**5**

Due to the nature of the investments (academies and providers of ancillary services) and the non-materiality of other investments, neither "the 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 Common Equity Tier 1 capital" according to Article 447 (d) and (e) CRR are disclosed.

6.6 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	548	–	–	4	–	498	–	2	–	1,051
Exposures to regional governments or local authorities	28	–	–	–	–	0	–	–	–	28
Exposures to public sector entities	17	–	–	–	–	–	–	–	–	17
Exposures to multilateral development banks	18	–	–	–	–	–	–	–	–	18
Exposures to international organisations	–	–	–	–	–	–	–	–	–	–
Exposures to institutions	–	64	–	3	–	–	–	–	–	66
Exposures to corporates	–	–	–	–	–	1,216	–	–	–	1,216
Exposures to institutions and corporates with a short-term credit assessment	–	69	–	4	–	10	6	–	–	89
Retail exposures	–	–	–	–	2,683	–	–	–	–	2,683
Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	44	72	–	–	116
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")	–	–	–	–	–	14	–	–	–	14
Equity exposures	–	–	–	–	–	6	–	–	–	6
Other items	144	–	–	–	–	205	–	–	–	349
Total 2017	**756**	**132**	**–**	**10**	**2,683**	**1,992**	**78**	**2**	**–**	**5,654**
Total 2016	**699**	**162**	**–**	**28**	**3,060**	**1,746**	**111**	**1**	**–**	**5,807**

When determining the capital requirement for credit risk according to the standardised approach, credit risk mitigation techniques are only applied to a limited extent. Risk amounts arising from customer credit risk are reduced in part through the recognition of guarantees from the European Investment Fund (EIF) and cash collaterals. Moreover, guarantees from MIGA are recognised for our mandatory minimum reserves held with central banks outside of the EU.

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 the group's business strategy, which is based on financing loans in transition economies mainly through customer deposits. The ProCredit group has therefore chosen to insure this exposure against the risk of default and expropriation. As of 31 December 2017, EUR 214 million of the EUR 357 million in total mandatory reserves were covered by MIGA guarantees.

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

	Risk weighting, in %									Total
in EUR m	0	20	35	50	75	100	150	250	1,250	
Exposure class										
Exposures to central governments or central banks	579	9	–	2	–	294	–	2	–	886
Exposures to regional governments or local authorities	28	–	–	–	–	0	–	–	–	28
Exposures to public sector entities	17	–	–	–	–	–	–	–	–	17
Exposures to multilateral development banks	379	–	–	–	–	–	–	–	–	379
Exposures to international organisations	–	–	–	–	–	–	–	–	–	–
Exposures to institutions	–	64	–	3	–	–	–	–	–	66
Exposures to corporates	–	–	–	–	–	1,138	–	–	–	1,138
Exposures to institutions and corporates with a short-term credit assessment	–	69	–	4	–	10	6	–	–	89
Retail exposures	–	–	–	–	2,567	–	–	–	–	2,567
Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	43	71	–	–	115
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")	–	–	–	–	–	14	–	–	–	14
Equity exposures	–	–	–	–	–	6	–	–	–	6
Other items	144	–	–	–	–	205	–	–	–	349
Total 2017	**1,148**	**141**	**–**	**9**	**2,567**	**1,710**	**78**	**2**	**–**	**5,654**
Total 2016	1,016	168	–	27	3,003	1,480	111	1	–	5,807

Total amount of secured exposures

31.12.2017 in EUR m	**Financial collateral**	**Guarantees**	**Other collateral**	**Total**
Central governments	–	206	–	206
Regional governments	–	–	–	–
Other public sector entities	–	–	–	–
Multilateral development banks	–	–	–	–
International organisations	–	–	–	–
Institutions	–	–	–	–
Covered bonds issued by credit institutions	–	–	–	–
Corporates	10	68	–	78
Retail exposures	30	86	–	116
Exposures secured by mortgages on immovable property	–	–	–	–
Exposures in units or shares in collective investment undertakings (CIU)	–	–	–	–
Equity exposures	–	–	–	–
Other items	–	–	–	–
Past due exposures	0	1	–	1
Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–
Exposures associated with particularly high risk	–	–	–	–
Total	**40**	**361**	**–**	**401**

Secured exposure amounts totalled EUR 401 million as of 31 December 2017. We do not currently include immovable property collateral or guarantees in the risk-weighted asset calculation.

6.7 Securitisations

Both 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. Specifically, they were not undertaken with the intention of freeing up regulatory capital on group level 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 the ProCredit bank in 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 2017, securities in the amount of USD 10 million remained outstanding to third parties.

The "titularización" structure is governed by Ecuadorian 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 the ProCredit bank in 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 the ProCredit bank in 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 securitisation structure currently contains mostly impaired exposures. ProCredit Holding provides funding for the SPV by means of subordinated debt (EUR 3 million as of December 2017).

Securitised loan portfolio exposures

in EUR m	Ecuador transaction	Serbia transaction	Total 2017	Total 2016
Exposures to corporates	0	–	0	0
Retail exposures	2	0	2	11
Exposures in default	0	1	1	3
Total	**2**	**2**	**3**	**14**

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	–	3	2	0	0
Total 2017	**–**	**3**	**2**	**0**	**0**
Total 2016	–	5	2	0	0

Securitised loan portfolio: risk-weighted assets and capital requirements

in EUR m	Ecuador transaction	Serbia transaction	Total 2017	Total 2016
Risk-weighted assets	1	2	3	10
Own funds requirements	0	0	0	1

7 Market risks

Market risks comprise 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 in the banking book. The ProCredit group manages 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 or the group as a whole 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 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.

Results are impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). At the bank level, the total OCP is limited to 10 % of the bank's regulatory 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 at bank level 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 capital adequacy if the foreign currency assets appreciate (from a local perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims to keep a high share of assets in the domestic currency of the respective banks. At least once a year, extensive currency risk stress tests are performed that depict the effects of unfavourable exchange rate developments on the banks' capital ratios.

Foreign currency risk at group level arises as a result of the equity holdings that ProCredit Holding maintains in its subordinated companies in countries which do not have the EUR as the domestic currency. Most banks keep their equity in the respective domestic currency. Thus, from a consolidated group perspective, OCPs in the domestic currencies exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and risks-taking potential are exposed to fluctuations due to changes in the exchange rates of domestic currencies against the EUR. These differences are included in the translation reserve in the consolidated equity. 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. It is measured on a regular basis, at least quarterly.

In order to manage interest rate risk, the ProCredit banks primarily issue variable-rate loans. 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. In order to grant variable-rate loans in a transparent manner, banks use a publicly available interest rate as a benchmark when adjusting the interest rates. 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 contractual agreements.

At the bank level, we assume a parallel shift of the interest rate curve. For EUR and USD the interest rate shock is ± 200 basis points, whereas for domestic currencies the magnitude of the shock is derived on the basis of a historical analysis. Sight deposits and savings accounts are included in the gap analyses according to their expected repricing maturities. These maturities are derived from a group-wide analysis of historical developments. The economic value impact (EVI) when simulating a simultaneous detrimental (upward or downward) interest rate shock across all currencies must not exceed 15 % of a bank's regulatory 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). The P&L effect 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).

At the group level, interest rate risk is quantified i.a. on the basis of economic value impact and on the basis of the 12-month P&L effect; limits are set for this risk on the basis of economic value impact. The indicators are calculated using historical VaR models with a holding period of one year and confidence level of 99.9 % (EVI) or 99.0 % (P&L effect). Sight deposits and savings accounts are included in the gap analyses according to their expected repricing maturities and are derived from country- and currency-specific historical analyses. The maturity-specific interest rate shocks are based on the historical development per currency.

Interest rate risk in the banking book

Currency in EUR m	**31.12.2017**		**31.12.2016**	
	Economic value impact	**12-month P&L effect**	**Economic value impact**	**12-month P&L effect**
EUR	–5	0	–4	–1
USD	–59	–1	–50	–4
Other	–1	–8	3	–9
Total	**–65**	**–9**	**–51**	**–14**

The maturity-specific interest rate shocks are based on historical scenarios of changes in the reference curve per currency.

In the course of 2017 the 12-month P&L effect fell by around EUR 5 million, mostly due to an expansion of the model. During the same period, the economic value impact rose by EUR 14 million to EUR 65 million. This development is due to both the growth of the high-performing banks and to adjustments to the interest rate shocks applied as of end-2017. Due in particular to the high country-specific USD shocks, these results were significantly above the scenarios with uniform ±200 basis points per currency.

Interest rate risk in the banking book, 200 basis point shock

Currency	31.12.2017		31.12.2016	
in EUR m	Economic value impact +200 bp shock	Economic value impact -200 bp shock	Economic value impact +200 bp shock	Economic value impact -200 bp shock
EUR	-12	-2	-5	-1
USD	-17	0	-13	-2
Other	-6	-3	-4	-1
Total	**-34**	**-5**	**-22**	**-5**

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.

In general, liquidity and funding risk is limited in individual banks and at group level by the fact that we primarily issue instalment loans with monthly repayments, financed largely by customer deposits. Our deposit-taking operations focus on our target group of business clients and savers, with whom we establish strong relationships. The financial crisis has shown that our customer deposits are a stable and reliable source of funding. As of end-December 2017 the largest funding source was customer deposits with EUR 3.6 billion. International financial institutions are the second-largest source of funding, accounting for EUR 550 million.

We measure our short-term liquidity risk using a liquidity gap analysis, among other instruments, and monitor this risk based on a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI), as well as in accordance with the minimum liquidity ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The SLI measures whether institutions have sufficient liquidity for the expected inflows and outflows of funds in the next 30 days. The calculation applies outflows derived from historical analyses of deposit movements in the banks. LCR 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.

In addition, early warning indicators are defined and monitored. A key indicator in this respect 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 a certain percentage, as defined by ProCredit Holding, of all customer deposits.

As of December 2017 the group's sufficient liquidity indicator stood at 1.9 and the ratio of highly liquid assets to customer deposits was 29 %, both indicating that the group had a comfortable liquidity situation.

As of 31 December 2017, the LCR was 179 % at group level, and thus comfortably above the regulatory requirement of 80 %. The average weighted amounts are presented in the table below.

Quantitative information about LCR

in EUR m			Total adjusted value (average)	
Quarter ending on	**31.03.2017**	**30.06.2017**	**30.09.2017**	**31.12.2017**
Number of data points used in the calculation of averages	12	12	12	12
Liquidity buffer	435	443	460	467
Total net cash outflows	255	282	310	326
Liquidity Coverage Ratio	**171 %**	**157 %**	**148 %**	**143 %**

The group had adequate liquidity levels at all times during the 2017 financial year.

At year-end, all ProCredit banks fulfilled the respective liquidity ratio requirement. The banks had enough liquidity available at all times in 2017 to meet all financial obligations in a timely manner.

Market-related, combined and longer-term 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 has also developed 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 amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis.

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 Group ALCO, 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 (IFIs). 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 at group level. Group ALCO monitors the progress of all individually significant transactions with external funding providers, especially international financial institutions. ProCredit Holding and the ProCredit bank in Germany also offer bridge financing in the event that 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 %. Two more indicators additionally restrict the level of funding from the interbank market 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 2017, the encumbered assets of the ProCredit group amounted to EUR 59 million, which is equivalent to 1.1 % of total assets.

In accordance with BaFin requirements, the amounts presented in the tables below were calculated on the basis of median values for the quarterly data in 2017.

Assets

31.12.2017	Encumbered assets		Unencumbered assets	
in EUR m	Carrying amount	Fair value	Carrying amount	Fair value
Assets	72		5,445	
Equity instruments	–	–	19	19
Debt securities	2	2	273	273
Other assets	25		727	

The collateral received are shown in the following table.

Collateral received

31.12.2017 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
Collateral received	**–**	**7**
Equity instruments	–	–
Debt securities	–	7
Other collateral	–	–
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

31.12.2017 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 value of selected liabilities	**59**	**41**

9 Operational risk

In line with 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 fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Policies on operational risk management have been implemented across all group entities; they have been approved by the Management of ProCredit Holding and are updated annually. This ensures effective management of operational risk throughout the group. The principles set forth in the group policies are in compliance with the requirements for the standardised approach for operational risk pursuant to CRR.

The aim of operational risk management is to detect risks at an early stage and to avoid recurrence of loss events. The main tools utilised at group level and in the banks to manage operational risks are the group-wide Risk Event Database (RED), the annual risk assessments, established Key Risk Indicators (KRI) and the analysis of all new services and processes in a structured procedure, the New Risk Approval (NRA) process.

The Risk Event Database was developed to ensure that all operational risk events identified in the group are documented, analysed and communicated effectively. All ProCredit banks document their risk events using the provided framework, which ensures that adequate attention is paid to the implementation of necessary corrective or preventive measures for reducing or avoiding operational and fraud risk. The table below provides an overview of the gross and net losses due to operational loss events and fraud cases between 2015 and 2017 (data as of 30 January 2018).

Gross and net losses due to operational risk events

in EUR m	2017	2016	2015
Gross loss	5	4	3
Current net loss	3	2	1
Number of loss events	367	795	960

In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, annual risk assessments are systematically performed in order to identify and evaluate key risks and assess the adequacy of the control environment. These two tools complement each other and provide an overall picture of the operational risk profile for each ProCredit bank, ProCredit Holding and the group as a whole.

Risk indicators are also used to identify elevated fraud risk in specific areas of banking operations or specific outlets 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 services need to be analysed to identify and manage potential risks before implementation (NRA process).

In order to limit IT risks, which we manage as a part of operational risk, the group has defined standards for IT infrastructure, business continuity and information security. Regular controls of information security and business continuity are part of existing processes and procedures. The banks carry out a classification of their information assets and conduct an annual risk assessment on their critical information assets. The business continuity framework implemented in the group ensures that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes. The IT service provider, Quipu GmbH, is part of the ProCredit group and supports all institutions in the group with respect to software and hardware.

10 Other material risks

Other risks designated as material risks in the risk inventory are business risk and model risk.

Business risk is defined as the risk of reduced profitability due to external and internal factors. These include deteriorating economic conditions, unanticipated regulatory interventions and disadvantageous business decisions. Business risk is mitigated by means of a structured process for the planning, implementation, assessment and adjustment of the business strategy and risk strategy, as well as through the regular interaction between the Management of ProCredit Holding and the management team in the banks. Furthermore, the standardised software products provided by the group's own IT provider, Quipu GmbH, likewise have risk-mitigating effects. Last but not least, our comprehensive internal training programme also ensures a universally high level of competence among our managers and staff.

Model risk comprises the risk that model deficiencies or inadequately applied models serve as a faulty basis for decision-making, resulting in the assumption of a higher level of risk than intended. Model risk applies primarily to the models used to calculate internal capital adequacy. The group limits model risk through the selection of models (market-standard models), the conservative calibration of the applied models and through comprehensive backtesting measures and stress tests.

Information about risks relating to money laundering, terrorist financing and other acts punishable by law are contained in the 2017 Annual Report.

11 Leverage ratio

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. A binding minimum requirement for the leverage ratio has yet to take effect; however, in future it will be 3 %. With a figure of 10.5 %, the ProCredit group was able to report an extremely comfortable leverage ratio at the end of 2017. Compared to the previous year, which ended with a ratio of 9.9 %, there has been significant improvement. The total risk position for the ProCredit group decreased in the course of 2017 by EUR 269.5 million. This change was due largely to the reduced level of assets on the group's balance sheet following the sale of the equity investments in Nicaragua and El Salvador. Another factor contributing to the decrease in the total risk position was the amount for operational risk, which has fallen in response to the sales carried out in previous periods.

Leverage ratio common disclosure

31.12.2017 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)	5,486
2	(Asset amounts deducted in determining Tier 1 capital)	–26
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	5,460
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	4
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)**	4
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	641
18	(Adjustments for conversion to credit equivalent amounts)	–434
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	207
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

31.12.2017 in EUR m		CRR leverage ratio exposures
continued		
Capital and total exposure measure		
20	**Tier 1 capital**	595
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	5,671
Leverage ratio		
22	**Leverage ratio**	10.5 %
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional rules
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	–

Summary reconciliation of accounting assets and leverage ratio exposures

31.12.2017 in EUR m		Applicable amount
1	Total assets as per published financial statements	5,499
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	3
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)	207
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	–37
8	**Leverage ratio total exposure measure**	5,671

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

31.12.2017 in EUR m		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	5,486
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	5,486
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	1,115
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0
EU-7	Institutions	64
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	2,573
EU-10	Corporates	1,162
EU-11	Exposures in default	116
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	456

In the framework of monitoring the risk profile and capital adequacy, the leverage ratio is a material component of integrated performance and risk management of the ProCredit group. The Group Risk Management Committee is informed monthly about the development of the leverage ratio and also receives ratio forecasts 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.

12 Remuneration

12.1 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' 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 our employees. The remuneration structure of the ProCredit group has the following objectives:

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

The remuneration approach in the ProCredit group aims to provide a long-term perspective to our staff and managers. A transparent salary structure with fixed salaries is a key aspect in this context; as a general rule, salaries are not dependent on performance. Variable remuneration is strictly limited and under no circumstances contractually guaranteed. For most of the staff, the remuneration reflects market averages. For managers, however, the remuneration we offer is generally not comparable with that of our competitors. This is primarily due to the variable remuneration elements which are paid to managers at other institutions.

In addition to a fair salary, we offer every ProCredit staff member comprehensive 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 ProCredit institution 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.

12.2 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 in each step according to their 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 HR committee.

The remuneration of employees in the ProCredit group mainly consists of a fixed salary. 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. We believe that fixed salaries are the right approach to achieve sustainable growth. Our employees appreciate the transparency and long-term prospects provided by our group-wide approach to remuneration.

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. particularly high motivation of staff, above-average successes in new staff training, above-average results in terms of new client acquisition, the preparation of exceptionally convincing (form and content) reports and memoranda, especially strong participation in committees.

As a general rule, variable remuneration components may be provided for the purchase of participations in ProCredit Staff Invest, an employee investment company; in other cases, the respective ProCredit institution can subsidise the purchase of ProCredit Staff Invest participations. 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.

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. Several ProCredit institutions also make employer contributions to private retirement provisions or life insurance.

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.

12.3 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 boards 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 at least quarterly.

Remuneration for the management boards of the banks is approved by the respective banks' supervisory board, after discussion with the Management of ProCredit Holding.

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, 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 under review.

12.4 Remuneration 2017

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 the management/management board members in ProCredit institutions and staff with management responsibilities (pursuant to Delegated Regulation (EU) No. 604/2014).

Remuneration is presented separately for staff whose professional activities have an impact on the risk profile (broken down according to ProCredit banks and ProCredit Holding), and for members of the Management (likewise broken down according to ProCredit banks and ProCredit Holding). The "Management/Management Board" item for ProCredit Holding and for the ProCredit banks comprises the remuneration of the extended management (including authorised representatives (Prokuristen), if applicable). 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, we consider around 10 % of all staff to be risk takers.

As with all employees in the ProCredit group, variable remuneration components for members of the management are only used to a limited degree and are not contractually set. At group level, the variable remuneration of all risk takers represented less than 1 % of the total amount of fixed salaries for risk takers during the 2017 financial year.

The non-relevant remuneration positions in 2017 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 are not included in the table below.

Remuneration

31.12.2017 in EUR '000	Fixed remuneration	Variable remuneration				No. of beneficiaries	Severance payments		
		Cash	Shares	Share-linked instruments	Other types		Amount	No. of beneficiaries	Highest payment to a single person
Management/Management Board									
ProCredit Holding	753	–	–	–	–	5	–	–	–
ProCredit banks	2,811	15	–	–	–	43	140	4	84
Staff whose professional activities have an impact on the risk profile									
ProCredit Holding	1,492	34	–	–	–	17	105	2	74
ProCredit banks	7,215	14	–	–	–	275	154	10	27

Each member of the Supervisory Board of ProCredit General Partner AG is provided with yearly gross compensation of EUR 10,000. No fees are paid for participating in the meetings of the Supervisory Board.

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)	ISIN DE0006223407/ WKN 622340	DE000A12UDJ3 Private placement	DE000A12T267 Private placement
3	Governing law(s) of the instrument	German Law	German Law	German Law
	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 bearer notes	Subordinated bearer notes
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 267.7 million	EUR 10.0 million	EUR 20.0 million
9	Nominal amount of instrument (issuing currency)	EUR 267.7 million	EUR 10.0 million	EUR 20.0 million
	Nominal amount of instrument (reporting currency)	EUR 267.7 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	30.09.2019; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	26.06.2019; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	From 30.09.2019 at any interest payment date	From 26.06.2019 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	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)	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 and they are listed on Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.
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	German Law	German Law	German Law
	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)	Subordinated note	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 3.3 million	EUR 9.2 million	EUR 1.9 million
9	Nominal amount of instrument (issuing currency)	USD 4.0 million	USD 11.0 million	USD 2.3 million
	Nominal amount of instrument (reporting currency)	EUR 3.3 million	EUR 9.2 million	EUR 1.9 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	28.08.2019; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	28.08.2019; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 28.08.2019 at any interest payment date	From 28.08.2019 at any interest payment date	From 30.06.2020 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	German Law	German Law	German Law
	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)	Subordinated note	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 6.7 million	EUR 0.8 million	EUR 4.8 million
9	Nominal amount of instrument (issuing currency)	USD 8.0 million	USD 1.0 million	USD 5.8 million
	Nominal amount of instrument (reporting currency)	EUR 6.7 million	EUR 0.8 million	EUR 4.8 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	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; egulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date	From 30.06.2020 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	JSC ProCredit Bank, Georgia
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	German Law	German Law	Law of the 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 bearer notes	Subordinated loan	Subordinated loan
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 12.5 million	EUR 7.5 million	EUR 2.7 million
9	Nominal amount of instrument (issuing currency)	EUR 12.5 million	EUR 7.5 million	USD 15.0 million
	Nominal amount of instrument (reporting currency)	EUR 12.5 million	EUR 7.5 million	EUR 12.5 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	16.12.2009
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.04.2024	11.04.2024	16.12.2019
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	16.12.2017; Callable anytime after this first call date (by giving not less than 30 days and not more than 45 days notice); 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	Floating
18	Coupon rate and any related index	6.50%	6.50%	3-month Libor + 3.00%
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), (m) CRR

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)	DE000A169M74 Private placement	Bilateral contract	DE000A2AAVP8 Private placement
3	Governing law(s) of the instrument	German Law	German Law	German Law
	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)	Subordinated bearer notes	Subordinated loan	Subordinated bearer notes
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 13.0 million	EUR 5.0 million	EUR 15.0 million
9	Nominal amount of instrument (issuing currency)	EUR 13.0 million	EUR 5.0 million	EUR 15.0 million
	Nominal amount of instrument (reporting currency)	EUR 13.0 million	EUR 5.0 million	EUR 15.0 million
9a	Issue price	94	94	100
9b	Redemption price	100	100	100
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	06.05.2016	27.04.2016	25.05.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	06.05.2026	27.04.2026	25.05.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	25.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	From 25.05.2021 at any interest payment date
	Coupons/dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating
18	Coupon rate and any related index	6.00 %	6.00 %	6-month Euribor + 6.00 %
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	German Law	German Law	German Law
	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)	Subordinated note	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 5.0 million	EUR 0.6 million	EUR 5.0million
9	Nominal amount of instrument (issuing currency)	USD 6.0 million	USD 0.8 millon	USD 6.0 million
	Nominal amount of instrument (reporting currency)	EUR 5.0 million	EUR 0.6 million	EUR 5.0million
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	29.04.2016	29.04.2016	29.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29.04.2026	29.04.2026	29.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 29.04.2021 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
1	Issuer	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
3	Governing law(s) of the instrument	German Law	German Law
	Regulatory treatment		
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
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 note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2017)	EUR 1.9 million	EUR 5.0 million
9	Nominal amount of instrument (issuing currency)	USD 2.3 million	EUR 5.0 million
	Nominal amount of instrument (reporting currency)	EUR 1.9 million	EUR 5.0 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	29.04.2016	31.05.2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	29.04.2026	31.05.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	31.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 29.04.2021 at any interest payment date	From 31.05.2021 at any interest payment date
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Euribor + 4.50%
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	No	No
37	If yes, specify non-compliant features	N/A	N/A

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