ProCredit Bank

Part of the ProCredit Group

JSC ProCredit Bank, Georgia

21 Al. Kazbegi Ave., Tbilisi 0160

Disclosure Report 2014

in accordance with Article 13 CRR

Introduction

As a significant subsidiary of ProCredit Holding AG & Co. KGaA (ProCredit Holding), which is the superordinated company of the ProCredit financial holding group (ProCredit group, the group), JSC ProCredit Bank, Georgia (the bank) has a duty of disclosure in accordance with Article 13 of EU Regulation No. 575/2013 (Capital Requirements Regulation, CRR).

The intention behind the regular disclosure of qualitative and quantitative information is to give the reader a detailed insight into the current risk profile and risk management of an institution, and thus, to create transparency and enhance market discipline. In this report ProCredit Bank Georgia discloses all qualitative and quantitative information required in accordance with the CRR as at 31 December 2014. As the CRR is not applied in Georgia, the information provided in this disclosure report is based on local regulations issued and overseen by the National Bank of Georgia.

This disclosure report is an additional document alongside the annual financial statements of JSC ProCredit Bank, Georgia, which are published on the bank's website. In particular, the report discloses information about own funds and credit risk. For further information related to the organisation of risk management, own funds and remuneration, please refer to the group disclosure report as well as the group annual report, which are published on the ProCredit Holding website.

Due to rounding, numbers and percentages presented throughout this report may not add up precisely to the totals provided.

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Own funds

The table below shows the reconciliation of the regulatory capital with the balance sheet.

In '000 GEL	31.12.2014
Total shareholders' equity per accounting balance sheet	**152,105**
Deconsolidation/Consolidation of entities	
thereof:	
Additional paid-in capital	0
Retained earnings	-16,460
Accumulated other comprehensive income, net of tax	0
Total shareholders' equity per regulatory balance sheet	**135,646**
Common Equity Tier 1 capital before regulatory adjustments	**135,646**
Regulatory adjustments	
thereof:	
Intangible assets	-1,996
Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	-6,195
Common Equity Tier 1 capital	**127,455**
Additional Tier 1 capital	**0**
Tier 1 capital	**127,455**
Tier 2 capital	**55,763**
Subordinated debt	41,931
Per balance sheet	51,249
Regulatory adjustments to balance sheet position	
thereof:	
Amortization	-9,318
other	0
Other regulatory adjustments	
thereof:	
General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	13,832
Total regulatory capital	**183,218**

The following table shows the regulatory capital as of 31 December 2014 according to Georgian regulatory requirements.

No.		in '000 GEL
1	**Common Equity Tier 1 capital before regulatory adjustments**	135,646
2	Common shares that comply with the criteria for Common Equity Tier 1	83,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	30,803
4	Accumulated other comprehensive income	-
5	Other disclosed reserves	-
6	Retained earnings (loss)	21,843
7	**Regulatory adjustments of Common Equity Tier 1 capital**	8,191
8	Revaluation reserves on assets	-
9	Accumulated unrealized revaluation gains on assets through profit and loss to the extent that they exceed accumulated unrealized revaluation losses through profit and loss	-
10	Intangible assets	1,996
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	-
12	Investments in own shares	-
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	-
14	Cash flow hedge reserve	-
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	-
16	Significant investments in the Common Equity Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions that are outside the scope of regulatory consolidation	-
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	6,195
18	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	-
19	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	-
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
21	The amount of significant Investments and Deferred Tax Assets which exceed 15% of Common Equity Tier 1	-
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	-
23	**Common Equity Tier 1**	127,455
24	**Additional Tier 1 capital before regulatory adjustments**	-
25	Instruments that comply with the criteria for Additional Tier 1 capital	-
23	Including: instruments classified as equity under the relevant accounting standards	-
24	Including: instruments classified as liabilities under the relevant accounting standards	-
24	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	-
25	**Regulatory adjustments of Additional Tier 1 capital**	-
25	Investments in own Additional Tier 1 instruments	-
26	Reciprocal cross-holdings in Additional Tier 1 instruments	-
26	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	-
27	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	-
27	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	-
28	**Additional Tier 1 capital**	-

29	**Tier 2 capital before regulatory adjustments**	55,763
30	Instruments that comply with the criteria for Tier 2 capital	41,931
30	Stock surplus (share premium) that meet the criteria for Tier 2 capital	-
31	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	13,832
31	**Regulatory adjustments of Tier 2 capital**	-
32	Investments in own shares that meet the criteria for Tier 2 capital	-
32	Reciprocal cross-holdings in Tier 2 capital	-
33	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	-
33	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	-
34	**Tier 2 capital**	55,763

Threshold treatment of significant investments in common shares and deferred tax assets when calculating Common Equity Tier 1		
35	Common Equity Tier 1 capital regulatory adjustments except:	1,996
36	Significant investments subject to limited recognition	-
37	Investments with holding less than 10% of share subject to limited recognition	-
38	Deferred tax assets arising from temporary differences subject to limited recognition	-
39	Common Equity Tier 1 Capital after regulatory adjustments (with consideration of full deduction before application of 10/15% thresholds)	133,650
40	Common Equity Tier 1 Capital after regulatory adjustments (with consideration of full deduction except significant investments and deferred tax assets subject to limited recognition)	133,650
41	10% limit of significant investments to be subject to limited recognition	13,365
42	10% limit of deferred tax assets to be subject to limited recognition	13,365
43	15% limit of significant investments and deferred tax assets to be subject to limited recognition	20,047
44	Significant investments that exceed 10% limit	-
45	Deferred tax assets that exceed 10% limit	-
46	Additional amount of significant investments and deferred tax assets that exceed 15% limit	-

Threshold treatment of significant investments (except investment that are not common shares)		
47	Significant Investments in Tier 2 Capital	-
48	Part that is to be deducted from Tier 2 capital	-
49	Part that is to be deducted from Additional Tier 1 capital due to shortfall of Tier 2 capital	-
50	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 and Tier 2 capitals	-
51	Significant Investments in Additional Tier 1 capital	-
52	Part that is to be deducted from Additional Tier 1 capital	-
53	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 capital	-

Threshold treatment of investments with holdings less than 10% share		
54	Common Equity Tier 1 capital regulatory adjustments except Investments with holding less than 10% of share subject to limited recognition	1,996
55	Common Equity Tier 1 capital after all regulatory adjustments except Investments with holding less than 10% of share that do not depend on a threshold	133,650
56	Investments with holding less than 10% of share subject to limited recognition that comply with the criteria for Common Equity Tier 1 Capital	-
57	Investments with holding less than 10% of share subject to limited recognition that comply with the criteria for Additional Tier 1 Capital	-
58	Investments with holding less than 10% of share subject to limited recognition that comply with the criteria for Tier 2 Capital	-
59	Total amount of investments with holding less than 10% of share subject to limited recognition that comply with the criteria for Regulatory Capital	-
60	10% threshold amount of investments with holding less than 10% of share subject to limited recognition	13,365

61	Allocation of the deduction of investments with holdings less than 10% of share subject to limited recognition to Common Equity Tier 1 capital	-
62	Allocation of the deduction of investments with holdings less than 10% of share subject to limited recognition to Additional Tier 1 capital	-
63	Part that is to be deducted from Additional Tier 1 capital	-
64	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 capital	-
65	Allocation of the deduction of investments with holding less than 10% of share subject to limited recognition to Tier 2 capital	-
66	Part that is to be deducted from Tier 2 capital	-
67	Part that is to be deducted from Additional Tier 1 capital due to shortfall of Tier 2 capital	-
68	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 and Tier 2 capital	-
Allocation of deductions of Investments in own capital to capital categories		
69	Investments in own Tier 2 capital	-
70	Part that is to be deducted from Tier 2 capital	-
71	Part that is to be deducted from Additional Tier 1 capital due to shortfall of Tier 2 capital	
72	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 and Tier 2 capital	-
73	Investments in own Additional Tier 1 capital	-
74	Part that is to be deducted from Additional Tier 1 capital	-
75	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 capital	-
Allocation of deductions of reciprocal cross holdings to capital categories		
76	Reciprocal cross holdings in common equity Tier 2 instruments	-
77	Part that is to be deducted from Tier 2 capital	-
78	Part that is to be deducted from Additional Tier 1 capital due to shortfall of Tier 2 capital	-
79	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 and Tier 2 capital	-
80	Reciprocal cross holdings in Additional Tier 1 instruments	-
81	Part that is to be deducted from Additional Tier 1 capital	-
82	Part that is to be deducted from Common Equity Tier 1 capital due to shortfall of Additional Tier 1 capital	-
Allocation of deductions to Common Equity Tier 1 and Additional Tier 1 capital due to shortfall		
83	Regulatory adjustments applied to Additional Tier 1 due to shortfall of Tier 2 capital	-
84	Regulatory adjustments applied to Common Equity Tier 1 due to shortfall of Additional Tier 1 and Tier 2	-

The following tables show the key features of the capital instruments issued by JSC ProCredit Bank, Georgia.

No.	Main features		
1	Issuer	JSC ProCredit Bank, Georgia	JSC ProCredit Bank, Georgia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Governing law(s) of the instrument	Law of Georgia	Law of the State of New York, United States of America
	Regulatory treatment		
4	Transitional CRR rules	N/A	N/A
5	Post-transitional CRR rules	N/A	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated	solo	solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinate Debt
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GEL 83m	GEL 22.4m/USD 12m
9	Nominal amount of instrument	GEL 83m	GEL 28m/USD 15m
9a	Issue price	GEL 5 each	100 percent
9b	Redemption price	Non-redeemable	100 percent
10	Accounting classification	Equity	Liability
11	Original date of issuance	Multiple issue dates	16.12.2009
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	16.12.2019
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Any time starting from 16/12/2017 Redemption amount - prepayment of the loan is possible, in whole or in part, with a minimum partial prepayment amount of USD 1,000,000.00, or in multiples of USD 100,000.00 in excess thereof.
16	Subsequent call dates, if applicable	N/A	Any time starting from 16/12/2017
Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Floating
18	Coupon rate and any related index	N/A	USD 3M LIBOR + 3%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	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)	Represents the most subordinate claim in liquidation of the bank	Subordinated to depositors and general creditors of the bank
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

No.	Main features			
1	Issuer	JSC ProCredit Bank, Georgia	JSC ProCredit Bank, Georgia	JSC ProCredit Bank, Georgia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
3	Governing law(s) of the instrument	Law of Federal Republic of Germany	Law of Federal Republic of Germany	Law of Federal Republic of Germany
	Regulatory treatment			
4	Transitional CRR rules	N/A	N/A	N/A
5	Post-transitional CRR rules	N/A	N/A	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated	solo	solo	solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinate Debt	Subordinate Debt	Subordinate Debt
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GEL 14m/USD 7.5m	GEL 2.8m/USD 1.5m	GEL 2.8m/USD 1.5m
9	Nominal amount of instrument	GEL 14m/USD 7.5m	GEL 4.7m/USD 2.5m	GEL 4.7m/USD 2.5 m
9a	Issue price	100 percent	100 percent	100 percent
9b	Redemption price	100 percent	100 percent	100 percent
10	Accounting classification	Liability	Liability	Liability
11	Original date of issuance	23/05/2013	18/04/2008	19/02/2008
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	23/05/2023	18/04/2018	19/02/2018
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.93%	10.92%	10.52%
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)	Subordinated to depositors and general creditors of the bank	Subordinated to depositors and general creditors of the bank	Subordinated to depositors and general creditors of the bank
36	Non-compliant transitioned features	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A

Article 438 CRR

Capital requirements

Maintaining an adequate level of capital is a core objective of the bank. At no point may the bank incur greater risks than it is able to bear. This principle is implemented using different indicators for which early warning indicators and limits have been established which are monitored regularly.

In Georgia, the implementation of the new combined regulation based on Basel II and Basel III came into force in 2014. On 28 October 2013, the National Bank of Georgia published the “Regulation on Capital Adequacy Requirements for Commercial Banks” (Decree N100/04 of the President of the National Bank of Georgia), which is in turn based on the three Pillars as defined by the internationally accepted capital adequacy framework of the “Basel Committee on Banking Supervision”. However, the regulation in Georgia uses more conservative approaches, including additional capital requirements for foreign currency-denominated exposures and other specific measurements and risk estimates.

Starting from 30 June 2014, ProCredit Bank Georgia has been obliged to comply with the capital adequacy ratios defined in this regulation (Pillar I). Furthermore, the bank implemented ICAAP on 30 September 2014, as required by the regulation (Pillar 2).

ProCredit Bank Georgia is required to hold own funds which are at all times more than or equal to the following minimum capital requirements: Common Equity Tier 1 capital ratio of 7%, total Tier 1 capital ratio of 8.5%, and a regulatory total capital ratio of 10.5%.

Risk-weighted exposures are the sum of the risk-weighted exposures for credit risk, market risks and operational risk.

Credit risk exposures include all on- and off-balance sheet exposures. For the purpose of quantifying foreign currency credit risk, additional weights are applied to exposures denominated in foreign currency.

The following table shows the regulatory risk-weighted assets and capital requirements for JSC ProCredit Bank, Georgia, broken down by the local regulatory requirements.

31.12.2014 In '000 GEL	Risk-weighted assets	Capital requirements
Credit risk	**1,111,676**	**116,726**
Exposures to central governments or central banks	75,439	7,921
Exposures to regional governments or local authorities	-	-
Exposures to public sector entities	-	-
Exposures to multilateral development banks	-	-
Exposures to international organisations/institutions	-	-
Claims or contingent claims on commercial banks	13,361	1,403
Claims or contingent claims on corporates	272,806	28,645
Retail claims or contingent retail claims	340,908	35,795
Claims or contingent claims secured by mortgages on residential property	-	-
Past due items	8,169	858
Items belonging to regulatory high-risk categories	-	-
Short-term claims on commercial banks and corporates	-	-
Claims in the form of collective investment undertakings ('CIU')	-	-
Other items	89,396	9,387
Off-balance sheet exposure	**27,358**	**2,873**
Counterparty credit risk	**164**	**17**
Foreign currency induced credit risk	**284,075**	**29,828**
Market risks (foreign currency risk)	**11,675**	**1,226**
Operational risk	**123,171**	**12,933**
Total	**1,246,521**	**130,885**

The capital ratios are as follows:

Risk-weighted assets	Total capital ratio	Tier 1 capital ratio	Common Equity Tier 1 capital ratio
in '000 GEL	in %	in %	in %
1,246,521	14.7%	10.2%	10.2%

For the purpose of the internal capital adequacy assessment process (ICAAP), the bank uses the risk-bearing capacity calculations implemented for the ProCredit banks. A gone concern approach is quantified. The bank is committed to being able, in the event of unexpected losses both in normal and (if possible) in stress scenarios, to meet its (non-capital) obligations at all times. When calculating the economic capital required to cover risk positions the bank applies 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.

31.12.2014	Reporting trigger in %	Reporting trigger in '000 GEL	Actual in '000 GEL	Reporting trigger used in %
Customer credit risk	≤ 33%	66,666	18,616	27.9%
Counterparty risk	≤ 5%	10,101	2,138	21.2%
Interest rate risk	≤ 10%	20,202	6,991	34.6%
Foreign currency risk	≤ 2%	4,040	557	13.8%
Operational risk	≤ 10%	20,202	10,797	53.4%
Total	≤ 60%	121,211	39,098	32.3%
Risk-taking potential			202,019	

Article 440 CRR

Capital buffer

According to current local regulations, no capital buffers are required; however, after the complete implementation of Pillar II, which also includes the Supervisory Review and Evaluation Process, certain capital buffers will be set.

Article 442 CRR

Credit risk adjustments

For quantitative information on the bank's exposure to credit risk and dilution risk, please refer to the following tables which show the risk broken down by categories, industry and residual contractual maturities.

in '000 GEL	Average of the 4 quarters 2014	31.12.2014
Exposures to central governments or central banks	106,344	124,480
Exposures to regional governments or local authorities	-	-
Exposures to public sector entities	-	-
Exposures to multilateral development banks	-	-
Exposures to international organisations/institutions	-	-
Claims or contingent claims on commercial banks	55,990	55,487
Claims or contingent claims on corporates	247,843	272,806
Retail claims or contingent retail claims	471,613	454,544
Claims or contingent claims secured by mortgages on residential property	-	-
Past due items	7,331	8,169
Items belonging to regulatory high-risk categories	-	-
Short-term claims on commercial banks and corporates	-	-
Claims in the form of collective investment undertakings ('CIU')	-	-
Other items	158,385	155,326
Total	**1,047,507**	**1,070,812**

31.12.2014 in '000 GEL	Central Govern-ments	Financial Institutions	Trade in Foods and Consumer Goods	Agri-culture	Services	Real Estate Manage-ment	Production of and Trade in Clothes, Shoes and Textiles	Other
Exposures to central governments or central banks	124,480	-	-	-	-	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-
Claims or contingent claims on commercial banks	-	55,487	-	-	-	-	-	-
Claims or contingent claims on corporates	-	1,600	40,365	18,316	11,908	23,868	3,400	173,349
Retail claims or contingent retail claims	-	333	62,437	52,989	48,030	34,504	29,163	227,087
Claims or contingent claims secured by mortgages on residential property	-	-	-	-	-	-	-	-
Past due items	-	-	845	288	1,376	214	510	4,935
Items belonging to regulatory high-risk categories	-	-	-	-	-	-	-	-
Short-term claims on commercial banks and corporates	-	-	-	-	-	-	-	-
Claims in the form of collective investment undertakings ('CIU')	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	155,326
Total	**124,480**	**57,420**	**103,648**	**71,593**	**61,315**	**58,586**	**33,074**	**560,697**

31.12.2014 in '000 GEL	<1 Year	1-5 Years	>5 Years	Without maturity
Exposures to central governments or central banks	114,960	9,520	-	-
Exposures to regional governments or local authorities	-	-	-	-
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	-	-	-	-
Exposures to international organisations	-	-	-	-
Claims or contingent claims on commercial banks	55,487	-	-	-
Claims or contingent claims on corporates	57,500	123,191	47,114	45,001
Retail claims or contingent retail claims	164,824	233,802	43,349	12,570
Claims or contingent claims secured by mortgages on residential property	-	-	-	-
Past due items	3,438	3,910	722	98
Items belonging to regulatory high-risk categories	-	-	-	-
Short-term claims on commercial banks and corporates	-	-	-	-
Claims in the form of collective investment undertakings ('CIU')	-	-	-	-
Other items	155,326	-	-	-
Total	**551,535**	**370,423**	**91,185**	**57,669**

Risk provisioning

Definition of "past due" and "adversely classified"

Past-due loan: a loan for which the repayment of principal (or part thereof) or interest, or any instalment of either, has remained unpaid for more than 30 calendar days beyond the date agreed in the relevant loan agreement.

Adversely classified asset: an asset classified as Watch, Substandard, Doubtful or Loss.

Definition of "general reserve" and "specific reserve"

General reserve: a reserve established to cover possible, unspecified loan losses.

Specific reserve: a reserve established to cover possible losses against a specific asset for the purpose of decreasing that asset's value as recorded on the bank's balance sheet. This reserve is directly tied to or corresponds with a specific, identified asset.

Approaches and methods adopted for determining general and specific reserves:

General reserves for loan losses are applied to all Standard loans at a rate of 2% of the total volume. A loan is classified as "Standard" if principal and interest are paid in a timely manner and the borrower has sound capital and repayment capacity.

The bank is required to maintain specific reserves for each of its adversely classified loans. The rates for specific reserves in each category of adversely classified loans are as follows:

Category	Provisioning rate
Watch	10%
Substandard	30%
Doubtful	50%
Loss	100%

The main criteria for assigning loans to the above-mentioned categories are the number of days in arrears and the collateralisation of the loan. Additional factors are considered as well, such as financial situation and repayment capacity of the borrower, or foreseeable developments or market trends in the respective sector, etc.

Exposures above USD 30,000 are assessed individually.

in '000 GEL	**Past due**	**Adversely classified**	**Reserves for adversely classified loans**
Financial Institutions	113	175	55
Trade in Foods and Consumer Goods	1,705	8,204	3,063
Agriculture	1,707	6,859	1,705
Services	2,411	7,658	3,530
Real Estate Management	390	6,666	1,458
Production of and Trade in Clothes, Shoes and Textiles	748	2,660	1,276
Other	8,119	26,819	10,728
Total 2014	**15,194**	**59,041**	**21,816**

The reconciliation of changes in the specific reserves for adversely classified assets and general reserves is shown in the following table:

in '000 GEL	**Specific reserves**	**General reserves**
Carrying amount as at 1 January 2014	20,891	13,163
Additions	15,714	12,229
Utilisation	0	0
Releases	-14,822	-11,887
Transfers	0	0
Unwinding effects	0	0
Exchange rate adjustments	1,976	326
Carrying amount as at 31 December 2014	23,759	13,832

in '000 GEL	Increase of reserves		Release of reserves		Direct write-offs	Recoveries of write-offs	Total
	Specific reserves	General reserves	Specific reserves	General reserves			
Total 2014	17,690	12,556	-14,822	-11,887	9,148	-3,909	8,776

Article 450 CRR

Remuneration policy

The Human Resources Committee is the bank body responsible for taking decisions regarding the professional development of staff members and for reviewing the bank's remuneration practices. The committee meets on a monthly basis and is composed of employees in managerial positions, HR staff and at least two members of the Board of Directors. Remuneration of each employee or manager is reviewed at least once per year.

The below table shows the remuneration of the Management Board of the bank.

in '000 GEL

Fixed remuneration	Variable remuneration				Number of beneficiaries	Outstanding deferred remuneration		Deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments	New sign-on payments		Severance payments		
	Cash	Shares	Share-linked instruments	Other types		Vested portion	Unvested portion		Amount	Number of beneficiaries	Amount	Number of beneficiaries	Highest award to a single person
423.8	-	-	-	-	3	-	-	-	-	-	-	-	-

Article 451 CRR

Leverage

The Leverage is not applicable in 2014.

Article 453 CRR

Credit risk mitigation techniques

According to the local regulations, the bank must apply for and receive regulatory approval from the National Bank of Georgia for the use of credit risk mitigation in its capital adequacy calculation. Due to the bank's business model and balance sheet structure, only one of the eligible forms of credit risk mitigation is applicable for JSC ProCredit Bank, Georgia: credit risk mitigation will be used for deposit-secured loans by JSC ProCredit Bank, Georgia; however, this mitigation instrument is not applied currently.