

 Part of the
ProCredit Group



Disclosure Report 2015
in accordance with Article 13 CRR
JSC ProCredit Bank, Georgia

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 2015. 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

In June 2015, ProCredit Holding increased the share capital of ProCredit Bank from GEL 83,000,000 to GEL 88,914,815. In accordance with the applicable Georgian legislation, ProCredit Holding issued 1,182,963 new shares with the nominal value of GEL 5 per share. All new shares are ordinary shares. The purchase price per share equalled GEL 9.7213544.

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

In '000 GEL	31.12.2014	31.12.2015
Total shareholders' equity per accounting balance sheet	152,105	171,862
Deconsolidation/Consolidation of entities thereof:		
Additional paid-in capital	0	0
Retained earnings	-16,460	-26,054
Accumulated other comprehensive income, net of tax	0	0
Total shareholders' equity per regulatory balance sheet	135,646	145,808
Common Equity Tier 1 capital before regulatory adjustments	135,646	145,808
Regulatory adjustments thereof:		
Intangible assets	-1,996	-2,287
Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	-6,195	-6,195
Common Equity Tier 1 capital	127,455	137,326
Additional Tier 1 capital	0	0
Tier 1 capital	127,455	137,326
Tier 2 capital	55,763	61,622
Subordinated debt	41,931	45,503
Per balance sheet	51,249	59,873
Regulatory adjustments to balance sheet position thereof:		
Amortization	-9,318	-14,369
other	0	0
Other regulatory adjustments thereof:		
General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	13,832	16,119
Total regulatory capital	183,218	198,949

The following table shows the regulatory capital as of 31 December 2015 according to Georgian regulatory requirements.

No.		31.12.2014	31.12.2015
1	Common Equity Tier 1 capital before regulatory adjustments	135,646	145,808
2	Common shares that comply with the criteria for Common Equity Tier 1	83,000	88,915
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	30,803	36,388
4	Accumulated other comprehensive income	-	-
5	Other disclosed reserves	-	-
6	Retained earnings (loss)	21,843	20,505
7	Regulatory adjustments of Common Equity Tier 1 capital	8,191	8,482
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	2,287
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	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	137,326
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	61,622
30	Instruments that comply with the criteria for Tier 2 capital	41,931	45,503
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	16,119
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	61,622

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	2,287
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	143,521
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	143,521
41	10% limit of significant investments to be subject to limited recognition	13,365	14,352
42	10% limit of deferred tax assets to be subject to limited recognition	13,365	14,352
43	15% limit of significant investments and deferred tax assets to be subject to limited recognition	20,047	21,528
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	2,287
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	143,521
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	14,352

Allocation of deductions of investments with holdings of less than 10% share to capital categories			
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	Subordinated debt
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GEL 89m	GEL 22m/USD 9m
9	Nominal amount of instrument	GEL 89m	GEL 36m/USD 15m
9a	Issue price	GEL 5 each	100 percent
9b	Redemption price	Non-redeemable	100 percent
10	Accounting classification	Shareholders' equity	Liability - fair value option
11	Original date of issuance	Multiple issue dates	16 December, 2009
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	16 December, 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 with 16/12/2017 Redemption amount - with a prior notice prepayment of the Loan is possible, in whole or in part, in a minimum partial prepayment amount of USD 1,000,000.00, or in multiples of one hundred thousand Dollars 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)	Tier 2	
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
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 Federal Republic of Germany	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)	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GEL 18m/USD 7.5m	GEL 6m/USD 1.5m
9	Nominal amount of instrument	GEL 18m/USD 7.5m	GEL 6m/USD 1.5m
9a	Issue price	100 percent	100 percent
9b	Redemption price	100 percent	100 percent
10	Accounting classification	Liability - fair value option	Liability - fair value option
11	Original date of issuance	23 May, 2013	18 April, 2008
12	Perpetual or dated	Dated	Dated
13	Original maturity date	2 April, 2025	2 April, 2025
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	02/04/2020 Redemption amount - with a prior notice prepayment of the whole of the Loan is possible.	02/04/2020 Redemption amount - with a prior notice prepayment of the whole of the Loan is possible.
16	Subsequent call dates, if applicable	02/04/2020	02/04/2020
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	8.414%	8.414%
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	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

The main developments since December 2014 are: The subordinated loan agreement dated 18 February 2008 was repaid prior to maturity in the full principal amount of USD 2,500,000 by ProCredit Bank on 2 April 2015.

Furthermore, the term and the interest rate of the subordinated loan agreement dated 23 May 2013 were amended in April 2015. ProCredit Bank is permitted to repay the full amount of the loan by 2 April, 2020.

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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, JSC ProCredit Bank 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.

in '000 GEL	31.12.2015		31.12.2014	
	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit Risk	1,311,177	137,674	1,111,676	116,726
Exposures to central governments or central banks	26,580	2,791	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	7,682	807	13,361	1,403
Claims or contingent claims on corporates	478,454	50,238	272,806	28,645
Retail claims or contingent claims	298,692	31,363	340,908	35,795
Claims or contingent claims secured by mortgages on immovable property	-	-	-	-
Past due items	11,867	1,246	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	87,132	9,149	89,396	9,387
Off-balance sheet exposure	32,853	3,450	27,358	2,873
Counterparty credit risk	189	20	164	17
Foreign currency induced credit risk	367,728	38,611	284,075	29,828
Market risks (foreign currency risk)	17,382	1,825	11,675	1,226
Operational risk	123,431	12,960	123,171	12,933
Total	1,451,989	152,459	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 %
31.12.2015	1,452	13.7%	9.5%	9.5%
31.12.2014	1,247	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.

	Reporting trigger	Reporting trigger	Actual	Reporting trigger used
31.12.2015	in %	in '000 GEL	in '000 GEL	in %
Customer credit risk	≤ 33%	75,718	23,888	10.4%
Counterparty risk	≤ 5%	11,472	2,669	1.2%
Interest rate risk	≤ 10%	22,945	10,181	4.4%
Foreign currency risk	≤ 2%	4,589	655	0.3%
Operational risk	≤ 10%	22,945	11,019	4.8%
Total	≤ 60%	137,669	48,112	21.0%
Risk-taking potential			229,448	

	Reporting trigger	Reporting trigger	Actual	Reporting trigger used
31.12.2014	in %	in '000 GEL	in '000 GEL	in %
Customer credit risk	≤ 33%	66,666	18,616	9.2%
Counterparty risk	≤ 5%	10,101	2,138	1.1%
Interest rate risk	≤ 10%	20,202	6,991	3.5%
Foreign currency risk	≤ 2%	4,040	557	0.3%
Operational risk	≤ 10%	20,202	10,797	5.3%
Total	≤ 60%	121,211	39,098	19.0%
Risk-taking potential			202,019	

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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.

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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.

	Average amount of exposures of the 4 quarters 2015	Total amount of exposures 31.12.2015	Average amount of exposures of the 4 quarters 2014	Total amount of exposures of exposures 31.12.2014
in '000 GEL				
Exposures to central governments or central banks	137,026	129,295	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	36,911	37,399	55,990	55,487
Claims or contingent claims on corporates	436,147	480,899	247,843	272,806
Retail claims or contingent retail claims	408,773	400,563	471,613	454,544
Claims or contingent claims secured by mortgages on residential property	-	-	-	-
Past due items	11,423	11,867	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	152,718	155,465	158,385	155,326
Total	1,182,998	1,215,488	1,047,507	1,070,812

Risk-weighted assets (RWAs) increased significantly in 2015, mainly influenced by the appreciation of USD against GEL as the largest portion of the bank's loan portfolio is denominated in USD. However, the risk mitigation applied to the Central Bank balances (mandatory reserves) denominated in USD had a partial offsetting effect on the total volume of RWAs.

	Central governments	Financial institutions	Trade of consumer foods and goods	Agro	Service	Real estate management	Production and trade of clothes, shoes and textiles	Other
31.12.2015								
in '000 GEL								
Exposures to central governments or central banks	129,295	-	-	-	-	-	-	-
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	-	37,399	-	-	-	-	-	-
Claims or contingent claims on corporates	-	808	61,656	41,802	20,706	47,149	8,306	300,472
Retail claims or contingent retail claims	-	-	-	-	-	-	-	-
Claims or contingent claims secured by mortgages on residential property	-	255	53,549	28,655	46,644	34,516	21,945	214,999
Past due items	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	155,465
Total	129,295	38,462	115,205	70,457	67,350	81,664	30,251	670,936

	Central governments	Financial institutions	Trade of consumer foods and goods	Agro	Service	Real estate management	Production and trade of clothes, shoes and textiles	Other
31.12.2014								
in '000 GEL								
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	-	-	-	-	-	-	-	-
Claims or contingent claims secured by mortgages on residential property	-	333	62,437	52,989	48,030	34,504	29,163	227,087
Past due items	-	-	-	-	-	-	-	-
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	102,803	71,305	59,938	58,372	32,563	555,762

	<1 Year	1-5 Years	>5 Years	Without maturity
31.12.2015				
in '000 GEL				
Exposures to central governments or central banks	124,535	4,760	-	-
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	37,399	-	-	-
Claims or contingent claims on corporates	157,200	227,631	96,067	1
Retail claims or contingent retail claims	138,462	203,025	58,395	681
Claims or contingent claims secured by mortgages on residential property	-	-	-	-
Past due items	4,490	5,271	2,096	10
Exposures associated with particularly high risk	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-
Items representing securitisation positions	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	-
Equity exposures	-	-	-	-
Other items	155,465	-	-	-
Total	617,551	440,687	156,557	692

	<1 Year	1-5 Years	>5 Years	Without maturity
31.12.2014				
in '000 GEL				
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	82,777	121,680	68,254	95
Retail claims or contingent retail claims	134,026	253,785	65,891	842
Claims or contingent claims secured by mortgages on residential property	-	-	-	-
Past due items	2,688	4,180	1,142	159
Exposures associated with particularly high risk	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-
Items representing securitisation positions	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	-
Equity exposures	-	-	-	-
Other items	155,326	-	-	-
Total	545,265	389,164	135,288	1,095

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.

	Past due	Adversely classified	Reserves for adversely classified loans
in '000 GEL			
Financial Institutions	-	57	6
Trade of Consumer Foods and Goods	2,444	15,288	4,815
Agro	2,101	10,299	3,430
Service	2,440	10,993	5,041
Real Estate Management	692	11,961	2,324
Production and Trade of Clothes, Shoes and Textiles	771	5,562	2,032
Other	8,587	50,904	15,819
Total 2015	17,035	105,063	33,467

	Past due	Adversely classified	Reserves for adversely classified loans
in '000 GEL			
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 Textile	748	2,660	1,276
Other	8,119	26,819	10,728
Total 2014	15,194	59,041	21,816

Loan portfolio quality declined in 2015, influenced by the deteriorated macroeconomic situation in the country and depreciation of GEL. The increase of adversely classified loan portfolio (in GEL equivalent) and respective reserves in 2015 was influenced by the depreciation of the local currency, as more than 70% of the total loan portfolio is denominated in foreign currency (USD, EUR), as well as by the worsening of loan portfolio quality. However, the loan portfolio remains strongly diversified and well collateralised, with a low level of overdue loans. The bank actively works with clients to resolve repayment issues through restructuring or other appropriate measures.

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

31.12.2015 in '000 GEL	Specific provisions	General provisions
Carrying amount as at 1 January 2015	23,759	13,832
Additions	26,614	7,763
Utilisation	-	-
Releases	14,784	15,350
Transfers	-	-
Unwinding effects	-	-
Exchange rate adjustments	6,337	3,538
Carrying amount as at 31 December 2015	35,589	16,119

31.12.2014 in '000 GEL	Specific provisions	General provisions
Carrying amount as at 1 January 2014	20,891	13,163
Additions	15,714	12,229
Utilisation	-	-
Releases	14,822	11,887
Transfers	-	-
Unwinding effects	-	-
Exchange rate adjustments	1,976	326
Carrying amount as at 31 December 2014	23,759	13,832

in '000 GEL	Increase of risk provisioning		Release of risk provisioning		Direct write-offs	Recoveries of write-offs	Total
	Specific provisions	General provisions	Specific provisions	General provisions			
Total 2015	26,614	17,638	- 14,784	- 15,350	12,177	- 4,264	22,029
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 and members of staff whose actions have a material impact on the risk profile of the bank (risk takers).

31.12.2015 in '000 GEL	Fixed remuneration	Variable remuneration				Number of beneficiaries
		Cash	Shares	Share-linked instruments	Other types	
Management body	520		10		3	6
Other risk takers	1,947		6		17	34

The following remuneration components are not applicable for JSC ProCredit Bank, Georgia: outstanding deferred remuneration; deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; signed-on payments; severance payments.

Article 451 CRR

Leverage

According to current Georgian regulations, no requirements on leverage ratio are published.

Article 453 CRR

Credit risk mitigation techniques

The bank applies the following techniques (instruments) to reduce credit risk when calculating the capital requirements for credit risk:

- 1) Guarantee
- 2) Cash deposit as collateral

The bank applies guarantee obtained from Multilateral Investment Guarantee Agency (MIGA). MIGA is the member of the World Bank Group. Its purpose is to promote direct

investments in developing countries, which it does by offering guarantees to secure against political risks. MIGA can be classified as a multilateral development bank. MIGA's risk position is 0 per cent according to the Capital Adequacy Regulation of the National Bank of Georgia. The amount of the guarantee is USD 29.3 million (GEL 70 million), mitigating credit risk from November 2015. The bank applies this guarantee to the USD exposure with National Bank of Georgia – mandatory reserves.

Mandatory reserves, the credit risk of which is mitigated by this guarantee, are not collateralised; they are unfunded and no valuation and management of collateral is observed.

Cash deposit as collateral has also been used since November 2015 mitigating on - and off - balance sheet exposures, specifically client loans and guarantees (positions corporate loans, retail loans and guarantees in table below). The main criteria for cash collateral mitigation are: a) currency of loan/guarantee must be the same as the cash deposit; b) the mitigated exposure is only the portion which is covered by cash collateral.

The total credit risk mitigation concentration is low. The mitigated exposure as of December 2015 was approximately GEL 77 million, which is equivalent to 8.5% of the total on- and off-balance sheet RWAs.

Below is the table showing the credit risk exposures before and after application of credit risk mitigation:

in '000 GEL	Credit risk-weighted exposure before mitigation	Credit risk mitigation	Credit risk-weighted exposure after mitigation
Mandatory reserves at central bank	96,698	70,118	26,580
Corporate loans	480,899	2,445	478,454
Retail loans	300,422	1,730	298,692
Guarantees (off - balance)	23,937	2,589	21,348
Total	901,956	76,882	825,074