

 Part of the
ProCredit Group



Disclosure Report 2015
in accordance with Article 13 CRR
ProCredit Bank sh.a., Kosovo

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), ProCredit Bank sh.a. in Kosovo (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 the bank discloses all qualitative and quantitative information required in accordance with the CRR as at 31 December 2015. As the CRR is not applied in Kosovo, the information provided in this disclosure report is based on local regulations. The regulator is the Central Bank of the Republic of Kosovo, CBK.

This disclosure report is an additional document alongside the annual financial statements of ProCredit Bank, 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/regulatory capital

The table below shows the reconciliation of the total regulatory capital with the balance sheet in the audited financial statements.

The main developments in total regulatory capital during 2015 comprised the distribution of dividends in the amount of EUR 20 million and the full repayment of subordinated debt amounting to EUR 7 million.

The total capital adequacy ratio in 2015 stood at 18.9% (2014: 18.7%), which is well above the minimum level required by the CBK (12%).

in EUR m	31.12.2015	31.12.2014
Total shareholders' equity per accounting balance sheet	98.3	92.2
Total shareholders' equity per regulatory balance sheet	98.3	92.2
Common Equity Tier 1 capital before regulatory adjustments	98.3	92.2
Prudential filters		
thereof:		
Regulatory adjustments relating to unrealized gains and losses	0.0	0.1
Regulatory adjustments		
thereof:		
Intangible assets (net of related tax liabilities)	(0.6)	(0.8)
Other - Relates to lending to a bank-related person	(5.8)	(7.8)
Common Equity Tier 1 capital	91.8	83.6
Additional Tier 1 capital	0.0	0.0
Tier 1 capital	91.8	83.6
Tier 2 capital	13.7	19.2
Subordinated debt	7.5	13.1
Per balance sheet	7.5	14.5
Regulatory adjustments to balance sheet position	0.0	(1.4)
Other regulatory adjustments	6.2	6.1
Total Regulatory capital	105.5	102.8

The table below shows the Core Capital - Report on Capital Adequacy of Banks (form 21), as required by the CBK:

No.	Description	Amount	
		in EUR m	
I	CORE CAPITAL (TIER I)	31.12.2015	31.12.2014
1	Capital (share capital, surplus, preferred shares)	65.5	65.6
2	Reserve funds	0.5	0.5
3	Retained profit (loss) current year to date	26.0	25.1
4	Retained profit (loss) from previous years	6.2	1.2
5	Intangible assets and goodwill	0.6	0.8
6	Investments in equity of banks and other financial institutions	0.0	0.0
7	Deferred tax assets	0.1	0.0
8	Lending to a bank-related person	5.8	7.8
9	Total tier I capital (1+2+3+4-5-6-7-8)	91.8	83.6
II	SUPPLEMENTARY CAPITAL (TIER II)		
10	General reserves for loans (standard and watch) *	6.2	6.1
11	Ordinary preferred shares	0.0	0.0
12	Term preferred shares	0.0	0.0
13	Subordinated debt	7.5	13.1
14	Debt instruments which are mandatorily convertible into common shares and which are unsecured and fully paid-in	0.0	0.0
15	Total tier II capital (10 to 14)	13.7	19.2
16	TOTAL CAPITAL (9+15)	105.5	102.8
III	RISK BASED CAPITAL RATIO		
17	Total assets	796.6	799.6
18	Total risk weighted assets - form 22 of CBK	557.3	549.9
19	Ratio of total tier I capital to risk weighted assets (no.9:no.18)%	16.5%	15.2%
20	Ratio of total capital to risk weighted assets (no.15:no.17)%	18.9%	18.7%
21	Total tier II capital to total tier I capital (no.15:no.9)%	14.9%	23.0%
22	Ratio of Total Equity to Total Assets (%)	12.3%	11.5%

* Limited to 1.25% of risk weighted assets

The following table shows the key features of the capital instruments issued by ProCredit Bank. In comparison to the subordinated debt reported as of 31 December 2014, the bank currently has only one outstanding subordinated debt contract as the other was fully repaid in 2015.

No.	Main features		
1	Issuer	ProCredit Bank sh.a., Kosovo	ProCredit Bank sh.a., Kosovo
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a
3	Governing law(s) of the instrument	Kosovan law	German law
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)	Common shares	Subordinated debt
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	65.6	7.5
9	Nominal amount of instrument	61.3	7.5
9a	Issue price	5 EUR per share	100%
9b	Redemption price	n/a	100%
10	Accounting classification	Shareholder's equity	Liabilities
11	Original date of issuance	Various	19/09/2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	n/a	19/09/2024
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	19/09/2019
16	Subsequent call dates, if applicable	n/a	Anytime after first call date
Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	n/a	- up to 20 March 2016: EURIBOR 6 months + 6.9%; - from 21 March 2016: EURIBOR 6 months + 6.9%;
19	Existence of a dividend stopper	n/a	n/a
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	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a
23	Convertible or non-convertible	n/a	n/a
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	n/a	n/a
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)	Supplementary capital (Tier II)	
36	Non-compliant transitioned features	n/a	n/a
37	If yes, specify non-compliant features	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. The following table depicts the capital requirements according to Kosovan regulatory requirements (according to CBK form 22).

Kosovan regulations on capital adequacy require banks to maintain a minimum total capital ratio of 12% and a Tier 1 capital ratio of 8% with respect to risk-weighted assets and other risks.

In 2015, total risk-weighted assets stood at EUR 557 million (2014: EUR 550 million). The increase of EUR 7.3 million compared to the previous year was the net result of an increase in risk-weighted assets for credit risk (EUR 11.8 million) and a decrease in risk-weighted assets for operational risk (EUR 4.5 million).

		31.12.2015		
No.	Description	Balance (in EUR m)	Risk Factor	Risk Weighted Assets (in EUR m)
1	2	3	4	5=(3 x 4)
I Balance sheet assets				
1	Cash in Euro or readily convertible foreign currencies	85	0%	-
2	Securities issued by the Government and Municipalities of the Republic of Kosovo	25	0%	-
3	Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	142	0%	-
4	Precious metals and precious stones or claims secured against gold	-	0%	-
5	Loans secured by cash collateral on deposit with bank	5	0%	-
6	Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	76	20%	15
7	Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	20%	-
8	Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	20%	-
9	Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	20%	-
10	Claims from domestic (local) banks with maturity up to one year	-	20%	-
11	Cash items in process of collections	-	20%	-
12	Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	50%	-
13	Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	36	75%	27
14	Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	75%	-
15	Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	5	100%	5
16	All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	395	100%	395
17	All Other assets (loans, premises and fixed assets, other real estate owned)	28	100%	28
18	Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	150%	1
19	Total Balance Sheet Assets	797		470
II Off-Balance Sheet Items				
20	All other items not included in categories below	-	100%	-
21	Direct credit substitutes - guarantees and standby letters of credit	27	100%	27
22	Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	2	20%	0
23	Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	57	0%	-
24	Total Off-Balance Sheet items	86		27
25	Risk assets for operational risk	60		60
26	Total Risk Weighted Assets and Loan Equivalent	882		557

General reserves for loans (limited up to 1.25% of risk weighted assets) is calculated from this

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		31.12.2014		
No.	Description	Balance (in EUR m)	Risk Factor	Risk Weighted Assets (in EUR m)
1	2	3	4	5=(3 x 4)
I Balance sheet assets				
1	Cash in Euro or readily convertible foreign currencies	48	0%	-
2	Securities issued by the Government and Municipalities of the Republic of Kosovo	14	0%	-
3	Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	195	0%	-
4	Precious metals and precious stones or claims secured against gold	-	0%	-
5	Loans secured by cash collateral on deposit with bank	4	0%	-
6	Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	83	20%	17
7	Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	20%	-
8	Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	20%	-
9	Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	20%	-
10	Claims from domestic (local) banks with maturity up to one year	-	20%	-
11	Cash items in process of collections	-	20%	-
12	Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	50%	-
13	Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	34	75%	26
14	Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	75%	-
15	Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	27	100%	27
16	All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	370	100%	370
17	All Other assets (loans, premises and fixed assets, other real estate owned)	24	100%	24
18	Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	150%	1
19	Total Balance Sheet Assets	800		464
II Off-Balance Sheet Items				
20	All other items not included in categories below	-	100%	-
21	Direct credit substitutes - guarantees and standby letters of credit	21	100%	21
22	Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	0	20%	0
23	Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	52	0%	-
24	Total Off-Balance Sheet items	74		21
25	Risk assets for operational risk			64
26	Total Risk Weighted Assets and Loan Equivalent	873		550

General reserves for loans (limited up to 1.25% of risk weighted assets) is calculated from this

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Kosovan regulations do not prescribe internal capital requirements based on risk-bearing capacity calculations.

Nonetheless, for the purpose of determining internal capital requirements, 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. The included material risks are customer credit risk, counterparty risk, interest rate risk, foreign currency risk and operational risk.

The economic capital required to cover the risks to which the bank is exposed is compared with the available capital. The bank's Risk-Taking Potential (RTP), defined as the equity (less intangible assets and deferred taxes) plus subordinated debt, amounted to EUR 101 million as of the end of December 2015. The Resources Available to Cover Risk (RAAtCR) are set at 60% of the RTP, i.e. EUR 61 million. Only the RAAtCR are used to establish the limits in each risk category. This creates a buffer amounting to 40% of the RTP, thus allowing for the limitations and shortcomings of statistical models, but also for adverse effects that might arise from risk areas not explicitly included in the risk-bearing capacity calculations. The bank needs under normal conditions only 11.3% of its RAAtCR to cover its risk profile.

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Capital buffer

Current banking regulations in Kosovo do not contain specific requirements on capital buffers.

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.

As at year-end 2015, the gross loan portfolio had increased by EUR 16.4 million in comparison with the previous year. As the bank's main focus during the year was on lending to medium and small clients, a combined increase of EUR 20.7 million was achieved in these categories; in contrast, decreases were recorded for very small (EUR 2.1 million) and private clients (EUR 2.1 million).

The table below shows the total amount of exposures (after accounting offsets, without taking into account the effects of credit risk mitigation) as of 31.12.2015 and the average amount of the exposures over the period 2015, broken down by different exposure classes.

in EUR m	Average of the 4 quarters 2015	31.12.2015
Cash in Euro or readily convertible foreign currencies	62	85
Securities issued by the Government and Municipalities of the Republic of Kosovo	22	25
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	162	142
Precious metals and precious stones or claims secured against gold	-	-
Loans secured by cash collateral on deposit with bank	4	5
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	84	76
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-
Claims from domestic (local) banks with maturity up to one year	-	-
Cash items in process of collections	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	5	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	35	36
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	5	5
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	387	395
All Other assets (loans, premises and fixed assets, other real estate owned)	27	28
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	0
Total Balance Sheet Assets	794	797
Off-Balance Sheet Items		
All other items not included in categories below	-	-
Direct credit substitutes - guarantees and standby letters of credit	26	27
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	1	2
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	53	57
Total Off-Balance Sheet items	80	86
Total Risk Weighted Assets and Loan Equivalent	874	882

in EUR m	Average of the 4 quarters 2014	31.12.2014
Cash in Euro or readily convertible foreign currencies	42	48
Securities issued by the Government and Municipalities of the Republic of Kosovo	12	14
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	214	195
Precious metals and precious stones or claims secured against gold	-	-
Loans secured by cash collateral on deposit with bank	5	4
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	65	83
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-
Claims from domestic (local) banks with maturity up to one year	-	-
Cash items in process of collections	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	0	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	34	34
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	11	27
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	370	370
All Other assets (loans, premises and fixed assets, other real estate owned)	27	24
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	0
Total Balance Sheet Assets	780	800
Off-Balance Sheet Items		
All other items not included in categories below	-	-
Direct credit substitutes - guarantees and standby letters of credit	20	21
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	0	0
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	44	52
Total Off-Balance Sheet items	64	74
Total Risk Weighted Assets and Loan Equivalent	844	873

The following table shows the distribution of the exposures by industry, broken down by exposure classes.

31.12.2015 in EUR m	Agriculture	Industry, manufacturing, energy and construction	Trade	Financial and insurance services	Other services
Cash in Euro or readily convertible foreign currencies	-	-	-	85	-
Securities issued by the Government and Municipalities of the Republic of Kosovo	-	-	-	25	-
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	-	-	-	142	-
Precious metals and precious stones or claims secured against gold	-	-	-	-	-
Loans secured by cash collateral on deposit with bank	0	1	2	-	2
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	-	-	-	76	-
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-	-	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-	-	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-	-	-	-
Claims from domestic (local) banks with maturity up to one year	-	-	-	-	-
Cash items in process of collections	-	-	-	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	-	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	0	5	19	-	11
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-	-	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	-	-	-	5	-
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	32	72	136	0	154
All Other assets (loans, premises and fixed assets, other real estate owned)	-	-	-	-	28
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	-	-	-	0	-
Total	32	79	157	334	196
Off-Balance Sheet Items					
All other items not included in categories below	-	-	-	-	-
Direct credit substitutes - guarantees and standby letters of credit	0	5	19	-	3
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	-	0	1	-	0
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	1	14	29	0	13
Total Off-Balance Sheet items	1	19	49	0	17

31.12.2014 in EUR m	Agriculture	Industry, manufacturing, energy and construction	Trade	Financial and insurance services	Other services
Cash in Euro or readily convertible foreign currencies	-	-	-	48	-
Securities issued by the Government and Municipalities of the Republic of Kosovo	-	-	-	14	-
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	-	-	-	195	-
Precious metals and precious stones or claims secured against gold	-	-	-	-	-
Loans secured by cash collateral on deposit with bank	0	1	1	3	-
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	-	-	-	83	-
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-	-	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-	-	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-	-	-	-
Claims from domestic (local) banks with maturity up to one year	-	-	-	-	-
Cash items in process of collections	-	-	-	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	-	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	0	5	17	-	11
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-	-	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	-	-	-	27	-
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	30	65	121	0	154
All Other assets (loans, premises and fixed assets, other real estate owned)	-	-	-	-	24
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	-	-	-	0	-
Total	31	71	139	370	190
Off-Balance Sheet Items					
All other items not included in categories below	-	-	-	-	-
Direct credit substitutes - guarantees and standby letters of credit	0	4	13	-	3
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	0	-	0	-	0
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	0	11	24	0	17
Total Off-Balance Sheet items	0	15	38	0	20

The table below shows the breakdown of all exposures by residual maturity and exposure class.

31.12.2015 in EUR m	<1 Year	1-5 Years	>5 Years
Cash in Euro or readily convertible foreign currencies	85	-	-
Securities issued by the Government and Municipalities of the Republic of Kosovo	21	4	-
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	103	39	-
Precious metals and precious stones or claims secured against gold	-	-	-
Loans secured by cash collateral on deposit with bank	2	3	0
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	76	-	-
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-	-
Claims from domestic (local) banks with maturity up to one year	-	-	-
Cash items in process of collections	-	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	9	21	6
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	5	-	-
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	73	254	68
All Other assets (loans, premises and fixed assets, other real estate owned)	28	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	-	-
Total	402	320	74
Off-Balance Sheet Items			
All other items not included in categories below	-	-	-
Direct credit substitutes - guarantees and standby letters of credit	24	2	0
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	1	0	-
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	47	9	2
Total Off-Balance Sheet items	72	11	2

31.12.2014 in EUR m	<1 Year	1-5 Years	>5 Years
Cash in Euro or readily convertible foreign currencies	48	-	-
Securities issued by the Government and Municipalities of the Republic of Kosovo	10	4	-
Balances due from CBK and claims on Central Banks, Governments and institutions with high rating (long or short term claims, as specified in Annex 1)	195	-	-
Precious metals and precious stones or claims secured against gold	-	-	-
Loans secured by cash collateral on deposit with bank	2	2	0
Claims on or guaranteed by banks with short-term (or long term) credit rating as in annex 1	83	-	-
Loans supported by collateral in the form of securities unconditionally guaranteed by central banks or governments of countries with rating as in annex 1	-	-	-
Securities issued or guaranteed by Central Banks or Governments of Countries with ratings as in Annex 1	-	-	-
Loans supported by collateral issued by or guaranteed by multilateral lending institutions or global or regional development institutions subject to the prior approval of the CBK	-	-	-
Claims from domestic (local) banks with maturity up to one year	-	-	-
Cash items in process of collections	-	-	-
Claims having maturity of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, rated as in Annex 1	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	9	19	6
Loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals	-	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK, that are not rated, as in annex 1	27	-	-
All loans supported by collateral of residential mortgages and all other claims that are not included in above mentioned categories	73	244	54
All Other assets (loans, premises and fixed assets, other real estate owned)	24	-	-
Direct claims having maturities of one year or less or claims unconditionally guaranteed by banks, subject to prior approval of the CBK that have short-term credit rating, as described in annex 1	0	-	-
Total	471	269	59
Off-Balance Sheet Items			
All other items not included in categories below	-	-	-
Direct credit substitutes - guarantees and standby letters of credit	15	6	-
Short - term self - liquidating trade related contingencies: commercial letters of credit and bid guarantees	0	-	-
Unused portions of commitments with original maturities of 1 year or less and unused portions of commitments which are unconditionally cancellable at any time, regardless of maturity	40	10	3
Total Off-Balance Sheet items	55	16	3

The definitions of “past due” and “impaired” for accounting purposes:

As defined in Article 2 of Regulation on Credit Risk Management, past due loans are defined as loans classified as watch, substandard, doubtful and loss.

The watch category is attributed to exposures that contain weaknesses or potential weaknesses that, at the time of review, may not jeopardise the repayment of the credit or reflect a potential for loss, but which, if not addressed or corrected, could result in the deterioration of the credit to a substandard or more severe classification. Typically, it includes

those exposures that are overdue by 31 - 60 days or those where more than 5% of an approved line has been continuously overdue for 31 – 60 days.

The term “impaired” refers to non-performing loans, which according to the CBK include exposures classified as doubtful and loss. An exposure is assigned to one of these categories if any of the following conditions are met:

- i. Deposits/cash flows into the customer’s overdraft account have been insufficient to liquidate the outstanding balance for more than 90 days;
- ii. Payment of any contractual instalment (including interest) is more than 90 days overdue;
- iii. There are deficiencies in the customer’s financial condition that have caused negative equity;
- iv. The client has not made principal or interest payments towards any other loans for more than 90 days;
- v. The customer exceeded the authorised limit of loan exposures by 5% or more for more than 90 days without paying this excess or without the bank’s management formally raising the authorised limit.

Description of the approaches and methods adopted for determining specific and general credit risk adjustments

Based on the CBK’s regulation on “Credit Risk Management”, the bank divides the loan portfolio into:

- collectively assessed loans and
- individually assessed loans

All credit exposures are assigned to one of the following five categories: standard, watch, substandard, doubtful and loss.

Credit exposures assigned to the standard or watch categories are known as the non-classified portfolio, whereas credit exposures categorised as substandard, doubtful or loss are known as the classified portfolio.

General provisions are calculated against the non-classified portfolio (both collectively and individually assessed).

Specific provisions are calculated against the classified portfolio (both collectively and individually assessed).

Provisioning rates used to calculate general provisions for non-classified credit exposures (collectively and individually assessed) are derived from the historical loss rate – determined using the roll rate model migration analysis. The bank sets provisioning rates for non-classified credit exposures based on the roll rate model, while provisioning rates used to calculate specific provisions for classified credit exposures are defined by the CBK as a minimum for each category.

The following table shows (by significant industry type) the amount of (i) impaired exposures and past due exposures, (ii) specific and general credit risk adjustments as well as (iii) charges for specific and general credit risk adjustments during the reporting period.

in EUR m	Total past due exposure	Total impaired exposure	Specific provisions for impairment	General provisions for impairment	Charges for provisions in the reporting period
Agriculture	3	2	2	0 -	1
Industry, manufacturing, energy and construction	7	4	4	0 -	4
Trade	10	5	6	1 -	2
Financial and insurance services	0	0	0	0	0
Other services	8	6	5	1	0
Total 2015	28	18	18	3 -	6

in EUR m	Total past due exposure	Total impaired exposure	Specific provisions for impairment	General provisions for impairment	Charges for provisions in the reporting period
Agriculture	4	3	2	0	1
Industry, manufacturing, energy and construction	11	8	9	1 -	0
Trade	13	10	11	1	1
Financial and insurance services	-	-	-	0 -	0
Other services	10	8	7	2 -	0
Total 2014	37	28	30	4	2

The following tables show the reconciliation of changes in the specific and general credit risk adjustments as well as their effect on the income statement.

in EURm	Specific provisions	General provisions	Total
Carrying amount as at 1 January 2015	30	4	34
Additions	9	1	11
Utilisation	12	0	12
Releases	8	3	11
Transfers	-	-	-
Unwinding effects	-	-	-
Exchange rate adjustments	-	-	-
Carrying amount as at 31 December 2015	18	3	21

in EURm	Specific provisions	General provisions	Total
Carrying amount as at 1 January 2014	40	7	47
Additions	14	2	17
Utilisation	12	0	12
Releases	13	5	18
Transfers	-	-	-
Unwinding effects	-	-	-
Exchange rate adjustments	-	-	-
Carrying amount as at 31 December 2014	30	4	34

in EURm	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	9	1	8	3	1	6 -	6
Total 2014	14	2	13	5	3	3 -	2

ProCredit Bank reported a release of EUR 6.04m to the CBK for year-end 2015.

Article 450 CRR

Remuneration policy

During 2015, the remuneration of risk-relevant employees was reviewed and approved in one meeting of the Board of Directors (BoD). The BoD consists of: Borislav Kostadinov (chairman), Helen Alexander, Birgit Storz, Rainer Ottenstein, Qendrim Gashi, and Ilir Aliu. All BoD members have a mandate of four years, which can be extended.

The following table shows remuneration of senior management and members of staff whose actions have a material impact on the risk profile of the institution (risk taker).

in '000 EUR	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
Management body	263.2	-	204	-	-	9	-	-	-	-	-	-	-	-
Other risk takers	685.8	-	58	-	-	31	-	-	-	-	-	14.8	2	11.7

Article 451 CRR

Leverage

Based on the Kosovan regulation on bank capital adequacy, the leverage ratio is calculated as the ratio of Total Equity to Total Assets:

Description	31.12.2015	31.12.2014
Ratio of Total Equity to Total Assets (%)	12.34%	11.53%

Article 453 CRR

Credit risk mitigation techniques

Policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting:

Where applicable, the bank uses the cash deposited in a client's account with the bank as collateral for securing a credit exposure to that client. This type of collateral is considered in the same way as any other type of collateral defined in the bank's Collateral Policy, which is described below, except that it is not subject to a risk deduction.

Policies and processes for collateral valuation and management:

In the absence of local regulations on collateral valuation, the bank currently organises its collateral valuation process based on its own internal policy.

The policy sets minimum requirements for the valuation of items which will collateralise the bank's credit exposures, and defines market value as the basis of valuation. Market value is defined as "the amount against which the asset could change ownership, being transferred by the seller to the buyer in a transaction in which both parties participate voluntarily and are sufficiently aware of related circumstances". Furthermore, the policy defines types of acceptable collateral, requirements regarding collateral, selection of collateral, approaches for valuation and exceptions regarding collateral valuation.

In general, the valuation of collateral is based on reference prices from internal and external sources, and the application of an appropriate methodology. The estimation of real estate values is based on different sources, such as transaction prices (contracts), websites, publications, real estate agencies, etc., applying the cost, sales comparison and income approaches. As a general rule, the value is estimated based on at least two of these three methods, and the average is reported as the market value of the property.

The collateral value is calculated by reducing the market value by a risk deduction, which is a function of liquidity, stability of value over time, condition and quality of the collateral.

The bank's credit committee may decide to apply a larger risk deduction, if deemed appropriate.

Starting from July 2015 the CBK has enforced the "Regulation on Real Estate Valuation". The regulation sets minimum requirements and standards for the valuation of real estate, and defines credit transactions for which professional valuation by appraisers licensed by the state board is required.

The valuation of movable collateral is not regulated by the CBK.

Description of the main types of collateral taken by the institution:

In general, based on internal policy, the bank accepts all types of collateral which are permitted by law and deemed appropriate by the credit committee. Collateral is defined as all assets which are pledged by the borrower to secure a credit exposure, and are subject to seizure in the case of default. The selection of collateral is closely related to risk assessment, the financial status of the borrower, the amount and maturity of the credit exposure and how it will be repaid.

Collateral, based on legal and physical characteristics, can be immovable property (real estate) or movable property.

The types of real estate accepted by the bank as collateral are: land, residential, commercial, industrial, agricultural, special use and other types (mixed use etc.). The main types of movable property taken by the bank include: cash collateral, guarantees, inventory, machinery, vehicles, livestock and other types of movable property which can be legally subject to a pledge agreement.

The main types of guarantor and credit derivative counterparty and their creditworthiness:

In general, the bank accepts guarantees as additional security for credit exposures. In certain specific cases, guarantees can act as a substitute for tangible collateral. However, the degree to which a guarantee may be assigned a collateral value for the bank is the subject of a thorough analysis of the economic situation of the guarantor (otherwise the value is considered to be zero). The different types of guarantees used by the bank include personal guarantees, company guarantees, bank guarantees, and international financial institutions' guarantees.

The bank does not make use of derivative instruments.

The collateral valuation policy did not change in 2015. The bank's approach to collateral coverage requirements during the year remained conservative as well. However, with effect as of January 2016, the collateral valuation policy has been modified due to changes in local regulations which require all immovable collateral items to be evaluated by external, licensed appraisers and revised internally.

Furthermore, the deduction rates are expected to increase in the second part of the year, which might have an impact on the value of collateral.

31.12.2015 in EUR m	Financial collateral	Other eligible collateral	Guarantees	Credit derivatives
Loans secured by cash collateral on deposit with bank	5	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	0	16	20	-
All loans supported by collateral of residential mortgages and all oth	4	69	322	-
Total	9	84	341	-

31.12.2014 in EUR m	Financial collateral	Other eligible collateral	Guarantees	Credit derivatives
Loans secured by cash collateral on deposit with bank	4	-	-	-
Loans or the portions thereof supported by collateral in the form of first lien residential mortgages whose underlying indebtedness is not more than 30 days past due (if a loan is more than 30 days past due, than whole exposure of the same customer should be weighted same as the loan)	-	17	17	-
All loans supported by collateral of residential mortgages and all oth	3	77	290	-
Total	8	93	308	-

If the exposure is covered with collateral whose value is equal to or greater than 60% of the exposure, then the exposure is included under "Other eligible collateral".

If the exposure is covered with collateral which is valued at less than 60% of the value of the exposure, then the exposure is included under "Guarantees".