Part of the
ProCredit Group

ProCredit Bank

Disclosure Report 2016

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 2016. 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.

Article 437 CRR

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 development in total regulatory capital during 2016 comprised the distribution of dividends in the amount of EUR 20 million.

The total capital adequacy ratio in 2016 stood at 17.5% (2015: 19.4%), which is well above the minimum level required by the CBK (12%).

Effective April 2016, CBK changed the reporting instructions in accordance with the new Regulation on Bank Capital Adequacy. These changes have been applied retrospectively to the 2015 numbers in the tables below in order to permit comparability with 2016 data.

in EUR m	31.12.2016	31.12.2015
Total shareholders' equity as per accounting balance sheet	**88**	**98**
Total shareholders' equity as per regulatory balance sheet	**88**	**98**
Common Equity Tier 1 capital before regulatory adjustments	**88**	**98**
Prudential filters		
thereof:		
Regulatory adjustments relating to unrealized gains and losses	0	(0)
Regulatory adjustments		
thereof:		
Intangible assets (net of related tax liabilities)	(0)	(1)
Other - Relates to lending to a bank-related person	(5)	(6)
Common Equity Tier 1 capital	**83**	**92**
Additional Tier 1 capital	**-**	**-**
Tier 1 capital	**83**	**92**
Tier 2 capital	**14**	**14**
Subordinated debt	8	8
As per balance sheet	*8*	*8*
Regulatory adjustments to balance sheet position	-	-
Other regulatory adjustments	6	6
Total Regulatory capital	**97**	**105**

The table below shows the Composition of Regulatory Capital (form F06), as required by the CBK:

Composition of Regulatory Capital		**Amount** in EUR m
Common Equity Tier 1 capital	**31.12.2016**	**31.12.2015**
Common equity shares and their related surplus	66	66
Earnings which have not been distributed:		
of which: Retained Earnings	12	6
Net Profit for the Period	10	26
Other earnings which have not been distributed	1	1
Additional Tier 1 capital		
Perpetual preferred shares	-	-
Deductions from Tier 1 capital		
Goodwill and intangible assets	0	1
Investments in equity of banks or other financial institutions	-	-
Deferred tax assets	-	0
Lending to a Bank-Related Person (excl. lending covered by cash)	5	6
Total Tier 1 capital	**83**	**92**
Supplementary Tier 2 capital		
Reserves for loan losses	6	6
Ordinary preferred shares	-	-
Term preferred shares	-	-
Term debt instruments fully subordinated to the rights of depositors		
Convertible debt instruments	-	-
Subordinated term debt liabilities	8	8
Total Tier 2 capital	**14**	**14**
Total Capital	**97**	**105**
Requirements on the composition of regulatory capital		
Reserves for Loan Losses / RWA (Up to 1.25%)	1.3%	1.3%
Subordinated term debt liabilities / Total Tier 1 Capital (Up to 50%)	9.0%	8.2%
Total Tier 2 / Total Tier 1 Capital (Up to 100%)	16.5%	14.8%
Balance sheet items		
Total Equity	88	98
Total Assets	799	796
Risk Weighted Assets (RWAs)		
Credit Risk	499	484
Operational Risk	56	60
Total RWAs	**555**	**544**
Capital Adequacy Ratios		
Tier 1 Capital Ratio (Over 8%)	15.0%	16.9%
Total Capital Ratio (Over 12%)	17.5%	19.4%
Leverage Ratio (%)	11.1%	12.4%

The following table shows the key features of the capital instruments issued by ProCredit Bank.

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	EUR 5 per share	1
9b	Redemption price	n/a	1
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	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	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	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	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 F07).

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 2016, total risk-weighted assets stood at EUR 555 million (2015: EUR 544 million). The increase of EUR 11.3 million compared to the previous year was the net result of an increase in risk-weighted assets for credit risk (EUR 15.1 million) and a decrease in risk-weighted assets for operational risk (EUR 3.9 million).

The total difference in risk-weighted assets for 2015, calculated according to the new regulation vs the previous regulation, amounts to EUR 13.6 million, as detailed in the table below:

in EUR m	Based on new regulation	Based on previous regulation	Difference
Credit Risk - On balance	463.9	470.4	**(6.5)**
Credit Risk - Off balance	19.8	26.9	**(7.1)**
Operational Risk	60.0	60.0	**0.0**
Total RWAs	**543.6**	**557.3**	**(13.6)**

The difference in RWA from on-balance sheet items was EUR 6.5 million and mainly came from bank-related persons, which includes the exposure in ProCredit Bank Germany (2015: around EUR 5.5 million). According to the new regulation and reporting instructions these exposures have to be weighted with a 0% risk factor as they are deducted from the Tier 1 capital. In the previous regulation they were weighted as per their ratings.

The difference in RWA from off-balance sheet items was EUR 7.1 million. According to the new regulation, risk factors are applied for off-balance sheet items depending on whom the exposures are towards. RWA calculations under the previous regulation only took the product and conversion factors into account.

Risk Exposure, RWAs and Capital Requirements for Credit Risk	31.12.2016		31.12.2015	
	Balance in EUR m	Risk-weighted Assets in EUR m	Balance in EUR m	Risk-weighted Assets in EUR m
Cash and deposits at central banks	118	-	165	-
Deposits in Banks				
Residual Maturity <=1 Year	32	5	26	5
Residual Maturity >1 Year	1	0	-	-
Financial assets held for trading				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Financial assets designated at fair value				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Financial assets available for sale				
Residual Maturity <=1 Year	76	-	45	-
Residual Maturity >1 Year	58	-	43	-
Loans and advances to credit institutions				
Residual Maturity <=1 Year	34	7	56	11
Residual Maturity >1 Year	-	-	-	-
Loans and advances to Clients				
Residual Maturity <=1 Year				
< 30 Days Past Due	96	92	83	79
> 30 Days Past Due	1	1	1	1
Residual Maturity >1 Year				
< 30 Days Past Due	351	343	354	345
> 30 Days Past Due	3	3	3	3
Financial assets held to maturity				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Assets with repurchase agreement	-	-	-	-
Hedging derivatives	-	-	-	-
Investment properties	-	-	-	-
Non-current assets held for sale	-	-	-	-
Other tangible assets	16	16	16	16
Intangible assets	0	0	1	1
Investments in associated companies and jointly controlled entities	-	-	-	-
Current tax assets	2	2	0	0
Deferred tax assets	-	-	0	0
Other assets	10	10	3	3
On-Balance Sheet Exposure at Risk	**799**	**480**	**796**	**464**
Unused portions of irrevocable commitments				
Original Maturity <= 1 Year	-	-	-	-
Original Maturity > 1 Year	-	-	-	-
Unused portions of revocable commitments	61	-	56	-
Short-term self-liquidating trade related contingencies				
Commercial letters of credit	1	0	2	0
Bid Guarantees	0	0	0	0
Other	7	1	9	1
Direct Credit Substitutes				
Guarantees of payment	19	18	19	18
Standby letters of credit	-	-	-	-
Other Off-Balance Sheet Exposures	-	-	-	-
Off-Balance Sheet Exposure at Risk	**20**	**19**	**21**	**20**
Total Exposure at Risk	**819**		**817**	
Total Credit RWA	**499**		**484**	

Kosovan regulations do not prescribe capital management based on the Internal Capital Adequacy Assessment Process (ICAAP).

Nonetheless, for the purpose of the 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-subordinated) 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 98 million as at the end of December 2016. The Resources Available to Cover Risk (RAtCR) are set at 60% of the RTP, i.e. EUR 59 million. Only the RAtCR 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. Under normal conditions, the bank needs only 25.7% of its RAtCR to cover its risk profile.

Article 440 CRR

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 2016, the gross loan portfolio had increased by EUR 12.9 million in comparison with the previous year. In line with the bank's strategy, the main focus during the year was lending to medium and small clients, where a combined increase of EUR 16.9 million was achieved; the private client portfolio also showed a marked increase (EUR 7.9 million). In contrast, only the very small portfolio recorded a decrease (EUR 12.0 million).

The table below shows the total amount of exposures (after accounting offsets, without taking into account the effects of credit risk mitigation) as at 31 December 2016, as well as the average level of exposures over the year 2016, broken down by exposure classes.

in EUR m	Average of the 4 quarters 2016	31.12.2016	Average of the 4 quarters 2015	31.12.2015
Cash and deposits at central banks	121	118	149	165
Deposits in Banks				
Residual Maturity <=1 Year	24	32	34	26
Residual Maturity >1 Year	0	1	-	-
Financial assets held for trading				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Financial assets designated at fair value				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Financial assets available for sale				
Residual Maturity <=1 Year	67	76	53	45
Residual Maturity >1 Year	49	58	45	43
Loans and advances to credit institutions				
Residual Maturity <=1 Year	44	34	61	56
Residual Maturity >1 Year	-	-	-	-
Loans and advances to Clients				
Residual Maturity <=1 Year				
< 30 Days Past Due	95	96	83	83
> 30 Days Past Due	1	1	1	1
Residual Maturity >1 Year				
< 30 Days Past Due	349	351	343	354
> 30 Days Past Due	3	3	4	3
Financial assets held to maturity				
Residual Maturity <=1 Year	-	-	-	-
Residual Maturity >1 Year	-	-	-	-
Assets with repurchase agreement	-	-	-	-
Hedging derivatives	-	-	-	-
Investment properties	-	-	-	-
Non-current assets held for sale	-	-	0	-
Other tangible assets	16	16	15	16
Intangible assets	0	0	1	1
Investments in associated companies and jointly controlled entities	-	-	-	-
Current tax assets	1	2	0	0
Deferred tax assets	0	-	0	0
Other assets	8	10	3	3
On-Balance Sheet Exposure at Risk	**781**	**799**	**793**	**796**
Unused portions of irrevocable commitments				
Original Maturity <= 1 Year	-	-	-	-
Original Maturity > 1 Year	-	-	-	-
Unused portions of revocable commitments	57	61	50	56
Short-term self-liquidating trade related contingencies				
Commercial letters of credit	1	1	1	2
Bid Guarantees	0	0	0	0
Other	8	7	10	9
Direct Credit Substitutes				
Guarantees of payment	19	19	19	19
Standby letters of credit	-	-	-	-
Other Off-Balance Sheet Exposures	-	-	-	-
Off-Balance Sheet Exposure at Risk	**21**	**20**	**21**	**21**

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

31.12.2016 in EUR m	Agriculture	Industry, manufacturing, energy and construction	Trade	Financial and insurance services	Other services
Cash and deposits at central banks	-	-	-	118	-
Deposits in Banks					
Residual Maturity <=1 Year	-	-	-	32	-
Residual Maturity >1 Year	-	-	-	1	-
Financial assets held for trading					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Financial assets designated at fair value					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Financial assets available for sale					
Residual Maturity <=1 Year	-	-	-	76	-
Residual Maturity >1 Year	-	-	-	58	-
Loans and advances to credit institutions					
Residual Maturity <=1 Year	-	-	-	34	-
Residual Maturity >1 Year	-	-	-	-	-
Loans and advances to Clients					
Residual Maturity <=1 Year					
< 30 Days Past Due	7	21	52	0	14
> 30 Days Past Due	0	0	0	-	0
Residual Maturity >1 Year					
< 30 Days Past Due	21	65	109	0	156
> 30 Days Past Due	1	1	1	-	1
Financial assets held to maturity					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Assets with repurchase agreement	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Investment properties	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-
Other tangible assets	-	-	-	-	16
Intangible assets	-	-	-	-	0
Investments in associated companies and jointly controlled entities	-	-	-	-	-
Current tax assets	-	-	-	-	2
Deferred tax assets	-	-	-	-	-
Other assets	-	-	-	-	10
On-Balance Sheet Exposure at Risk	**29**	**87**	**163**	**320**	**201**
Unused portions of irrevocable commitments					
Original Maturity <= 1 Year	-	-	-	-	-
Original Maturity > 1 Year	-	-	-	-	-
Unused portions of revocable commitments	0	17	31	0	13
Short-term self-liquidating trade related contingencies					
Commercial letters of credit	-	0	0	-	0
Bid Guarantees	0	0	0	-	0
Other	0	2	4	0	1
Direct Credit Substitutes					
Guarantees of payment	-	3	15	-	1
Standby letters of credit	-	-	-	-	-
Other Off-Balance Sheet Exposures	-	-	-	-	-
Off-Balance Sheet Exposure at Risk	**0**	**3**	**16**	**0**	**1**

31.12.2015 in EUR m	Agriculture	Industry, manufacturing, energy and construction	Trade	Financial and insurance services	Other services
Cash and deposits at central banks	-	-	-	165	-
Deposits in Banks					
Residual Maturity <=1 Year	-	-	-	26	-
Residual Maturity >1 Year	-	-	-	-	-
Financial assets held for trading					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Financial assets designated at fair value					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Financial assets available for sale					
Residual Maturity <=1 Year	-	-	-	45	-
Residual Maturity >1 Year	-	-	-	43	-
Loans and advances to credit institutions					
Residual Maturity <=1 Year	-	-	-	56	-
Residual Maturity >1 Year	-	-	-	-	-
Loans and advances to Clients					
Residual Maturity <=1 Year					
< 30 Days Past Due	5	19	44	0	15
> 30 Days Past Due	0	0	0	-	0
Residual Maturity >1 Year					
< 30 Days Past Due	26	60	116	0	152
> 30 Days Past Due	0	0	1	-	2
Financial assets held to maturity					
Residual Maturity <=1 Year	-	-	-	-	-
Residual Maturity >1 Year	-	-	-	-	-
Assets with repurchase agreement	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Investment properties	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-
Other tangible assets	-	-	-	-	16
Intangible assets	-	-	-	-	1
Investments in associated companies and jointly controlled entities	-	-	-	-	-
Current tax assets	-	-	-	-	0
Deferred tax assets	-	-	-	-	0
Other assets	-	-	-	-	3
On-Balance Sheet Exposure at Risk	**32**	**79**	**161**	**335**	**189**
Unused portions of irrevocable commitments					
Original Maturity <= 1 Year	-	-	-	-	-
Original Maturity > 1 Year	-	-	-	-	-
Unused portions of revocable commitments	1	14	29	0	13
Short-term self-liquidating trade related contingencies					
Commercial letters of credit	-	0	1	-	0
Bid Guarantees	-	0	0	0	0
Other	0	3	4	0	2
Direct Credit Substitutes					
Guarantees of payment	0	2	15	-	2
Standby letters of credit	-	-	-	-	-
Other Off-Balance Sheet Exposures	-	-	-	-	-
Off-Balance Sheet Exposure at Risk	**0**	**3**	**16**	**0**	**2**

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

31.12.2016 in EUR m	<1 Year	1-5 Years	>5 Years
Cash and deposits at central banks	118	-	-
Deposits in Banks			
Residual Maturity <=1 Year	32	-	-
Residual Maturity >1 Year	-	1	-
Financial assets held for trading			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Financial assets designated at fair value			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Financial assets available for sale			
Residual Maturity <=1 Year	76	-	-
Residual Maturity >1 Year	-	58	-
Loans and advances to credit institutions			
Residual Maturity <=1 Year	34	-	-
Residual Maturity >1 Year	-	-	-
Loans and advances to Clients			
Residual Maturity <=1 Year			
< 30 Days Past Due	96	-	-
> 30 Days Past Due	1	-	-
Residual Maturity >1 Year			
< 30 Days Past Due	-	266	84
> 30 Days Past Due	-	3	0
Financial assets held to maturity			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Assets with repurchase agreement	-	-	-
Hedging derivatives	-	-	-
Investment properties	-	-	-
Non-current assets held for sale	-	-	-
Other tangible assets	16	-	-
Intangible assets	0	-	-
Investments in associated companies and jointly controlled entities	-	-	-
Current tax assets	2	-	-
Deferred tax assets	-	-	-
Other assets	10	-	-
On-Balance Sheet Exposure at Risk	**386**	**329**	**85**
Unused portions of irrevocable commitments			
Original Maturity <= 1 Year	-	-	-
Original Maturity > 1 Year	-	-	-
Unused portions of revocable commitments	46	10	5
Short-term self-liquidating trade related contingencies			
Commercial letters of credit	1	-	-
Bid Guarantees	0	0	0
Other	6	1	0
Direct Credit Substitutes			
Guarantees of payment	14	5	-
Standby letters of credit	-	-	-
Other Off-Balance Sheet Exposures	-	-	-
Off-Balance Sheet Exposure at Risk	**16**	**5**	**0**

31.12.2015 in EUR m	<1 Year	1-5 Years	>5 Years
Cash and deposits at central banks	165	-	-
Deposits in Banks			
Residual Maturity <=1 Year	26	-	-
Residual Maturity >1 Year	-	-	-
Financial assets held for trading			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Financial assets designated at fair value			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Financial assets available for sale			
Residual Maturity <=1 Year	45	-	-
Residual Maturity >1 Year	-	43	-
Loans and advances to credit institutions			
Residual Maturity <=1 Year	56	-	-
Residual Maturity >1 Year	-	-	-
Loans and advances to Clients			
Residual Maturity <=1 Year			
< 30 Days Past Due	83	-	-
> 30 Days Past Due	1	-	-
Residual Maturity >1 Year			
< 30 Days Past Due	-	278	75
> 30 Days Past Due	-	3	0
Financial assets held to maturity			
Residual Maturity <=1 Year	-	-	-
Residual Maturity >1 Year	-	-	-
Assets with repurchase agreement	-	-	-
Hedging derivatives	-	-	-
Investment properties	-	-	-
Non-current assets held for sale	-	-	-
Other tangible assets	16	-	-
Intangible assets	1	-	-
Investments in associated companies and jointly controlled entities	-	-	-
Current tax assets	0	-	-
Deferred tax assets	0	-	-
Other assets	3	-	-
On-Balance Sheet Exposure at Risk	**395**	**325**	**76**
Unused portions of irrevocable commitments			
Original Maturity <= 1 Year	-	-	-
Original Maturity > 1 Year	-	-	-
Unused portions of revocable commitments	46	8	2
Short-term self-liquidating trade related contingencies			
Commercial letters of credit	1	0	-
Bid Guarantees	0	0	-
Other	8	0	0
Direct Credit Substitutes			
Guarantees of payment	18	1	-
Standby letters of credit	-	-	-
Other Off-Balance Sheet Exposures	-	-	-
Off-Balance Sheet Exposure at Risk	**20**	**2**	**0**

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

As defined in Article 2 of the Regulation on Credit Risk Management, past due loans are defined as loans classified worse than “standard” category (”watch”, “substandard”, “doubtful” and “loss”).

The “watch” category is for exposures that demonstrate weaknesses or potential weaknesses that, at the time of review, do not necessarily jeopardise the repayment of the loan or reflect any potential for loss, but which, if not addressed or corrected, could result in the deterioration of the loan into a “substandard” or more severe classification. Typically, the “watch” category includes exposures that are overdue by 31 – 60 days or those whereby 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

In line with the CBK’s regulation on “Credit Risk Management”, the bank divides its loan portfolio into:

- collectively assessed loans
- 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 tables show (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 EURm	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	1	1
Industry, manufacturing, energy and construction	3	2	2	2	1
Trade	8	5	6	4	3
Financial and insurance services	0	0	0	0	0
Other services	6	4	4	4	2
Total 2016	**20**	**14**	**14**	**11**	**7**

in EURm	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)**

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 EUR m	Specific provisions	General provisions	Total
Carrying amount as at 1 January 2016	18	3	21
Additions	8	9	17
Utilisation	8	-	8
Releases	5	1	6
Transfers	-	-	-
Unw inding effects	-	-	-
Exchange rate adjustments	-	-	-
Carrying amount as at 31 December 2016	14	11	24

in EUR m	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	-	-	-
Unw inding effects	-	-	-
Exchange rate adjustments	-	-	-
Carrying amount as at 31 December 2015	18	3	21

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

	Increase of risk provisioning		Release of risk provisioning		Direct write-offs	Recoveries of write-offs	Total
in EUR m	Specific provisions	General provisions	Specific provisions	General provisions			
Total 2016	8	9	5	1	0	4	7
Total 2015	9	1	8	3	1	6	(6)

ProCredit Bank reported an expense of EUR 7.2 million to the CBK for year-end 2016.

Article 450 CRR

Remuneration policy

The Board of Directors (BoD) reviews the remuneration of risk-relevant employees. The BoD consists of: Borislav Kostadinov (chairman), Helen Alexander, Jordan Damchevski, Rainer Ottenstein, Luan 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).

31.12.2016	Fixed remuneration	Variable remuneration				Number of beneficiaries
in '000 EUR		Cash	Shares	Share-linked instruments	Other types	
Management body	272	-	-	-	-	8
Other "risk takers"	716	-	-	-	-	29

The following remuneration components were not applicable for the bank in 2016: 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

In line with the Kosovan Regulation on Bank Capital Adequacy, the leverage ratio is calculated as the ratio of Total Equity to Total Assets:

Description	31-Dec-16	31-Dec-15
Ratio of Total Equity to Total Assets (%)	11.1%	12.4%

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 (no risk deduction is applied for credit exposures in the same currency as that of the cash collateral. This is applicable in almost all credit exposures, though they are in the same currency as the cash collateral with which they are covered).

Policies and processes for collateral valuation and management:

The bank organises its collateral valuation process in line with the requirements of the CBK's regulation on the valuation of immovable properties, as well as its own internal collateral valuation policy. The valuation of movable collateral is not regulated by the CBK.

The local regulatory requirements for immovable properties are incorporated into the policy, which sets minimum requirements for the valuation of items that are pledged as collateral for the bank's credit exposures, and which defines market value as the basis of valuation. Market value is "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.

As a general principle, all collateral valuations, regardless of the value of the individual item and the size of the credit exposure, are performed by a professional external appraiser and revised internally, in order to ensure that the required valuation standards are duly adhered to. Professional external appraisers are specialised companies with employees who have the necessary expertise and who are accredited/licensed to appraise collateral. In addition, the bank has two Collateral Valuation Specialists (CVSs), who are staff members of the Credit Risk Department and who specialise in collateral valuation and who are also licensed to evaluate immovable properties. CVSs are responsible for reviewing external appraisals and determining the value that the bank will accept for said collateral.

The collateral value is calculated by reducing the market value by a deduction rate, 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 higher deduction rate, if deemed appropriate.

In general, the valuation of collateral is based on reference prices from various sources and the application of an appropriate methodology, as required by the collateral valuation policy and valuation standards. The evaluation of real estate is based on various sources, such as transaction prices (contracts), information on websites, publications, real estate agencies, etc., as well as by applying the cost, sales comparison and income approaches. The value is estimated with at least two of these three methods, and the lowest resulting value is reported as the market value of the property. The valuation of movable items is typically estimated using the sales comparison approach.

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

In general, in compliance with the internal collateral valuation 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 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 financial institutions' guarantees.

The creditworthiness of certain guarantee funds (local or international) are assured by an assessment made by the CBK (formal confirmation needed if it is to be used as a risk mitigation tool). In addition, the bank performs an internal assessment of eligible criteria according to CRR requirements and reports this to the Holding.

The bank does not make use of derivative instruments.

31.12.2016 in EUR m	**Financial collateral**	**Other eligible collateral**	**Guarantees**	**Credit derivatives**
Loans and advances to Clients				
Residual Maturity <=1 Year	2	19	75	-
< 30 Days Past Due	2	19	75	-
> 30 Days Past Due	-	0	1	-
Residual Maturity >1 Year	2	67	285	-
< 30 Days Past Due	2	65	283	-
> 30 Days Past Due	0	1	2	-
Total	**4**	**86**	**360**	**-**

31.12.2015 in EUR m	**Financial collateral**	**Other eligible collateral**	**Guarantees**	**Credit derivatives**
Loans and advances to Clients				
Residual Maturity <=1 Year	2	19	63	-
< 30 Days Past Due	2	19	63	-
> 30 Days Past Due	0	0	1	-
Residual Maturity >1 Year	3	65	289	-
< 30 Days Past Due	3	64	286	-
> 30 Days Past Due	0	1	3	-
Total	**5**	**84**	**352**	**-**

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".