



ProCredit
H O L D I N G

DISCLOSURE REPORT 2019

ProCredit Holding AG & Co. KGaA



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1 Introduction

The ProCredit financial holding group (ProCredit group or the group) comprises development-oriented commercial banks in South Eastern and Eastern Europe and in South America, and a bank in Germany. The business model focuses on small and medium enterprises (SMEs) and on the core activities comprising classical banking.

Through our business activities we aim to make a contribution to economic, social and ecological development while providing a sustainable return on investment for our shareholders. In this respect, we see good potential in the countries where we operate. Our business strategy is based on long-term relationships with our clients and staff as well as a conservative approach to risk. The group does not engage in speculative lines of business.

In the countries where we operate, we aim to play a leading role as the "Hausbank" for our clients. They typically require financing in amounts ranging between EUR 50,000 and EUR 3 million. As specialists in financing SMEs, we are an equal partner for such businesses and we understand their needs and the special challenges they face. This means much more than just disbursing loans. We offer the full range of banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, through our group of banks we offer them efficient and attractive solutions for trade finance business and international payments.

We focus on innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to make a contribution to creating jobs, enhancing capacity for innovation, and encouraging investments in ecological projects. We also place an emphasis on expanding our green loan portfolio and promoting local production, especially in agriculture.

Given the current developments with regard to the spread of COVID-19, the focus in 2020 will be on the security of employees and customers, proactive risk management and customer support. We are confident that the strategic initiatives in the last years, the proactive risk management and the high qualification of our staff form a good and stable foundation for meeting the challenges that lie ahead.

In addition to serving SMEs, the ProCredit group also pursues a direct banking strategy for private clients, particularly the growing middle class. Our comprehensive, integrated account service offer forms the foundation for long-term client relationships. We provide our clients with the possibility to perform all of their banking business through online and mobile channels. Common banking services are covered by a standardised monthly fee. In addition, our clients have direct access to various savings and financing options. With our account service offer, we aim to stand out from other providers in terms of simplicity, convenience, security and pricing transparency.

Our services are based around the use of innovative service channels, with almost all client transactions being performed in an automated manner. We combine the intelligent application of technology with comprehensive quality of advice. Our user-friendly online banking and mobile banking options are at the centre of this approach. In addition, our outlets are equipped with 24-hour self-service areas. Our clients have access to personalised advice in our branches and via telephone.

The superordinated company of the group is ProCredit Holding AG & Co. KGaA (ProCredit Holding), based in Frankfurt am Main, Germany. The ProCredit group is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, or BaFin) and the Deutsche Bundesbank. ProCredit Holding is responsible for the strategic management, capital adequacy, reporting, risk management and proper business organisation of the group pursuant to Section 25a of the German Banking Act (KWG). The ProCredit Holding shares are traded on the Prime Standard segment of the Frankfurt Stock Exchange.

With this disclosure report, ProCredit Holding complies with the disclosure requirements for the ProCredit group as of 31 December 2019, particularly as set forth in Part Eight, Articles 431–455 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). Disclosures in this report are carried out at group level. The information is based on the audited financial statements of the individual ProCredit institutions and the audited consolidated financial statements of the ProCredit group as reported in the 2019 Annual Report. The disclosure report has been approved by the Management of ProCredit Holding.

The disclosed information is subject to the materiality principle set forth in Article 432 CRR. Legally protected or confidential information is generally excepted from disclosure. The disclosure report of the ProCredit group is compiled on the basis of completeness and on the basis of our internal policies, regulations and procedures that are set out in writing for the fulfilment of disclosure requirements. One fundamental aspect in this context is the regular review of the suitability of disclosure practices. This review also applies to the frequency of disclosure in accordance with Article 433 CRR. This report also contains disclosures on remuneration in accordance with Article 450 CRR. Article 441 CRR is not relevant for the ProCredit group, as it is not classified as being of global systemic importance.

As a supplement to this disclosure report, information on the ProCredit group is available in ProCredit Holding's 2019 Annual Report, which is published on the website. Disclosures on significant subsidiaries pursuant to Article 13 CRR are no longer made, due to changed regulatory requirements. Information on country-specific disclosure pursuant to Section 26a KWG is available in ProCredit Holding's Annual Report for 2019.

This report contains summed figures and percent calculations that may, due to rounding, contain minor deviations.

2 Scope of consolidation

This disclosure report is prepared on the basis of the companies in the ProCredit group which have been consolidated for regulatory purposes; in accordance with Section 10a KWG in conjunction with Article 18 CRR, this includes only institutions carrying out banking and other financial business. In contrast to the scope of consolidation for regulatory purposes, the companies consolidated under IFRS comprise all the companies over which the parent company can exercise a controlling influence.

The subsidiaries of ProCredit Holding and their regulatory treatment as well as their treatment in the consolidation under IFRS are listed in the following consolidation matrix as of 31 December 2019. There are no entities which are proportionally consolidated.

Scope of consolidation

Company name and location	Regulatory treatment			Full consolidation according to IFRS
	Full consolidation according to Art. 18 CRR	Exclusion according to Art. 19 CRR	Risk-weighted equity investments	
Financial holding company				
ProCredit Holding AG Et Co. KGaA, Germany	x			x
Credit institutions				
ProCredit Bank Sh.a., Albania	x			x
ProCredit Bank d.d., Bosnia and Herzegovina	x			x
ProCredit Bank (Bulgaria) EAD, Bulgaria	x			x
Banco ProCredit S.A., Ecuador	x			x
JSC ProCredit Bank, Georgia	x			x
ProCredit Bank AG, Germany	x			x
ProCredit Bank Sh.a., Kosovo	x			x
BC ProCredit Bank S.A., Moldova	x			x
ProCredit Bank A.D., North Macedonia	x			x
ProCredit Bank S.A., Romania	x			x
ProCredit Bank a.d. Beograd, Serbia	x			x
JSC ProCredit Bank, Ukraine	x			x
Ancillary services undertakings				
Quipu GmbH, Germany	x			x
ProCredit Reporting DOOEL, North Macedonia		x	x	
Other				
ProCredit Academy GmbH, Germany			x	x
ProCredit Regional Academy Eastern Europe, North Macedonia			x	x
Pro Energy L.L.C., Kosovo		x	x	

For the ProCredit group there are few distinctions between the scope of consolidation for regulatory purposes and the scope of consolidation applied for group accounting purposes. The ProCredit academies in Germany and North Macedonia are not included in the scope of consolidation for regulatory purposes, as they do not provide any financial services or ancillary services. The ProCredit group established the academies to provide training for management staff from the ProCredit banks.

ProCredit Reporting DOOEL, located in North Macedonia, and Pro Energy L.L.C. in Kosovo are neither considered in the scope of consolidation for regulatory purposes nor in the consolidation under IFRS. Both do not reach the size criteria set forth in Article 19 (1) CRR.

ProCredit Reporting DOOEL provides reporting and controlling services exclusively for ProCredit Holding and the ProCredit bank in Germany. Pro Energy L.L.C. will operate a photovoltaic farm and will be active in the production, trade and distribution of renewable energy in the future.

Due to their structure, the special purpose vehicles (SPVs) established in the framework of securitisation transactions were consolidated according to IFRS and also for regulatory purposes. There is currently only one SPV (PC Finance II B.V.), which is in the process of dissolution. Due to its small remaining size, this company is no longer within the scope of consolidation. The ProCredit group has only taken part in securitisation schemes as originator, and neither plans to invest in securitised assets of third parties, nor to engage in securitisation schemes in any other role but originator. Furthermore, the ProCredit group is not involved in re-securitisations.

The ProCredit bank in Colombia, Banco ProCredit Colombia S.A., and the financial institution in Mexico, Administración y Recuperación de Cartera Michoacán, were sold during the 2019 financial year. Unlike in the 2019 Annual Report, these institutions are not reported under discontinued operations in this disclosure report.

At year-end, there were no known material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among ProCredit Holding and its subsidiaries, in accordance with Article 436 (c) CRR. Dividend payments could be subject to certain restrictions in some countries where the ProCredit group operates, insofar as the regulatory authorities retain the right to approve of the dividend payout and may impose time constraints. In the course of 2019, the National Bank of Ukraine terminated the constraints which had been applicable for currency transactions and international transfers of dividend payments to foreign investors.

The ProCredit group makes no use of the option to derogate from the application of prudential requirements on an individual basis pursuant to Article 7 CRR.

3 Risk management

An informed and transparent approach to risk management is a central component of our socially responsible business model. This is also reflected in our risk culture and our risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view. The principles of risk management and the risk strategy of the ProCredit group have not changed significantly compared to the previous year. The overall risk profile of the group is adequate and stable. This is based on an overall assessment of the individual risks, as they are presented i.a. in this report.

3.1 Risk strategy

In accordance with our simple, transparent and sustainable business strategy, our risk strategy is a conservative one. By following a consistent group-wide approach to managing risks, the aim is to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate at all times, as well as to achieve steady results.

While the business strategy lists the objectives of the group for all material business activities and regions of operation and presents measures to be taken to achieve them, the group risk strategy addresses the material risks arising from the implementation of the business strategy and defines the objectives and measures of risk management. The risk strategy is broken down into strategies for all material risks in the group. Both the risk strategy and business strategy are updated each year and approved by the Management of ProCredit Holding following discussions with the Supervisory Board.

The principles of our business activity, as listed below, provide the foundation for our risk management. The consistent application of these principles significantly reduces the risks to which the group is exposed.

i. Focus on core business

The ProCredit institutions focus on the provision of financial services to small and medium-sized businesses as well as to private clients. Accordingly, income is generated primarily in the form of interest income on customer loans and fee income from account operations and payments. All of the banks' other operations are performed mainly in support of the core business. ProCredit banks therefore assume mainly credit risk, interest rate risk and liquidity risk in the course of their day-to-day operations. At group level, foreign currency risk is furthermore relevant due to the investments made by ProCredit Holding in the equity capital of its subsidiaries. At the same time, ProCredit avoids or strictly limits all other risks involved in banking operations.

ii. High degree of transparency, simplicity and diversification

ProCredit's focus on small and medium-sized businesses entails a very high degree of diversification in both customer loans and customer deposits. Geographically, this diversification spans regions and countries, comprising urban and rural areas within countries. In terms of client groups, this diversification spans economic sectors, client groups (SMEs and private clients) and income groups. The diversification of the loan portfolio is an integral part of the group's credit risk management policy. A further characteristic of our approach is that we seek to provide our clients with simple, easily understandable services. This leads to a high degree of transparency not only for the respective client, but also from a risk management point of view. Both the high degree of diversification and our simple, transparent services and processes result in a significant reduction of the group's risk profile.

iii. Careful staff selection and intensive training

Responsible banking is characterised by long-term relationships not only with clients, but also with staff. This is why we select our staff very carefully and have invested heavily in staff training over many years. Our intensive training efforts not only produce a high level of professional competence, but also and above all, they promote an open and transparent communication culture. From a risk perspective, well-trained employees who are accustomed to thinking critically and voicing their opinions openly are an important factor for managing and reducing risk, specifically operational risk and fraud risk.

Key elements of risk management

Risk management comprises identifying, quantifying, managing, monitoring, controlling and reporting risks. In managing risks, the ProCredit group takes account of the "Minimum Requirements for Risk Management" (MaRisk), of relevant publications by national and international regulatory authorities and of our knowledge of the markets acquired over many years. The mechanisms designed to hedge and mitigate risks are monitored regularly to ensure their appropriateness and effectiveness, and the procedures and methods used to manage risks are subject to ongoing further development. The key elements of risk management in the ProCredit group are presented below.

- The risk strategy addresses all of the material risks in the group arising from the implementation of the business strategy and defines the objectives and measures of risk management.
- All risks assumed are managed to always ensure an adequate level of capital of the group and all ProCredit institutions, in both the normative and economic perspective, as well as adequate liquidity levels at all times.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- All ProCredit institutions apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and establish minimum requirements for managing, monitoring and reporting.
- Monitoring and control of risks and possible risk concentrations is carried out using comprehensive analysis tools for all material risks.
- Early warning indicators (reporting triggers) and limits are set and monitored for all material risks. The effectiveness of the chosen measures, limits and methods is continuously monitored and controlled.
- Regular stress tests are performed for all material risks; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad-hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Suitable processes and procedures for an effective internal control system have been established. This is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front-office functions.
- All new or significantly changed products/services, business processes, instruments, IT systems or organisational structures undergo a thorough analysis (New Risk Approval process) before being implemented or used for the first time. This also applies to activities in new markets and via new distribution channels. This ensures that new risks are assessed and all necessary preparations and tests are completed prior to introduction.

These key elements of risk management in the ProCredit group are based on the regulatory requirements, on the substantial knowledge we have acquired over the past 20 years in our markets, and on a precise understanding of both our clients and the risks we assume.

3.2 Organisation of risk management and risk reporting

Risk management in the ProCredit group is the overall responsibility of the Management of ProCredit Holding, which defines the guidelines for risk management and regularly analyses the risk profile of the group and decides on appropriate measures. Ms Sandrine Massiani bears particular responsibility for risk management. She also heads the Risk Control Function in accordance with MaRisk. The Compliance Function, which ensures the implementation of legal regulations and requirements and avoids the risks associated with non-compliance, and Internal Audit Function report directly to the Management.

Risk management at group level is supported conceptually and implemented operationally by risk management and finance functions. Various committees support and advise the Management of ProCredit Holding:

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and capitalisation at the level of individual institutions and the group.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, coordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.
- The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus ensuring implementation of legal requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.
- The Group Internal Audit Committee focuses on annual internal audit plans at the level of individual banks and ProCredit Holding, and on monitoring the timely implementation of measures to resolve the findings of internal and external auditors. Moreover, this body aims to achieve ongoing improvement in the Internal Audit Policy.

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

Group Audit is an independent functional area within ProCredit Holding. It provides support in determining what constitutes appropriate risk management and an appropriate internal control system within the group. Additionally, each ProCredit bank has an internal audit department. Once per year, this department carries out risk assessments of all of the bank's activities in order to arrive at a risk-based annual audit plan. Each internal audit department reports to an audit committee. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance.

The Management at each ProCredit bank bears responsibility for risk management within their institution. All ProCredit banks have, as a minimum, risk management departments, a risk management committee and an ALCO, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the respective institution.

At the individual bank level, risk positions are analysed, discussed intensively and documented in standardised reports. The risk departments of each bank reports regularly to ProCredit Holding, and the respective supervisory board is informed on at least a quarterly basis about all risk-relevant developments.

Each month ProCredit Holding prepares an aggregate risk report, with the Supervisory Board also receiving reports on a quarterly basis. A quarterly report on stress testing is also prepared. Monitoring of both the individual banks' risk situation and the group's overall risk profile is carried out through a review of these reports and of additional information generated by individual banks and at group level. If necessary, additional topic-specific ad-hoc reporting occurs. The aim is to achieve transparency on the material risks and to be aware at an early stage if potential problems might be arising.

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

3.3 Risk statement and risk profile

The risk management processes of the ProCredit group have been designed in a suitable manner considering the nature, scale, complexity and riskiness of the business activities as well as the business strategy and the risk strategy of the group. MaRisk and relevant publications of national and international regulatory authorities are taken into account at all times during this process.

The group-wide processes for risk management take account of all material risks defined in the risk inventory; these processes were found to be appropriate and approved by the Management of ProCredit Holding, and are subject to ongoing further development. As the business strategy of the ProCredit group focuses on SMEs, the credit risk associated with serving this client group constitutes the material item in the group's risk profile.

A comprehensive set of early warning indicators (reporting triggers) and limits is used to measure, manage and limit risks at the group level and at the level of each individual bank. The limit system is the operational counterpart of the principles established in the risk policies, and it represents the risk tolerance level (risk appetite) defined by the Management. In addition to the limits for specific types of risk, e.g. limits for each borrower, limits for all material risks are also set in the framework of calculating the adequacy of capitalisation. Ongoing monitoring is performed in order to identify potential concentrations within risk categories or between risk types; if necessary, decisions are taken on measures to reduce any risk concentrations.

Key risk indicators, which provide a comprehensive overview of the risk profile of the group, are presented in the individual sections of the disclosure report on the material risks and in the explanations regarding capital adequacy. Due to the worldwide spread of COVID-19, global economic growth may be severely reduced. In view of the current uncertainty, it is not possible to quantify the impact; these effects are not taken into account in the following presentation of risks.

4 Management body

4.1 Composition

ProCredit Holding AG & Co. KGaA, the superordinated company of the ProCredit group, has the legal form of a partnership limited by shares. ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG. The Management Board of the general partner is responsible for managing ProCredit Holding in accordance with the requirements established in the law, in the Articles of Association and in the internal rules of procedure for ProCredit General Partner AG, as defined by its Supervisory Board.

The management body of ProCredit Holding at the end of 2019 comprised the two members of the Management¹ and the six members of the Supervisory Board.

The members of the Supervisory Board devote sufficient time to their duties. On the basis of the limited size of the Supervisory Board, the simple balance sheet structure of the group, its transparent risk profile and a remuneration structure which largely avoids variable remuneration elements, the Supervisory Board decided against the formation of committees. All Supervisory Board duties are performed by the Supervisory Board members themselves. Four in-person meetings of the Supervisory Board were held in the 2019 financial year.

4.2 Number of management or supervisory positions held by members of the management body

As a general rule, the members of the Management of ProCredit Holding do not hold supervisory or management positions outside of the group.²

The tables below indicate the number of positions held by the Management³ and Supervisory Board, including their positions at ProCredit Holding.⁴

1 Mr Borislav Kostadinov's role as a member of the Management Board of the general partner of ProCredit Holding ended on 15 September 2019. The Management had thus consisted of three members until mid-September 2019.

2 Ms Sandrine Massiani also fulfils management member tasks of a group-external company, albeit only mandatory, non-time-consuming duties.

3 Ms Sandrine Massiani is, in addition to her position as manager of ProCredit Holding, manager of ProCredit Reporting DOOEL, domiciled in North Macedonia.

4 The members of the Supervisory Board of the general partner, ProCredit General Partner AG, are the same as for the Supervisory Board of ProCredit Holding AG & Co. KGaA. As a general rule, the Supervisory Board of ProCredit General Partner AG meets immediately before the meeting of the Supervisory Board of ProCredit Holding AG & Co. KGaA. The positions at ProCredit Holding AG & Co. KGaA and ProCredit General Partner AG are presented together in the tables.

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

31.12.2019	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Sandrine Massiani	2	5	-
Dr Gabriel Schor	1	3	-

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

31.12.2019	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Claus-Peter Zeitinger (Chairman)	-	3	-
Christian Krämer (Deputy Chairman)	2	2	-
Marianne Loner	-	2	4
Rainer Ottenstein	-	7	-
Petar Slavov	-	2	-
Jasper Snoek	2	1	-

4.3 Strategy for selecting the members of the management body

The managers are carefully selected by the Supervisory Board of the general partner, ProCredit General Partner AG. Managers of ProCredit Holding must be professionally and personally suitable and reliable, adhering to the requirements set forth in Section 25c KWG. The managers have both theoretical and practical experience in the business areas which are relevant for the ProCredit group and in all bank management functions, and they possess management experience. Information about the professional experience of the members of the Management is presented on the ProCredit Holding website.

The members of the Supervisory Board are appointed by the Annual General Meeting, with consideration given to the balanced and comprehensive knowledge, skills and experience of all Supervisory Board members and taking account for the requirements established in Section 25d KWG. The aim is to establish a reliable Supervisory Board, thus ensuring that the Management is subject to qualified controls and receives qualified advice from the Supervisory Board. The Supervisory Board is constituted in such a way that all of its members together possess the knowledge, skills and professional experience necessary for the proper performance of its duties. For each aspect of the Supervisory Board's function, at least one member possesses the relevant experience, thereby ensuring that the knowledge and experience of the Supervisory Board as a whole is complete.

The members of the Supervisory Board are/were active for many years in the areas that are material for the ProCredit group and possess relevant experience in the respective markets. They are/were engaged in management activities in various institutions in finance and possess relevant knowledge in the areas of risk management, accounting, auditing, internal auditing, compliance and SME business. Information about the professional experience of the members of the Supervisory Board is presented on the ProCredit Holding website.

In the process for selecting the members of the Management and of the Supervisory Board, the aim is to ensure an appropriate degree of diversity. As a result, both bodies comprise individuals representing diverse nationalities, professional and educational (university) backgrounds. The Supervisory Board established its goal of including at least one woman as a member of the Supervisory Board in the event that the Management has one or fewer women among its members. In the 2019 financial year, the Supervisory Board and the Management each had a woman among its members. Furthermore, the Management has established a 25% gender quota for the first two organisational levels below the Management. Moreover, the general rule for the maximum permissible age of Supervisory Board members is set at 75. Both of these requirements have also been met.

4.4 Flow of information concerning risk

The Management is provided with regular daily, monthly and quarterly risk reports in a timely manner after the respective reporting date. Furthermore, escalation mechanisms and ad-hoc reporting are implemented in the event of new risks, non-compliance with existing limits or, for known risks, in case of a significant increase in the probability of occurrence or the loss amount.

The Management of ProCredit Holding works closely together with the Supervisory Board to achieve the goals of the company. The Management reports to the Supervisory Board in a regular, timely and complete manner concerning all matters which are of particular significance for the group (including for individual ProCredit banks). This includes all relevant issues in regard to planning, business development, the risk situation, risk management and compliance. Information which is of material importance from a risk point of view is provided without delay to the Supervisory Board, independent of the regular quarterly reports on the risk situation. The Management determines the strategic orientation of the company in consultation with the Supervisory Board and discusses with the Supervisory Board at regular intervals regarding the implementation status of the strategy. If necessary, deviations of the course of business from established plans and targets are explained and reasons are provided. The Supervisory Board must be informed of any changes in the management of risk control function, in the internal audit function or in the compliance officer position.

5 Capital adequacy

5.1 Capital management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may at any time incur greater risks than they are able to bear. To ensure adequate capitalisation, the group applies both the normative and economic perspective. BaFin and Deutsche Bundesbank published their revised expectations for ensuring adequate capitalisation (ICAAP) in May 2018; these were fully implemented by the group in the 2019 financial year.

Our capital management framework has the following objectives:

- Compliance with regulatory and supervisory capital requirements (normative perspective)
- Ensuring adequate capitalisation in the economic perspective
- Compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure the group's capacity to act
- Support for the banks and for the group in implementing their plans for sustainable growth

Capital adequacy is monitored using different indicators, for which early warning indicators and limits have been established. In the framework of monitoring the risk profile and capital adequacy in the normative perspective, the material components of integrated performance and risk management of the ProCredit group include capital ratios, the leverage ratio and utilisation of the large exposure limits. The Group Risk Management Committee is informed monthly about the development of capitalisation and also receives indicator forecasts for the subsequent four quarters. On the basis of this information, early measures can be taken, if necessary, to manage risks.

Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College pursuant to Section 8a KWG, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities.

Methods for the calculation of capital adequacy vary between countries, but most jurisdictions where the ProCredit group operates base their calculation methods on the recommendations of the Basel Committee on Banking Supervision. Compliance with supervisory requirements is monitored for each ProCredit institution on the basis of the respective national requirements, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation. The indicators for each individual ProCredit bank include, in addition to regulatory standards in each country, a capital adequacy calculation in accordance with CRR requirements, a Tier 1 leverage ratio in accordance with CRR and a calculation of capitalisation in the economic perspective.

5.2 Structure of own funds

Own funds are calculated on the basis of CRR and KWG. A detailed presentation of the composition of own funds of the ProCredit group as of 31 December 2019 is provided in the table below.

Structure of own funds

		Amount 31.12.2019 in EUR m	Regulation (EU) No. 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and provisions			
1	Capital instruments and the related share premium accounts	441	26 (1), 27, 28, 29
	of which: subscribed capital (shares)	294	EBA list 26 (3)
2	Retained earnings	351	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	-56	26 (1)
3a	Funds for general banking risk	-	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	2	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	28	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	766	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	0	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-23	36 (1) (b), 37
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42
17	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) und (3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) bis (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 bis 91
20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)
<i>continued next page</i>			

		Amount 31.12.2019 in EUR m	Regulation (EU) No. 575/2013 Article Reference
<i>continued</i>			
21	Deferred tax assets that rely on future profitability and arise from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b)
25	of which: deferred tax assets arising from temporary differences	-	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-24	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	742	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	51, 52
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86
35	of which: instruments issued by subsidiaries subject to phase out	-	486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	Sum of rows 37 to 42
44	Additional Tier 1 (AT1) capital	-	Row 36 minus 43
45	Tier 1 capital (T1 = CET1 + AT1)	742	Sum of rows 29 and 44
Tier 2 (T2) capital: instruments and reserves			
46	Capital instruments and the related share premium accounts	84	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)
<i>continued next page</i>			

		Amount 31.12.2019 in EUR m	Regulation (EU) No. 575/2013 Article Reference
<i>continued</i>			
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	87, 88
49	of which: instruments issued by subsidiaries subject to phase out	-	486 (4)
50	Credit risk adjustments	-	62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustments	84	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79
57	Total regulatory adjustments to Tier 2 (T2) capital	-	Sum of rows 52 to 56
58	Tier 2 (T2) capital	84	Row 51 minus row 57
59	Total capital (TC = T1 + T2)	826	Sum of row 45 and row 58
60	Total risk-weighted assets	5,252	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.1%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	14.1%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	15.7%	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.1%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.1%	
67	of which: systemic risk buffer requirement	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.6%	CRD 128
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (i), 45, 48
75	Deferred tax assets that rely on future profitability and arise from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62
<i>continued next page</i>			

		Amount 31.12.2019 in EUR m	Regulation (EU) No. 575/2013 Article Reference
<i>continued</i>			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan. 2014 and 1 Jan. 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)

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

As of 31 December 2019, the Common Equity Tier 1 of the ProCredit group amounted to EUR 742 million. The CET1 capital of the ProCredit group is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, deferred tax assets which are conditional on future profitability and do not result from temporary differences, and additional valuation adjustments for fair-valued positions.

Compared to the previous year, the Common Equity Tier 1 of the ProCredit group increased by EUR 64 million. This is partly due to the positive development of the translation reserve, but mainly to the reinvestment of profits. The Common Equity Tier 1 capital reported as of 31 December 2019 includes interim profits as of 30 September 2019, less foreseeable charges and dividends. The full impact of IFRS 9 has been recognised in the CET1 capital of the group. The respective transitional arrangements are not applied.

The ProCredit group issued no AT1 instruments. Therefore, as of 31 December 2019 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 84 million is recognised as Tier 2 capital. This item consists of subordinated liabilities acquired since 2014 which, in the event of insolvency or liquidation, are not repaid until all non-subordinated creditors have been satisfied. Tier 2 capital decreased by EUR 46 million compared with the previous year, mainly due to the early repayment of subordinated loans. No new subordinated debt instruments were issued in 2019.

The CET1 and T2 instruments in the ProCredit group are presented in the annex to this disclosure report.

5.3 Reconciliation of the components of regulatory own funds and the consolidated balance sheet

The following tables present the reconciliation of the consolidated balance sheet according to IFRS and the balance sheet for regulatory purposes. This includes a full reconciliation of CET1, AT1 and T2 items, as well as filters and deductions applied to own funds, and the balance sheet contained in the audited consolidated financial statements.

Reconciliation of consolidated financial statements according to IFRS with balance sheet for regulatory purposes

31.12.2019 in EUR m	Consolidated balance sheet according to consolidated financial statements	Deconsolidation of subsidiaries	Consolidated balance sheet for regulatory purposes
Assets			
Cash and cash equivalents	143	0	143
Balances at central banks	939	-	939
Loans and advances to banks	321	0	321
Investment securities	378	-	378
Loans and advances to customers	4,691	8	4,699
Investments in subsidiaries, joint ventures and associates	0	2	2
Derivative financial assets	0	-	0
Property, plant and equipment and investment property	138	-10	128
Intangible assets	20	0	20
Current tax assets	5	0	5
Deferred tax assets	1	-	1
Other assets	61	0	61
Discontinued operations	0	-	0
Total assets	6,698	0	6,698
<i>continued next page</i>			

31.12.2019 in EUR m	Consolidated balance sheet according to consolidated financial statements	Deconsolidation of subsidiaries	Consolidated balance sheet for regulatory purposes
<i>continued</i>			
Liabilities			
Liabilities to banks	227	0	227
Liabilities to customers	4,333	0	4,333
Liabilities to international financial institutions	852	-	852
Derivative financial liabilities	2	-	2
Debt securities	344	-	344
Other liabilities	33	0	33
Provisions	12	0	12
Current tax liabilities	2	-	2
Deferred tax liabilities	1	-	1
Subordinated liabilities	87	-	87
Discontinued operations	-	-	-
Total liabilities	5,894	0	5,894
Equity			
Subscribed capital and capital reserve	441	-	441
Retained earnings*	405	0	405
Translation reserve	-56	0	-56
Revaluation reserve	2	-	2
Equity attributable to the equity holders of the parent company	793	0	793
Non-controlling interests	11	-	11
Total equity	803	0	804
Total equity and liabilities	6,698	0	6,698

* Retained earnings also include the legal reserves.

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

in EUR m	31.12.2019
Shareholders' equity reported on balance sheet	793
Deconsolidation of subsidiaries	0
Shareholders' equity in regulatory balance sheet	793
Profit ineligible for recognition*	-27
Non-controlling interests	11
Minority interests ineligible for recognition under transitional provisions	-9
Adjustments relating to unrealised gains pursuant to Article 68 CRR	-2
Common Equity Tier 1 (CET1) capital before regulatory adjustments	766
Additional value adjustments	0
Intangible assets**	-23
Tax assets which rely on future profitability and do not arise from temporary differences	0
Regulatory adjustments due to transitional provisions on intangible assets and on deferred tax assets that rely on profitability	-
Common Equity Tier 1 (CET1) capital	742
Hybrid capital instruments	
Reported on balance sheet	-
of which: accrued interest	-
Amount excluded from AT1 due to cap	-
Regulatory adjustments due to transitional provisions on intangible assets	-
Additional Tier 1 (AT1) capital	-
Tier 1 (T1) capital	742
Subordinated liabilities	
Reported on balance sheet	87
of which: accrued interest and deferred fees	-1
of which: non-grandfathered instruments	-
Amortisation according to Article 64 CRR	-3
Regulatory adjustments to balance sheet	-
Recognition of amount excluded from AT1 due to cap	-
Tier 2 capital	84
Total regulatory own funds	826

* As approved by the regulatory authorities, as of 31 December 2019 the interim profits as of 30 September 2019, less foreseeable charges and dividends, form part of the Common Equity Tier 1 capital.

** Deviations from the amount reported on the balance sheet arise due to static treatment.

5.4 Adequacy of own funds

This section presents the group's regulatory capital requirements and capital ratios.

Risk-weighted assets and capital requirements, by risk category

in EUR m	31.12.2019		31.12.2018	
	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	4,240	339	3,720	298
Exposures to central governments or central banks	498	40	325	26
Exposures to regional governments or local authorities	0	0	0	0
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	-	-	-	-
Exposures to international organisations	-	-	-	-
Exposures to institutions	13	1	10	1
Exposures to corporates	1,780	142	1,452	116
of which: SMEs subject to SME factor*	293	23	255	20
Exposures to institutions and corporates with a short-term credit assessment	85	7	78	6
Retail exposures	1,584	127	1,564	125
of which: SMEs subject to SME factor*	1,239	99	1,239	99
Exposures secured by mortgages on immovable property	-	-	-	-
Exposures in default	70	6	86	7
Exposures associated with particularly high risk	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-
Items representing securitisation positions	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	14	1	13	1
Equity exposures	9	1	8	1
Other items	187	15	186	15
Credit Valuation Adjustment (CVA) risk	1	0	1	0
Market risk (foreign currency risk)	574	46	511	41
Operational risk	436	35	467	37
Total	5,252	420	4,700	376

*Amount of risk-weighted exposure after application of SME factor

For determining the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes.

As the ProCredit group consists exclusively of non-trading book institutions, which moreover do not engage in transactions involving commodities, foreign currency risk is the only market risk to be considered. The respective amount to be recognised at group level is determined using the aggregation method. Foreign currency risk at group level arises primarily as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. However, the effects of exchange rate fluctuations on the capital ratios of individual institutions or of the group as a whole are limited, as changes in equity are partially offset by corresponding changes in risk-weighted assets.

The ProCredit group applies the standardised approach to quantify operational risk. Compared to the regulatory capital requirements for operational risk, which amount to EUR 35 million, the average annual net loss according to data recorded in the Risk Event Database for the last three years amounted to about EUR 1 million.

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

The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the CET1 capital ratio, only those capital components qualifying as CET1 capital are taken into account; for the calculation of the Tier 1 capital ratio, CET1 and AT1 capital are considered; for the calculation of the total capital ratio all regulatory capital components are considered.

The group's regulatory capital ratios are shown in the table below.

Regulatory capital ratios

in EUR m	31.12.2019	31.12.2018
Common Equity Tier 1 capital	742	678
Additional Tier 1 capital	-	-
Tier 2 capital	84	130
Own funds	826	808
Credit risk	4,240	3,720
CVA risk	1	1
Market risk (foreign currency risk)	574	511
Operational risk	436	467
Risk-weighted assets	5,252	4,700
Common Equity Tier 1 capital ratio	14.1%	14.4%
Tier 1 capital ratio	14.1%	14.4%
Total capital ratio	15.7%	17.2%

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6% for the Tier 1 capital ratio and 8% for the total capital ratio. The gradually introduced capital conservation buffer reached its full level of 2.5% in 2019. The institution-specific countercyclical capital buffer amounted to 0.1% as of 31 December 2019. This buffer will be addressed in detail in the following section. A capital add-on pursuant to the Supervisory Review and Evaluation Process (SREP) is set for the ProCredit group in relation to total capital. This add-on was reduced from 3.0% to 2.5% in 2019. Overall, this results in a minimum capital requirement of 8.5% for the CET1 capital ratio, 10.5% for the T1 capital ratio and 13.1% for the total capital ratio, taking into account the capital buffers. In February 2020, ProCredit Holding was informed by BaFin of a further reduction in the SREP capital add-on to 2.0%.

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

With a Common Equity Tier 1 capital ratio of 14.1%, a Tier 1 capital ratio of 14.1% and a total capital ratio of 15.7% as of 31 December 2019, the ProCredit group's ratios clearly exceed the current regulatory requirements.

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

5.5 Countercyclical capital buffer

The countercyclical buffer rate ranges from 0% to 2.5% and is set individually for each country by the responsible authority in the respective country, with consideration given to any country-specific recommendations of the macroprudential authorities. The individual countercyclical buffer for an institution is calculated as the weighted average of the capital buffers across all jurisdictions. The weighting is based on the geographical distribution of all credit exposures to the private sector. The Bulgarian National Bank established a countercyclical capital buffer of 0.5% as from 1 October 2019. As the responsible supervisory authority, BaFin set the countercyclical capital buffer for Germany to 0% for all of 2019. For all other countries where ProCredit is active, a 0% countercyclical capital buffer was applicable or no buffer was defined for 2019. The buffer requirement for the ProCredit group as of 31 December 2019 was EUR 4 million; therefore, the countercyclical capital buffer of 0.1% currently plays only a minor role.

The following table presents, as of 31 December 2019, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer and the institution-specific rate for the requirement.

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

31.12.2019 in EUR m	General credit exposures	Trading book exposure	Securitisation exposure	Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Sum of long and short position of trading book	Exposure value for SA	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
Breakdown by country									
Serbia	886	-	-	50	-	-	50	0.16	0.000
Bulgaria	843	-	-	42	-	-	42	0.15	0.005
Ukraine	629	-	-	39	-	-	39	0.12	-
Kosovo	532	-	-	32	-	-	32	0.10	-
Germany	466	-	-	20	-	-	20	0.09	0.000
North Macedonia	409	-	-	23	-	-	23	0.08	-
Georgia	367	-	-	21	-	-	21	0.07	0.000
Ecuador	324	-	-	19	-	-	19	0.06	-
Romania	292	-	-	16	-	-	16	0.05	0.000
Bosnia and Herzegovina	221	-	-	11	-	-	11	0.04	-
Albania	191	-	-	11	-	-	11	0.04	0.000
Moldova	132	-	-	6	-	-	6	0.02	0.000
Greece	102	-	-	5	-	-	5	0.02	0.000
United States of America	26	-	-	1	-	-	1	0.00	0.000
Belgium	10	-	-	0	-	-	0	0.00	0.000
Colombia	8	-	-	1	-	-	1	0.00	-
United Kingdom	2	-	-	0	-	-	0	0.00	0.010
Italy	1	-	-	0	-	-	0	0.00	0.000
Netherlands	1	-	-	0	-	-	0	0.00	0.000
Russia	1	-	-	0	-	-	0	0.00	0.000
Other	3	-	-	0	-	-	0	0.00	0.000
Total	5,446	-	-	298	-	-	298	1.00	

Amount of institution-specific countercyclical capital buffer

31.12.2019 in EUR m	
Total risk exposure amount	5,252
Institution-specific countercyclical buffer rate	0.07%
Institution-specific countercyclical buffer requirement	4

5.6 Leverage ratio

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. A binding minimum requirement for the leverage ratio has yet to take effect; it will be 3% as from June 2021. As of year-end 2019 the ProCredit group reported a very comfortable leverage ratio of 10.8%. This was a slight decrease compared to the previous year, which ended with a ratio of 11.0%. The total risk position for the ProCredit group increased in the course of 2019 by EUR 750 million. This development was due primarily to loan portfolio growth. The simultaneous rise in T1 capital by EUR 65 million had a milder proportional effect, with the result that the leverage ratio showed a small decline overall.

Leverage ratio common disclosure

31.12.2019 in EUR m		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6,682
2	(Asset amounts deducted in determining Tier 1 capital)	-23
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of rows 1 and 2)	6,658
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	5
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivatives exposures (sum of rows 4 to 10)	5
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-

continued next page

31.12.2019 in EUR m		CRR leverage ratio exposures
<i>continued</i>		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No. 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of rows 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	745
18	(Adjustments for conversion to credit equivalent amounts)	-523
19	Other off-balance sheet exposures (sum of rows 17 and 18)	222
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-
Capital and total exposure measure		
20	Tier 1 capital	742
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	6,886
Leverage ratio		
22	Leverage ratio	10.8%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) No. 575/2013	-

Summary reconciliation of accounting assets and leverage ratio exposures

31.12.2019 in EUR m		Applicable amount
1	Total assets as per published financial statements	6,698
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429 (13) of Regulation (EU) No. 575/2013)	-
4	Adjustments for derivative financial instruments	5
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	222
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	-
7	Other adjustments	-39
8	Leverage ratio total exposure measure	6,886

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

31.12.2019 in EUR m		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6,682
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	6,682
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,354
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0
EU-7	Institutions	53
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	2,687
EU-10	Corporates	2,008
EU-11	Exposures in default	62
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	517

5.7 Capitalisation in the economic perspective

Ensuring that the group as a whole and each individual bank maintains sufficient capitalisation in the economic perspective at all times is a key element of ProCredit's group-wide risk management and capital management processes. In the context of the economic perspective, the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is at all times sufficient. It is an ongoing process that raises group-wide awareness of our capital requirements and exposure to risks.

The methods we use to calculate the amount of economic capital required to cover the different risks the group is exposed to are based on statistical models, provided that appropriate models are available. The guiding principle for our assessment in the economic perspective is that the group is able to withstand strong shock scenarios.

When calculating the economic capital required to cover risk exposures we apply a one-year risk assessment horizon. The included material risks and the limits set for each risk reflect the specific risk profile of the group and are based on the annually conducted risk inventory.

The following risks are included in the calculation of the economic perspective for the group:

Material risk	Quantification/treatment
Credit risk, comprising: <ul style="list-style-type: none"> • customer credit risk • counterparty risk • country risk 	Portfolio model based on a Monte Carlo simulation (VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
Business risk	Analytical method (Business VaR)
Funding risk	Qualified expert assessment
Model risk	Qualified expert assessment

The group's risk-taking potential (RTP), defined as the consolidated group equity (net of intangibles, minority interests and deferred tax assets) plus ProCredit Holding's subordinated debt, amounted to EUR 858 million as of the end of December 2019. The Management set the Resources Available to Cover Risk (RAtCR) at an amount of EUR 745 million. This reflects the maximum acceptable risk amount for the ProCredit group; moreover, taking account for the conservative risk tolerance, it was set significantly below the group's RTP in order to ensure the existence of a sufficient security buffer. The increase in RTP and RAtCR is mainly attributable to the higher level of consolidated own funds due to profit for the period, less early repayments of subordinated debt. The economic capital required to cover the risks is compared with the internal capital available for each risk and for covering all risks.

The table below shows the distribution of RAtCR among the different risks and the limit utilisation as of end-December 2019. Compared to the previous year, there were no significant changes to the risk models. In the standard scenario, which in the economic perspective is calculated with a 99.9% confidence level, the ProCredit group needs 77.9% of its RAtCR and 67.7% of its RTP to cover its risk profile.

Capitalisation in the economic perspective

31.12.2019	Limit in EUR m	Limit utilisation in EUR m	Limit utilisation in %
Credit risk	385	306	79.6
Interest rate risk	97	71	73.3
Foreign currency risk	155	121	78.0
Operational risk	27	19	70.6
Business risk	28	20	70.4
Funding risk	9	6	70.8
Model risk	44	37	N/A
Total 2019	745	581	77.9
Total 2018	720	467	64.9

Stress tests

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

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

The results of stress testing show that the risks to which the group would be exposed in a severe stress event would not exceed the RA_tCR, meaning that the capitalisation of the group in the economic perspective would be adequate at all times, even under stress conditions.

6 Credit risk

The ProCredit group defines credit risk as the risk that losses will be incurred if the party to a transaction cannot fulfil its contractual obligations at all, not in full or not on time. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is the most significant risk facing the ProCredit group, and customer credit exposures account for the largest share of that risk.

6.1 Customer credit risk

Strategy and principles

The key objectives of our credit risk management are to achieve high loan portfolio quality, low risk concentrations within the loan portfolio and appropriate coverage of credit risks with loan loss provisions. For our lending operations with clients, we apply the following principles, among others:

- intensive analysis of the debt capacity and repayment capacity of borrowers, taking account for expected future cashflows
- carefully documenting the risk assessment and the processes conducted during lending operations, such that the analyses performed can also be understood by expert third parties
- strictly avoiding overindebtedness among credit clients
- building a long-term relationship with the client, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- strictly monitoring the repayment of credit exposures
- customer-oriented, intensified loan management in the event of arrears
- collateral collection in the event of insolvency

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

The ProCredit group divides its credit exposures mainly into small and medium-sized business credit exposures and credit exposures to private clients. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: the degree of segregation of duties, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict separation of front- and back-office functions up to the management level is applied for risk-relevant credit exposures.

The experience of the ProCredit group has shown that a thorough creditworthiness assessment constitutes the most effective form of credit risk management. The credit decisions of the ProCredit group are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. Regular on-site visits are performed for clients to ensure an adequate consideration of their specific features and needs.

All credit decisions in the ProCredit banks are taken by a credit committee. Its members have approval limits that reflect their expertise and experience. All decisions on medium credit exposures are taken by credit committees at the banks' head offices.

The most important factor for credit committee decisions is a funding and collateral structure that is based on the client's needs and conditional on the respective risk profile. In this context, the following general principles apply: The lower the loan amount, the more detailed the documentation provided by the client, the shorter the loan period, the longer the client's history with the bank, and the higher the client's account turnover with the bank, then the lower the collateral requirements will be.

The group credit risk management policies limit the possibility for unsecured credit operations. Depending on the risk profile and the term of the exposure, loans may also be issued without being fully collateralised. As a general rule, credit exposures with a higher risk profile are covered with collateral security, mostly through mortgages.

Based on our collateralisation requirements, securing loans with mortgages is among the most important instruments for limiting credit risk. As a rule, the valuation of collateral is based on assessments conducted by external, independent experts. In order to ensure that a reduction in the value of the collateral is detected at an early stage and appropriate measures can be taken, annual plausibility checks of collateral value are a fixed component of the monitoring process. The assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff.

The early detection of increases in credit risk at the level of individual credit exposures is incorporated into all lending-related processes, resulting in a fast and efficient assessment of the degree of financial difficulty faced by clients. The ProCredit group has developed indicators for the early identification of risks based on quantitative and qualitative risk features; these indicators are implemented by the banks. These include, but are not limited to, declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, and arrears. Regular recording and analysis of these early warning indicators helps to manage the portfolio, identify potential default risks at an early stage and take the required measures to avoid a significant increase in credit risk. Reports on the affected portfolio are regularly given to the branch manager, the bank's head office and in aggregated form to ProCredit Holding.

Exceptional events which could have an impact on large areas of the loan portfolio (common risk factors) are analysed and discussed at group and bank level. This can lead to the imposition of limits on risk exposures towards certain groups of clients, e.g. in specific sectors of the economy or geographical regions.

In addition, asset quality indicators have been introduced, on the basis of which the loan portfolio is divided into the categories: performing, underperforming and defaulted. The process of assigning exposures to these categories is based on an exposure being past due, a risk classification system, and on additional risk characteristics; these include the initiation of bankruptcy proceedings or similar court procedures, as well as restructurings or collateral liquidations by other banks. In addition, other factors which indicate a significant deterioration of the economic situation of the client can also play a role. The portfolio categories allow for a clear overview of the quality of the group's portfolio and that of an individual bank, and represent one of the most important tools for the credit risk management process.

- The *performing* loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being determined.

- The *underperforming* loan portfolio comprises exposures with elevated credit risk. This can be caused by temporary payment difficulties (30–90 days), restructuring or other factors. Nevertheless, the bank still assesses full repayment of the exposure to be possible, e.g. after restructuring.
- The *defaulted* loan portfolio comprises all exposures in default, most of which have shown lasting payment difficulties (over 90 days) or other negative factors, e.g. initiation of bankruptcy proceedings. Further details are provided below.

Once a higher risk of default is detected for a credit exposure, it is placed under intensified management. This centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of business activities. Decisions on measures to reduce the credit default risk for individual credit exposures are taken by the authorised decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure. One of the first steps in managing the exposure is to determine the economic and financial situation of the client, as this is the most important basis for decisions on whether or not the exposure can be restructured. The aim is to take such decisions at an early stage, while the chances of stabilisation are high and before the exposure enters an advanced phase of payment delay.

When a credit exposure is classified as defaulted, specialised officers take over responsibility for dealings with the client. These officers are supported by the legal department. Collateral is sold through liquidation to a third party at the highest possible price, typically via public auction. The majority of the collateral sold consists of tangible assets such as land or buildings.

Credit risk at the portfolio level is assessed regularly. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, the coverage ratio (loss allowances in relation to past due portfolio), concentration risk and migration analyses.

Concentration risk in the customer loan portfolio is effectively limited by a high degree of diversification. This diversification is a consequence of lending in particular to small and medium-sized businesses in various economic sectors and to private clients. The distribution of the loan portfolio across 12 banks likewise makes a significant impact in terms of diversification. In addition, the ProCredit banks limit the concentration risk of their portfolios by means of the following requirements: Large credit exposures (those exceeding 10% of regulatory capital of the respective ProCredit bank) require the approval of the bank's Supervisory Board and the Group Risk Management Committee. No individual large credit exposure may exceed 25% of regulatory capital of a bank, and the sum of all large credit exposures of a bank may not exceed 150% of its regulatory capital.

Structure of the loan portfolio

The following tables provide an overview of the ProCredit group's client exposures, broken down by significant geographic areas, industries and contractual residual maturities, in accordance with Article 442 CRR.

Client exposures, by exposure type

in EUR m	Average amount of exposure 2019	Total amount of exposures 31.12.2019	Average amount of exposures 2018	Total amount of exposures 31.12.2018
Exposures to regional governments or local authorities	0	0	0	0
Exposures to corporates	1,953	2,112	1,557	1,726
Retail exposures	3,211	3,275	3,119	3,135
Exposures in default	59	53	69	61
Other items	0	0	0	0
Total	5,224	5,440	4,745	4,923

The on- and off-balance sheet loan portfolio volume, net of provisions, stood at EUR 5.4 billion at year-end 2019. At EUR 742 million, the volume of off-balance sheet items is limited, which reflects the focus of our business model on small and medium-sized business clients. Of this amount, 71% consisted of credit commitments with immediate right of cancellation.

In 2019 all of the main geographical regions where we operate showed loan portfolio growth. Due to the sale of a part of the portfolio of the institution in Germany, loan volume was down slightly there.

Client exposures, by significant geographic area

in EUR m	South Eastern Europe	Eastern Europe	South America	Germany
Exposures to regional governments or local authorities	0	-	-	-
Exposures to corporates	1,427	538	74	74
Retail exposures	2,402	658	214	-
Exposures in default	31	18	4	-
Other items	0	-	-	-
Total 2019	3,860	1,214	292	74
Total 2018	3,492	1,063	270	99

The following table presents client exposures by industry.

Client exposures, by industry

in EUR m	Non-financial companies				Other
	Production (including agriculture)	Trade	Transport and storage	Other non-financial companies	
Exposures to regional governments or local authorities	-	-	-	-	0
Exposures to corporates	947	602	82	469	12
of which: SMEs	888	526	77	432	9
Retail exposures	1,190	969	193	592	331
of which: SMEs	990	722	157	452	25
Exposures in default	23	14	3	10	3
of which: SMEs	23	13	3	10	1
Other items	-	-	-	-	0
Total 2019	2,160	1,584	278	1,071	347
Total 2018	1,950	1,449	263	908	352

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

Client exposures, by residual maturity

in EUR m	< 1 year	1-5 years	> 5 years
Exposures to regional governments or local authorities	0	0	-
Exposures to corporates	656	632	824
Retail exposures	1,266	1,211	798
Exposures in default	15	23	14
Total 2019	1,938	1,866	1,636
Total 2018	1,735	1,770	1,417

6.2 Counterparty risk, including issuer risk

The ProCredit group defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of managing liquidity. There are also structural exposures towards national central banks in the form of mandatory minimum reserves. We effectively limit counterparty and issuer risk within the ProCredit group through our conservative investment strategy.

Typically, our counterparties are central banks and central governments and, to a lesser extent, commercial banks. The main exposures are account balances, short-maturity term deposits, highly liquid securities, and, on a very limited scale, simple derivative instruments for liquidity management and hedging purposes (particularly foreign currency forwards and swaps).

Counterparty risk is managed according to the principle that our liquidity must be placed securely and in a manner which is as diversified as possible. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. risk considerations predominate. For this reason, we only work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms (up to three months, but typically shorter) and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. Within the ProCredit group, it is prohibited to engage in speculative trading. Liquidity in domestic currencies is predominantly invested in central bank papers or sovereign bonds in the respective country. In contrast, euros and US dollars are generally invested in OECD sovereigns or securities issued by multilaterals internationally rated at least AA-. The impact of market price changes on the group is limited, because the volume of securities is rather low, their maturities are typically short and issuers are carefully selected based on conservative risk criteria.

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for customer credit risk. ProCredit banks conclude transactions only with counterparties that have previously been carefully analysed and for which a limit has been approved. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. The typical maximum maturity of our term deposits is three months, but usually shorter; longer maturities are subject to approval. Approval is likewise required before any investments in securities, except for central bank papers in the domestic currency of the respective country with a remaining maturity of up to three months. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%. Essentially, these comprise transactions in the framework of ordinary business activities with locally regulated commercial banks in those countries where we operate whose banking regulations are not aligned with CRR/CRD.

In order to avoid risk concentrations on group level, an additional maximum limit towards each banking group and each state group (total exposure towards central bank, government and state-owned entities) exists. Due to mandatory minimum reserves, a concentration exists at group level with regard to exposures towards central banks. The group has therefore insured more than half of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

The group's exposure to counterparty and issuer risk increased compared to the previous year. This development is attributable to higher liquidity reserves in the banks. The following tables provide an overview of the ProCredit group's counterparty risk, broken down by significant geographical regions, counterparty types and residual maturities.

According to Article 107 (3) CRR, exposures to banks in third countries are to be treated as exposures to an institution only if the third country applies prudential and supervisory requirements to that entity that are at least equivalent to those applied in the EU. Exposures to banks in third countries which do not meet the criteria set out above are reported under the exposure classes "corporates" and "institutions and corporates with a short-term credit assessment".

Exposures to counterparties and issuers, by exposure type

in EUR m	Average amount of exposures 2019	Total amount of exposures 31.12.2019	Average amount of exposures 2018	Total amount of exposures 31.12.2018
Exposures to central governments or central banks	1,161	1,313	966	1,036
Exposures to regional governments or local authorities	26	24	23	23
Exposures to public sector entities	11	-	15	13
Exposures to multilateral development banks	18	18	18	18
Exposures to international organisations	-	-	-	-
Exposures to institutions	44	53	43	38
Exposures to corporates	31	51	37	26
Exposures to institutions and corporates with a short-term credit assessment	69	165	61	149
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	14	14	14	13
Total	1,372	1,638	1,177	1,315

Exposures to counterparties and issuers, by significant geographic area

in EUR m	EU member states	Third countries			
		South Eastern and Eastern Europe	South America	Other OECD	Other non-OECD
Exposures to central governments or central banks	584	700	17	12	-
Exposures to regional governments or local authorities	24	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	18	-
Exposures to international organisations	-	-	-	-	-
Exposures to institutions	51	-	-	2	-
Exposures to corporates	-	30	21	-	0
Exposures to institutions and corporates with a short-term credit assessment	123	9	10	23	0
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	14	-	-
Total 2019	782	739	61	55	0
Total 2018	663	550	50	53	0

Exposures to counterparties and issuers, by counterparty type

in EUR m	Central banks, central governments, international organisations and development banks		Banks		Other
	OECD	Non-OECD	OECD	Non-OECD	
Exposures to central governments or central banks	414	899	-	-	-
Exposures to regional governments or local authorities	24	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	18	-	-	-	-
Exposures to international organisations	-	-	-	-	-
Exposures to institutions	-	-	48	5	-
Exposures to corporates	-	-	0	51	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	145	19	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	14	-
Total 2019	456	899	193	89	-
Total 2018	404	682	170	46	13

Exposures to counterparties and issuers, by residual maturity

in EUR m	< 1 year	1-5 years	> 5 years
Exposures to central governments or central banks	1,301	12	0
Exposures to regional governments or local authorities	10	14	-
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	18	-	-
Exposures to international organisations	-	-	-
Exposures to institutions	52	1	-
Exposures to corporates	51	0	0
Exposures to institutions and corporates with a short-term credit assessment	165	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	14	-	-
Total 2019	1,611	27	0
Total 2018	1,232	82	1

Due to the careful selection of the counterparties, none of the exposures listed was past due nor showed any signs of impairment as of 31 December 2019.

6.3 Country risk

The ProCredit group defines country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to convertibility or transfer restrictions or expropriation of its cross-border obligations. Country risk thus arises solely from cross-border transactions.

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

Country limits are set in order to diversify cross-border transactions as much as possible. These country limits are defined taking into account both the risk perspective and the strategic business perspective. All cross-border transactions and developments in ProCredit countries of operation are monitored regularly. Among other things, internal indicators, external ratings and country-specific information are used for this purpose.

6.4 Loss allowances

The ProCredit group establishes appropriate risk provisions for credit risk. Loss allowances for the customer portfolio and counterparty portfolio are established in line with the defined group standards, which are based on IFRS 9. For a description of the approaches and methods pursuant to Article 442 (b) CRR applied within the framework of loss allowances, please refer to the 2019 Annual Report (section on credit risk in the Risk Report).⁶

Cross-border transactions generally take place only between group companies, with country risk consisting of potential conversion or transfer restrictions. As a result, we do not consider provisions for group-internal cross-border transactions to be necessary.

The ProCredit group defines past due exposures as credit exposures for which contractual interest and/or principal payments are past due for at least 30 days. In such cases, the total exposure to the client is regarded as being past due.

The ProCredit group has adjusted the definition of impairment according to IFRS 9 to the regulatory definition of default. This default definition is also used for internal risk management. The group considers an exposure to be non-performing or impaired if at least one of the following criteria is met and the expected cashflows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed:

- Contractual payments are more than 90 days past due
- Indications of significant financial difficulties of the debtor
- Loan repayment is not possible without the realisation of collateral
- Initiation of bankruptcy proceedings for the customer
- Legal proceedings against the customer that endanger the existence of the business or the repayment capacity of the customer
- Allegations of fraud against the customer
- Classification as defaulted

⁶ Our impairment methodology is based on the three-level approach pursuant to IFRS 9. Assets which are impaired upon recognition in the balance sheet are treated as Purchased or Originated Credit Impaired (POCI).

For the purpose of distinguishing between general and specific credit risk adjustments, the adjustments that are not attributable to a specific risk exposure or specific debtor are considered to be general credit risk adjustments. All allowances established at group level in accordance with IFRS are classified as specific credit risk adjustments. Loss allowances in the ProCredit group were lower during the 2019 financial year than in the previous period and developed as shown below:

Development of specific credit risk adjustments

in EUR m	Total	of which			
		Stage 1	Stage 2	Stage 3	POCI
Loss allowances at 1 January 2019	126	37	13	75	0
Additions	18	18	0	0	-
Releases	-24	-8	-4	-12	0
Transfers	-	1	5	-6	-
Change in credit risk	14	-13	3	23	1
Utilisation	-24	0	0	-24	0
Exchange rate adjustments and other changes	2	1	0	1	0
Sale of/reclassification to discontinued operations	-6	-1	0	-4	0
Loss allowances at 31 December 2019	107	33	8	66	1

The following tables present past due and impaired exposures, as well as loss allowances, by industry and significant geographic area.

Past due and impaired exposures, by industry

in EUR m		Past due but not impaired exposures	Impaired exposures	Loss allowances				Charges for specific credit risk adjustments
				Stage 1	Stage 2	Stage 3	POCI	
Non-financial companies	Production (including agriculture)	2	23	12	3	26	0	-13
	Trade	2	14	9	2	20	0	-4
	Transport and storage	0	3	2	0	3	0	-1
	Other non-financial companies	1	10	6	1	13	0	-3
Financial enterprises		-	-	1	-	-	-	0
Other		1	3	4	0	4	0	-1
Total 2019		7	53	33	8	66	1	-22

Past due and impaired exposures, by significant geographic area

in EUR m	Past due but not impaired exposures	Impaired exposures	Loss allowances			
			Stage 1	Stage 2	Stage 3	POCI
South Eastern Europe	4	31	21	5	44	0
Eastern Europe	1	18	8	2	19	1
South America	2	4	3	0	3	-
Germany	-	-	0	0	-	-
Total 2019	7	53	33	8	66	1

When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure.

Each ProCredit bank carries out an individual assessment of the expectation of repayment for its loan exposures. For exposures below EUR 10,000, this assessment is to be carried out at the latest once payment is 180 days overdue; for larger exposures, at the latest after 360 days, particularly if there is no realisable collateral. Based on the assessment, the bank may decide to write off the exposure or continue to actively manage the exposure in order to allow for further recovery.

Loss allowances are recognised in the income statement as follows.

Loss allowances in the income statement

in EUR m	1.1.-31.12.2019	1.1.-31.12.2018
Increase of loss allowances	88	79
Releases of loss allowances	-81	-72
Recoveries of write-offs	-12	-13
Direct write-offs	0	1
Non-substantial modification	1	1
Total	-3	-5

6.5 Default risk arising from derivative positions

In the ProCredit group, derivatives are utilised to a very limited extent. They are only used to hedge foreign currency and interest rate risk, to obtain liquidity or on behalf of clients; they may not be engaged in for the purposes of proprietary or speculative trading. The following derivatives are relevant for the ProCredit group:

- interest rate currency swaps, FX swaps and FX forwards
- interest rate swaps

For derivative exposures, the same risk classification, limit-setting and monitoring processes apply as for counterparty risk.

The following tables disclose the information in accordance with Article 439 CRR. Netting options are not exercised and collateral is not recognised.

Positive replacement value of derivatives

in EUR m	31.12.2019	31.12.2018
Interest rate currency swaps, FX swaps and FX forwards	0	1
Interest rate swaps	-	-
Total	0	1

Counterparty credit risk exposures from derivatives (original exposure method)

in EUR m	31.12.2019	31.12.2018
Interest rate currency swaps, FX swaps and FX forwards	4	3
Interest rate swaps	1	1
Total	5	4

Requirements pursuant to Article 439 (d) CRR to provide additional collateral in connection with rating downgrades are currently not applicable for ProCredit Holding.

In 2019, the ProCredit group held no derivatives on shares, credit or commodities, or other derivatives.

Due to the low volume of derivatives in the ProCredit group, possible correlations between counterparty/ issuer risk and market risks are negligible.

6.6 Equities in the banking book

This section only covers equities within the meaning of Article 133 CRR. Accordingly, only those equities that are not included in the regulatory consolidation are shown.

The ProCredit group's equity holdings are not held for the purpose of earning a profit. The equities can be divided into two categories:

- investments in non-consolidated subsidiaries
- investments supporting operating processes

The investments in non-consolidated subsidiaries are initially recognised at fair value and in subsequent periods at amortised cost.

The investments for supporting processes, which are not part of an actively managed portfolio, are registered as available-for-sale financial assets. At initial recognition, available-for-sale financial assets are recorded at fair value including transaction costs. Subsequently they are generally carried at fair value. The fair values reported are either observable market prices in active markets or values calculated with a valuation technique based on currently observable market data.

The investments are 100% risk-weighted for the determination of the regulatory capital requirements.

Equity exposures in the banking book

in EUR m	Average amount of exposures 2019	Total amount of exposures 31.12.2019	Average amount of exposures 2018	Total amount of exposures 31.12.2018
Investments in non-consolidated subsidiaries	4	4	4	4
Other shares	5	5	4	4
Total	9	9	7	8

Due to the nature of the investments (non-consolidated subsidiaries) and the non-materiality of other investments, neither "the cumulative realised gains or losses arising from sales and liquidations in the period" nor "the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Common Equity Tier 1 capital" according to Article 447 (d) and (e) CRR are disclosed.

6.7 Use of external ratings and credit risk mitigation techniques in the credit risk standardised approach

The ProCredit group exclusively uses the standardised approach to determine its exposure to credit risk. The group has nominated the rating agency Fitch Ratings for the exposure classes "central governments or central banks", "institutions", "institutions and corporates with a short-term credit assessment" and "shares in collective investment undertakings (CIUs)". Since our customers are usually not rated, the ProCredit group does not use ratings for the exposure class "corporates".

For exposures where an external credit assessment is available, risk weighting is determined on the basis of that external rating. For unrated exposures, risk weighting is determined on the basis of a derived credit assessment, provided the conditions set forth in Article 139 and 140 CRR are met. In all other cases, the exposure is treated as unrated.

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

in EUR m	Risk weighting, in %										Other	Total
	0	10	20	35	50	75	100	150	250	1,250		
Exposure class												
Exposures to central governments or central banks	582	0	-	-	5	-	716	-	1	-	9	1,313
Exposures to regional governments or local authorities	24	-	-	-	-	-	0	-	-	-	-	24
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	18	-	-	-	-	-	-	-	-	-	-	18
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	48	-	7	-	-	-	-	-	-	55
Exposures to corporates	-	-	-	-	-	-	2,061	-	-	-	-	2,061
Exposures to institutions and corporates with a short-term credit assessment	-	-	101	-	21	-	25	19	-	-	-	166
Retail exposures	-	-	-	-	-	2,804	-	-	-	-	-	2,804
Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-	40	22	-	-	-	62
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Items representing securitisation positions	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	-	-	-	14	-	-	-	-	14
Equity exposures	-	-	-	-	-	-	9	-	-	-	-	9
Other items	143	-	-	-	-	-	187	-	-	-	-	330
Total 2019	767	0	149	-	34	2,804	3,052	41	1	-	9	6,856
Total 2018	664	42	127	-	25	2,741	2,470	47	2	-	-	6,118

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

Exposures towards central governments or central banks in non-EU countries, in countries whose supervisory system is not materially equivalent to that of EU countries, or in countries with a rating below the "lower-medium grade" (i.e. below BBB- in the case of Fitch Ratings) are given a risk weighting of at least 100% regardless of the underlying currency, as stipulated in CRR.

The mandatory minimum reserves are inevitable exposures driven by the group's business strategy, which is based on financing loans in transition economies mainly through customer deposits. The ProCredit group has therefore chosen to insure this exposure against the risk of default and expropriation. As of 31 December 2019, EUR 224 million of the EUR 388 million in total mandatory reserves were covered by MIGA guarantees.

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

in EUR m	Risk weighting, in %										Other	Total
	0	10	20	35	50	75	100	150	250	1,250		
Exposure class												
Exposures to central governments or central banks	633	-	8	-	5	-	489	-	1	-	9	1,146
Exposures to regional governments or local authorities	24	-	-	-	-	-	-	-	-	-	-	24
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	550	-	-	-	-	-	-	-	-	-	-	550
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	48	-	7	-	-	-	-	-	-	55
Exposures to corporates	-	-	-	-	-	-	1,873	-	-	-	-	1,873
Exposures to institutions and corporates with a short-term credit assessment	-	-	101	-	21	-	25	19	-	-	-	166
Retail exposures	-	-	-	-	-	-	2,629	-	-	-	-	2,629
Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-	39	21	-	-	-	60
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Items representing securitisation positions	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	-	-	-	14	-	-	-	-	14
Equity exposures	-	-	-	-	-	-	9	-	-	-	-	9
Other items	143	-	-	-	-	-	187	-	-	-	-	330
Total 2019	1,351	-	157	-	34	2,629	2,637	40	1	-	9	6,856
Total 2018	1,148	42	135	-	23	2,602	2,119	47	2	-	-	6,118

Total amount of secured exposures

31.12.2019 in EUR m	Financial collateral	Guarantees	Total
Central governments	-	226	226
Regional governments	-	-	-
Other public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	-	-	-
Covered bonds issued by credit institutions	-	-	-
Corporates	24	163	188
Retail exposures	35	140	175
Exposures secured by mortgages on immovable property	-	-	-
Exposures in units or shares in collective investment undertakings (CIU)	-	-	-
Equity exposures	-	-	-
Other items	-	-	-
Exposures in default	0	2	2
Exposures to institutions and corporates with a short-term credit assessment	-	-	-
Exposures associated with particularly high risk	-	-	-
Total	59	532	592

Secured exposure amounts totalled EUR 592 million as of 31 December 2019. We do not currently include immovable property collateral or guarantees in the risk-weighted asset calculation.

7 Market risks

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for the ProCredit group are foreign currency risk and interest rate risk in the banking book. The ProCredit group manages market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with the group risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes. All ProCredit banks are strictly non-trading book institutions.

7.1 Foreign currency risk

We define foreign currency risk as the risk that an institution or the group as a whole incurs losses due to exchange rate fluctuations or that the group's equity is reduced through currency translation effects. At the level of individual banks, foreign currency risk can have adverse effects on income and can lead to a decline in regulatory capital ratios. At group level, foreign currency risk primarily arises from the equity investments made by ProCredit Holding.

Results are impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits are set for these positions at bank level.

Domestic currency depreciation can reduce regulatory capital ratios at bank level in cases where the capital of a bank is held in a different currency than many of the assets it supports: the foreign currency assets appreciate (from a local perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims to keep a high share of assets in the domestic currency of the respective banks.

Foreign currency risk at group level arises as a result of the equity investments that ProCredit Holding maintains in its subordinated companies in countries which do not have the euro as the domestic currency. Most ProCredit banks keep their equity in the respective domestic currency. Thus, from a consolidated group perspective, OCPs in the respective domestic currencies exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and risk-taking potential are exposed to fluctuations due to changes in the exchange rates of domestic currencies against the euro. These are included in the translation reserve in the consolidated equity. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in euro terms.

7.2 Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses driven by changes in market interest rates and arises from structural differences between the repricing maturities of assets and liabilities. The aim of interest rate risk management is to keep these differences as small as possible in all currencies. This is particularly relevant against the background of the limited opportunities to manage this risk using interest rate derivatives, especially in the domestic currencies of our banks (with the exception of the euro and US dollar).

The measurement, monitoring, limiting and management of interest rate risk is based on economic value impact (EVI) and P&L-oriented indicators. The risk is measured on a regular basis, at least quarterly. The assets and liabilities are distributed across time buckets according to the terms of the underlying contracts. Interest-bearing sight deposits and savings accounts are included in the gap analyses according to country- and currency-specific historical analyses.

At the bank level, we assume a parallel shift of the interest rate curve. For euro and US dollar the interest rate shock is ± 200 basis points; for the remaining domestic currencies, the magnitude of the shock is derived on the basis of a historical analysis. Limits are set in relation to regulatory capital (non-netted in each case) for the economic value impact and for the P&L effect.

At the group level, interest rate risk is quantified and limited accordingly on the basis of economic value impact and on the basis of the 12-month P&L effect. The indicators are calculated using historical VaR models with a holding period of one year and confidence level of 99.9% (EVI) or 99.0% (P&L effect). Modelled country-specific risk-free curves are used to discount the cash flows. The maturity-specific interest rate shocks are based on historical changes in the reference curve per currency.

Interest rate risk in the banking book

in EUR m	31.12.2019		31.12.2018	
	Economic value impact	12-month P&L effect	Economic value impact	12-month P&L effect
Total	-71	-8	-48	-7

The economic value impact grew in 2019 to EUR -71 million. This was mainly due to a higher contribution of the loan portfolio in euros. Furthermore, the ongoing calibration of currency-specific interest rate shocks also had an effect. The 12-month P&L effect remained largely stable. Due in particular to the applied high country-specific shocks, these results were significantly above the following results of the ± 200 basis points standard tests.

In accordance with regulatory requirements, the change (increase or decrease) in market value is also calculated for a parallel shift of ± 200 basis points in the yield curves. The economic value impact decreased compared to the previous year, attributable mainly to changes in interest rate positions. In addition, the deconsolidation of discontinued operations also had an impact on the figures.

Interest rate risk in the banking book, standard test

Currency in EUR m	31.12.2019		31.12.2018	
	Economic value impact +200 bp shock	Economic value impact -200 bp shock	Economic value impact +200 bp shock	Economic value impact -200 bp shock
EUR	12	7	29	9
USD	-10	6	-16	9
Other	5	-1	2	2
Total	8	12	15	20

In accordance with BaFin Circular 06/2019 (BA), risk amounts from the previous period were newly calculated, thus deviating from the figures presented in the 2018 Disclosure Report. "Other" is an aggregate position of the domestic currencies in the ProCredit banks deviating from the euro or US dollar.

8 Liquidity risks

8.1 Liquidity and funding risk

Liquidity and funding risk addresses the short- and long-term ability of the ProCredit banks and the ProCredit group to meet financial obligations in a complete and timely manner, even in stress situations.

We assess short-term liquidity risk in each significant currency in the ProCredit banks on the basis of a liquidity gap analysis, among other instruments, and we monitor this risk using numerous indicators. These include a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI), a survival period, and the minimum liquidity ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The SLI measures whether institutions have sufficient liquidity in relation to the expected inflows and outflows of funds in the next 30 days. The survival period is defined as the timeframe during which the banks are able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements in the banks. LCR indicates whether we have sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

Market-wide, institution-specific (idiosyncratic), combined and longer-term stress tests are conducted monthly and ad hoc to make sure that every ProCredit bank keeps sufficient liquid funds to meet its obligations, even in difficult times. Moreover, each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, the ProCredit group has also developed a liquidity contingency plan and ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis.

In addition, liquidity risk is measured and assessed at bank level on the basis of national requirements. Numerous regulators in the countries where we operate have implemented indicators similar to LCR.

Liquidity is managed on a daily basis by the respective treasury departments, based on the ALCO-approved cash flow projections, and is monitored by risk management and ALCO as well as monthly by Group ALCO. Liquidity movements within the group are coordinated by Group ALCO in order to ensure efficient utilisation of liquidity. All of the banks had enough liquidity available at all times in 2019 to meet all financial obligations in a timely manner.

At group level, short-term liquidity risk is measured particularly by means of LCR. As of 31 December 2019, the LCR was 198% group level, and thus comfortably above the regulatory requirement of 100% and our internally defined early warning trigger. The average weighted amounts are presented in the table below.

Quantitative information about LCR

in EUR m	Total adjusted value (average)			
Quarter ending on	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Number of data points used in the calculation of averages	12	12	12	12
Liquidity buffer	540	560	573	605
Total net cash outflows	325	333	343	359
Liquidity Coverage Ratio	166%	168%	167%	168%

Considering our conservative investment policy, our liquidity buffer is composed exclusively of assets with the highest liquidity and credit quality, i.e. level 1 assets. This liquidity (with the exception of minimum reserves) is predominantly kept in accounts with daily access at central banks and in highly liquid securities. For each significant currency, a separate calculation is performed to determine if the LCR liquidity buffer maintained is sufficient to cover the net cash outflows.

Inflows result mainly from the repayment of credit exposures to clients and from keeping part of the liquidity reserves in accounts with banks outside of the group.

On the liabilities side, customer deposits totalling EUR 4.3 billion (or 74% of group liabilities) as of 31 December 2019 are the largest source of funding for the ProCredit banks. More than 70% of these are classified as retail deposits according to LCR definitions. Further sources of funding include liabilities to international financial institutions and banks as well as debt securities. This reflects the high level of diversification among liabilities. Accordingly, potential concentration risks are at a low and acceptable level.

The ProCredit group has a very limited volume of derivatives, such that outflows and potential collateral calls are not significant.

The group had adequate liquidity levels at all times during the 2019 financial year.

Funding risk is the risk that additional funding cannot be obtained, or can only be obtained at significantly higher costs. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through customer deposits; our deposit-taking operations focus on our target group of business clients and private clients/savers, with whom we establish strong relationships. The financial crisis in 2008 and 2009 has shown that our customer deposits are a stable and reliable source of funding. These deposits are supplemented by credit lines from IFIs. Moreover, we mostly issue instalment loans with monthly repayment. We make little use of interbank and financial markets.

The ProCredit group manages, measures and limits funding risk through business planning, maturity gap analysis and several indicators. The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed at group level. Group ALCO monitors the progress of all individually significant transactions with external funding providers, especially international financial institutions. ProCredit Holding and the ProCredit bank in Germany also offer bridge financing in the event that a funding project is delayed. A key indicator for limiting funding risk is the deposit concentration indicator. Additional indicators restrict the level of funding from the interbank market to a low level.

8.2 Encumbered and unencumbered assets

Assets are deemed to be encumbered when they have been pledged or are committed to collateral agreements or agreements to improve the credit assessment of on- or off-balance sheet transactions and it is not possible to withdraw these assets from the terms of such agreements (e.g. pledges for funding purposes).

The ProCredit group has a limited amount of encumbered assets, as the group largely funds its activities through deposits. The encumbered assets comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. As of 31 December 2019, the encumbered assets of the ProCredit group amounted to EUR 22 million, which is equivalent to 0.3% of total assets.

In accordance with BaFin requirements, the amounts presented in the tables below were calculated on the basis of median values for the quarterly data in 2019.

Encumbered and unencumbered assets

31.12.2019 in EUR m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	19		6,324	
Equity instruments	-		-	
Debt securities	-	-	303	303
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	143	143
of which: issued by financial corporations	-	-	40	40
of which: issued by non-financial corporations	-	-	2	2
Other assets	19		6,021	

The collateral received are shown in the following table.

Collateral received

31.12.2019 in EUR m	Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	31
Loans on demand	-	-
Equity instruments	-	-
Debt securities	-	31
of which: covered bonds	-	-
of which: asset-backed securities	-	-
of which: issued by general governments	-	31
of which: issued by financial corporations	-	-
of which: issued by non-financial corporations	-	-
Loans and advances other than loans on demand	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or asset-backed securities	-	-
Own covered bonds and asset-backed securities issued and not yet pledged	-	-
Total assets, collateral received and own debt securities issued	19	

The liabilities associated with or secured by encumbered assets are presented in the following table.

Sources of encumbrance

31.12.2019 in EUR m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	19	15

9 Operational risk

In line with CRR, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This definition includes in particular fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. The principles set forth in the group policies for the management of operational risk are in compliance with the requirements for the standardised approach for operational risk pursuant to CRR.

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

The Risk Event Database was developed to ensure that all operational risk events identified in the group are documented, analysed and communicated effectively. All ProCredit banks and ProCredit Holding document their risk events using the provided framework. This ensures that adequate attention is paid to the implementation of necessary corrective or preventive measures for reducing or avoiding operational and fraud risk. The table below provides an overview of the gross and net losses due to operational loss events and fraud cases between 2017 and 2019 (data as of 21 January 2020).

Gross and net losses due to operational risk events

in EUR m	2019	2018	2017
Gross loss	1	1	5
Current net loss	1	0	3
Number of loss events	197	316	399

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

Risk indicators are also used to identify elevated fraud risk in specific areas of banking operations. These indicators are analysed regularly and where needed preventive measures are agreed on.

To complete the management of operational risk, all new products need to be analysed to identify and manage potential risks before implementation (NRA process).

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

10 Other material risks

Other risks assessed as material are business risk, model risk and risks relating to money laundering, terrorist financing and other acts punishable by law.

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

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

Information about risks relating to money laundering, terrorist financing and other acts punishable by law are contained in the 2019 Annual Report.

11 Remuneration

11.1 Principles of remuneration

The overall aims of the group's staff management approach are to establish long-term relationships between our staff and the ProCredit institutions and to promote responsible behaviour among staff. ProCredit Holding sets the framework for the banks' remuneration structure and organises a regular exchange of experience on these topics. Each ProCredit institution is responsible for the implementation of the standards.

The ProCredit group's remuneration system is in line with our sustainable business and risk strategy and does not encourage excessive risk taking by our employees. The remuneration structure of the ProCredit group has the following objectives:

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

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

In addition to a fair salary, we offer every ProCredit staff member comprehensive training and rewarding professional opportunities. Given that the education systems in the countries in which we operate are not yet completely developed, the potential to participate in our professional development programmes represent a significant benefit for our staff. Participation in basic and advanced training measures, conducted largely within the ProCredit group, is thus perceived by our staff to be an important part of the overall compensation package. Each ProCredit institution invests significant amounts in training, and the expenditures for training measures are a substantial part of the group's overall operating expenses. Other important factors which build long-term relationships between our staff and ProCredit institutions are the interesting jobs we offer, flat hierarchies, transparent promotion opportunities since our management staff predominantly come from within the group, independent responsibilities for duties as well as a stimulating and professional working environment and work in diverse teams.

11.2 Structure of remuneration

When defining the remuneration for their staff and managers, the ProCredit institutions apply the group's standardised salary structure which has 22 salary levels. The banks define the exact salary amounts in each step according to their market conditions, assigning their staff to one of the salary steps. This is carried out on the basis of the individual's position, the responsibilities they hold and their performance.

The ProCredit salary scheme applies to all ProCredit banks. The purpose of this salary structure is to ensure that positions with comparable responsibility within the group are also compensated according to the same principles. This salary scheme defines which professional development programmes an employee must have successfully completed in order to be appointed to the various positions. The salary structure applicable throughout the group is reviewed and approved yearly by the Management of ProCredit Holding and presented to the Supervisory Board of ProCredit Holding. The salary scheme specific to an individual bank is likewise subject to annual review; the Management Board of the bank examines the salary scheme and it is approved by the Supervisory Board. A review of the allocation of staff within the ProCredit institutions to one of the 22 salary steps is also carried out annually on the basis of extensive staff evaluations and feedback discussions carried out by the HR committee.

The remuneration of employees in the ProCredit group mainly consists of a fixed salary. One of the central principles of remuneration within the ProCredit group is that variable remuneration elements be limited; in no cases are they to be contractually granted. We believe that fixed salaries are the right approach to achieve sustainable growth. Our employees appreciate the transparency and long-term prospects provided by our group-wide approach to remuneration.

Variable remuneration elements can be granted when a member of staff has performed exceptionally well during the course of a financial year. Such performance can be evident in a number of ways: i.a. particularly high motivation of staff, above-average successes in staff training, above-average results in terms of new client acquisition, the preparation of exceptionally convincing (form and content) reports and memoranda, especially strong participation in committees. Decisions on such variable remuneration elements are taken by the Management Board / Human Resources Committee or by the Supervisory Board of the respective ProCredit institution, on the basis of development over multi-year periods and in coordination with ProCredit Holding.

As a general rule, variable remuneration components may be provided for the purchase of participations in ProCredit Staff Invest, an employee investment company; in other cases, the respective ProCredit institution can subsidise the purchase of ProCredit Staff Invest participations. These shares have a minimum holding period of five years. In the next few years, the group plans to implement an employee programme under which certain subsidiaries will be able to offer their employees a limited number of shares as a bonus. The required shares are to be acquired centrally by ProCredit Holding (after approval by the supervisory authority) and then transferred directly to the respective employees at the instruction of the subsidiaries. The employees will use the shares to acquire limited partner shares in ProCredit Staff Invest with a minimum holding period of five years. On 15 November 2019, the Extraordinary General Meeting of ProCredit Holding approved a buyback of up to 1.5% of the shares issued.

ProCredit institutions also support their staff members by contributing towards the costs of private health insurance in the event that the state-sponsored health insurance system does not provide sufficient or appropriate coverage. Several ProCredit institutions also make employer contributions to private retirement provisions or life insurance.

The framework of the remuneration systems in the ProCredit group presented above also apply to staff whose professional activities have a material impact on the risk profile of the group (pursuant to Delegated Regulation (EU) No. 604/2014). As variable remuneration elements are of limited significance in the remuneration structure described above, our remuneration system provides no incentives to assume particular risks.

11.3 Communication and approval of remuneration schemes

The remuneration structure and particularly the salary scheme in each institution is communicated to staff in a transparent manner. The management boards of the ProCredit banks report annually to the respective supervisory boards on the remuneration structure. The salary scheme in each bank and any variable remuneration elements are approved by the Management or the Supervisory Board of the bank, following discussions with the respective function at ProCredit Holding; however, the Management is permitted to delegate this responsibility to a Human Resources Committee. The Human Resources Committee is the bank body responsible for taking decisions regarding the professional development of staff members and reviewing the bank's remuneration practices. The committee meets at least quarterly.

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

ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG. As the remuneration structure which has been selected is simple, the Supervisory Board of ProCredit General Partner AG decided to retain responsibility for determining the amount and composition of Management remuneration, instead of delegating this decision-making authority to a remuneration committee. The six-member Supervisory Board of ProCredit General Partner AG convened four times during the 2019 financial year under review.

11.4 Remuneration 2019

The remuneration (including contributions to social security and pension insurance) of all staff in the ProCredit group whose professional activities have a material impact on the risk profile are given below. In particular, this includes the management/management board members in ProCredit institutions and staff with management responsibilities (pursuant to Delegated Regulation (EU) No. 604/2014).

Remuneration is presented separately for staff whose professional activities have an impact on the risk profile (broken down according to ProCredit banks and ProCredit Holding), and for members of the Management (likewise broken down according to ProCredit banks and ProCredit Holding). The "Management/Management Board" item for the ProCredit banks comprises the remuneration of the extended management (including

authorised representatives (Prokuristen), if applicable). As a general rule, the heads of the following units are classified as staff whose professional activities have an impact on the risk profile: risk management, finance, legal, internal audit, compliance, IT, as well as branch managers. Overall, we consider around 10% of all staff to be risk takers.

Variable remuneration components for members of the management are, just as for all employees in the ProCredit group, only used to a limited degree and are not contractually set. In 2019, variable compensation amounted to 2% of the total fixed salary.

The non-relevant remuneration positions in 2019 are: deferred remuneration awarded during the financial year, paid out or reduced through performance adjustments; and sign-on payments. These items are not included in the table below.

Remuneration

31.12.2019 in '000 EUR	Fixed remuneration	Variable remuneration				No. of beneficiaries	Outstanding deferred remunerations		Severance payments		
		Cash	Shares	Share-linked instruments	Other types		Vested	Unvested	Amount	No. of beneficiaries	Highest payment to a single person
Management/Management Board											
ProCredit Holding	542	-	-	-	-	3	-	-	192	1	192
ProCredit banks	2,900	-	-	111	-	44	27	63	141	4	114
Staff whose professional activities have an impact on the risk profile											
ProCredit Holding	1,753	10	-	-	-	19	-	-	-	-	-
ProCredit banks	8,046	3	-	149	-	275	67	126	105	8	53

The members of the Supervisory Board of ProCredit General Partner AG each receive remuneration in the amount of EUR 10,000; travel costs are reimbursed. No fees are paid for participating in the meetings of the Supervisory Board.

Annex

Main features of capital instruments

No.	Features	Common Equity Tier 1	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN DE0006223407/ WKN 622340	Private placement	Private placement
3	Governing law(s) of the instrument	German law	German law	German law
Regulatory treatment				
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Shares	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2019)	EUR 294.5 million	EUR 2.0 million	EUR 7.1 million
9	Nominal amount of instrument (issuing currency)	EUR 294.5 million	USD 2.3 million	USD 8.0 million
	Nominal amount of instrument (reporting currency)	EUR 294.5 million	EUR 2.0 million	EUR 7.1 million
9a	Issue price	Various	100%	100%
9b	Redemption price	N/A	100%	100%
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	30.06.2015	30.06.2015
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	30.06.2025	30.06.2025
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date
Coupons / dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2		
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Note: All shares issued are ordinary shares and are listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The complete terms and conditions of the capital instruments pursuant to Art. 437 (1) c CRR can be found on the ProCredit Holding website.

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement	DE000A11QHV9 Private placement
3	Governing law(s) of the instrument	German law	German law	German law
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note	Subordinated note	Subordinated bearer note
8	Amount recognised in regulatory capital (as of 31 December 2019)	EUR 0.9 million	EUR 5.2 million	EUR 10.8 million
9	Nominal amount of instrument (issuing currency)	USD 1.0 million	USD 5.8 million	EUR 12.5 million
	Nominal amount of instrument (reporting currency)	EUR 0.9 million	EUR 5.2 million	EUR 12.5 million
9a	Issue price	100%	100%	93%
9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30.06.2015	30.06.2015	30.04.2014
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.06.2025	30.06.2025	30.04.2024
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date	N/A
Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Bilateral contract	DE000A169M74 Private placement	Bilateral contract
3	Governing law(s) of the instrument	German law	German law	German law
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated bearer note	Subordinated loan
8	Amount recognised in regulatory capital (as of 31 December 2019)	EUR 6.4 million	EUR 13.0 million	EUR 5.0 million
9	Nominal amount of instrument (issuing currency)	EUR 7.5 million	EUR 13.0 million	EUR 5.0 million
	Nominal amount of instrument (reporting currency)	EUR 7.5 million	EUR 13.0 million	EUR 5.0 million
9a	Issue price	93%	94%	94%
9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	11.04.2014	06.05.2016	27.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	11.04.2024	06.05.2026	27.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	6.50%	6.00%	6.00%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	DE000A2AAVP8	Private placement	Private placement
3	Governing law(s) of the instrument	German law	German law	German law
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bearer note	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2019)	EUR 15.0 million	EUR 5.3 million	EUR 0.7 million
9	Nominal amount of instrument (issuing currency)	EUR 15.0 million	USD 6.0 million	USD 0.8 million
	Nominal amount of instrument (reporting currency)	EUR 15.0 million	EUR 5.3 million	EUR 0.7 million
9a	Issue price	100%	100%	100%
9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	25.05.2016	29.04.2016	29.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	25.05.2026	29.04.2026	29.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	25.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 25.05.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date
Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Euribor + 6.00%	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

No.	Features	Tier 2	Tier 2	Tier 2
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement	Private placement
3	Governing law(s) of the instrument	German law	German law	German law
Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note	Subordinated note	Subordinated note
8	Amount recognised in regulatory capital (as of 31 December 2019)	EUR 5.3 million	EUR 2.1 million	EUR 5.0 million
9	Nominal amount of instrument (issuing currency)	USD 6.0 million	USD 2.3 million	EUR 5.0 million
	Nominal amount of instrument (reporting currency)	EUR 5.3 million	EUR 2.1 million	EUR 5.0 million
9a	Issue price	100%	100%	100%
9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.04.2016	29.04.2016	31.05.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29.04.2026	29.04.2026	31.05.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date; contingent call dates; and redemption amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	31.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 31.05.2021 at any interest payment date
Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6-month Euribor + 4.50%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A



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