ProCredit HOLDING

DISCLOSURE REPORT

2020

Contents

Disclosure Report

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 ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies and on direct banking activities for private clients.

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. Sustainability is a key component of our business strategy. Accordingly, we analyse the environmental impact of both our own activities and those of our clients. In this respect, we see very 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.

We want to fulfil the "Hausbank" role for our customers. As such, we aim to always be their first point of contact for financing and deposits as well as for account and payment services. Our SME clients typically require financing in amounts ranging between EUR 50,000 and EUR 3 million. As specialists in financing SMEs, we cater to the particular needs of these clients and want to support them in 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, we offer efficient solutions for trade finance business and international payments through our network of banks.

Our target group comprises 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 place particular emphasis on issuing green loans (green investment projects, especially in energy efficiency and renewable energies) and promoting local production, especially in agriculture. Our approach is based on a careful and critical selection of clients, with solvency, transparency and social responsibility at the heart of the lending process.

In addition to serving SMEs, the ProCredit group also pursues a direct banking strategy for private clients, particularly the growing middle class. Our comprehensive range of online services creates the foundation for long-term client relationships. Our clients conduct their banking transactions directly via our digital channels and customer enquiries are processed in a focused way through our call centres. In general, we do not offer counter and cash transactions, which meant that the contact and distance rules introduced in the time of the pandemic were relatively easy for us to implement and had virtually no impact on business operations. Through our online platform, customers have access to additional savings and financing options. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

Not only because of the COVID-19 pandemic, the focus in 2021 will be on the safety of employees and customers, prudent risk management and customer support. We are confident that the strategic initiatives in recent years, conservative risk management and high qualification of our staff form a good and stable foundation for us to continue to meet the challenges brought about by the pandemic.

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 (Gesetz über das Kreditwesen, 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 2020, 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 2020 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. Pursuant to Section 35 of the Act on the Recovery and Resolution of Credit Institutions (Gesetz zur Sanierung und Abwicklung von Instituten und Finanzgruppen, SAG), each company in a financial group must disclose whether it is a party to an agreement on intra-group financial support. Within the ProCredit group there is no such agreement pursuant to section 22 SAG.

As a supplement to this disclosure report, information on the ProCredit group is available in ProCredit Holding's 2020 Annual Report as well as the Impact Report, both of which are published on the website. Information on country-specific disclosure pursuant to Section 26a KWG is available in ProCredit Holding's Annual Report for 2020.

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 mainly 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 2020. 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 & 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. Nowadays all training services are provided in the ProCredit Academy in Germany.

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. Neither 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.[1]

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., The Netherlands), 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.

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. Against the backdrop of the COVID-19 pandemic, some national regulators have expressed an expectation during the 2020 financial year that banks will refrain from dividend payments.

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.

1 In addition, LLC Quipu GmbH, a subsidiary of Quipu GmbH, Germany, is included neither in the regulatory nor in the IFRS scope of consolidation. It does not reach the size criteria set forth in Article 19 (1) CRR. LLC Quipu GmbH provides IT consulting and software development in Ukraine.

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 compared to the previous year. On the contrary, during the COVID-19 pandemic our conservative risk approach has proven to be highly appropriate. Nevertheless, the pandemic is impacting the ProCredit group. Like the whole world, our countries of operation have been severely affected by COVID-19. Working groups, in particular on staff organisation and operational risk, credit risk, liquidity and funding risk, and supervision & regulation, were thus established early on at the level of ProCredit Holding. These groups have been tasked with monitoring and assessing the impact of the pandemic on the group as well as ensuring that appropriate measures are taken in good time. At the same time, the working groups maintain close contact with all the ProCredit banks, each of which has likewise set up COVID-19 working groups.

The governments in the countries where we do business responded quickly to the COVID-19 outbreak in March 2020. Responses included lockdown measures, dividend restrictions, relaxed capital and liquidity requirements, fiscal and budgetary stimulus packages, and moratoria on loan repayments. The moratoria measures not typically affect the risk classification of exposures and therefore do not lead to any need for additional loss allowances.

As some of the restrictions were lifted, economic activity returned to broadly normal levels during the summer months, with the exception of some business areas such as cross-border tourism. However, in the third and fourth quarters, and still at the time of writing, the spread of the pandemic accelerated again. As a result, the governments in the countries where we operate have imposed new lockdown measures, albeit not in a uniform manner. In December 2020, the EBA also reactivated the guidelines on moratoria to further facilitate financial support to the real economy.

We have implemented extensive preventive safety measures in our branches and offices to protect the health of our employees and our customers. Even when the number of COVID-19 cases within the group peaked in the fourth quarter, business continuity was always ensured in both front and back-office areas. The IT infrastructure was fully functional, without any loss of performance. Our SME "Hausbank" concept and the advanced level of digitalisation in retail banking provided a solid basis for continuing our business operations without major limitations.

The developments of 2020 will affect the focus of our risk management activities in 2021. The health and economic crisis continues and, despite the positive outlook, uncertainty remains high about the degree of economic recovery in 2021. Developments in the risk situation are closely monitored. The group complied with internal limits as well as all applicable regulatory requirements at all times during the 2020 financial year. Even in light of the uncertainties resulting from the COVID-19 pandemic, the group's overall risk profile remains appropriate 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, we aim 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 thorough 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 reduces the risks to which the group is exposed.

Focus on core business

Our business model is clear and straightforward: 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, operational 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 largely limits all other risks involved in banking operations.

Diversification and transparent services

ProCredit's focus as a "Hausbank" for small and medium-sized businesses and private clients entails a very high degree of diversification in both customer loans and customer deposits. This applies, among other things, to countries (urban and rural areas), customer groups (small and medium-sized enterprises, private customers) and economic sectors. A further characteristic of our approach is that we seek to provide our clients with clear, transparent services. A high degree of diversification in our activities and profit-generation, combined with our simple, transparent services and processes, contribute to a significant reduction of the group's risk profile.

Careful staff selection and intensive training

Responsible banking can only succeed with employees who identify with our values and goals, and who actively work to implement them. Therefore, we have set strict standards for staff selection and training; these are based on mutual respect, personal responsibility and long-term commitment and loyalty to the ProCredit group. We have invested heavily in staff training over many years. Our intensive training efforts not only produce 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

The risk appetite provides the framework for risk management. This is a conscious decision about the extent to which we are prepared to take risks in order to achieve the strategic objectives of the ProCredit group. The risk appetite is defined for all material risks and is presented in the risk strategy. In managing risks, the ProCredit group takes account of the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk), of relevant publications by national and international regulatory authorities and of our knowledge of our 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.
- 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.[2]
- 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.
- 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.
- 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 of new or significantly changed products.

2 An integral part of the business strategy is our aim to have the smallest possible impact on the environment and to proactively bring about a shift in thinking, with greater focus on sustainability. A separate risk type "sustainability/environmental, social and corporate governance (ESG) risks" has deliberately not been taken into account, as it would hardly be possible to isolate such a risk. ESG risks can have a material impact on the identified risk types, contributing as a factor in their materiality.

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

The Management of ProCredit Holding bears overall responsibility for the risk management of the ProCredit group. It sets the guidelines for risk management, regularly analyses the group's risk profile and decides on measures to be taken. Ms Sandrine Massiani bears particular responsibility for risk management. She also heads the Risk Control Function in accordance with MaRisk. The Compliance function and Internal Audit report directly to the Management.

Risk management at group level is supported conceptually and implemented operationally by various risk management and finance teams. The following committees in particular advise and support the Management in the performance of the risk management function.

- 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 and Ethics 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. It also monitors compliance with the ProCredit group's Code of Conduct and advises the Management on ethics issues.

At a fundamental level, the group compliance management system is rooted in our development mission and our unique approach to staff recruitment and development. Our methodical and responsible approach to all operations is underpinned by our Code of Conduct. Compliance with the Code of Conduct is compulsory for all staff members, and regular training is provided. The Code of Conduct is published on the ProCredit Holding website. 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 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, an appropriate internal control system and suitable IT infrastructure within the group. Additionally, each ProCredit bank (with the exception of ProCredit Bank Germany) has an internal audit department. The internal audit function of ProCredit Bank Germany has been outsourced to ProCredit Holding since 1 May 2020. Once per year, the respective audit 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, which generally meets quarterly. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance. Group Audit reviewed and revised the annual audit plan in light of the COVID-19 pandemic. In addition to minor corrections, this resulted in the introduction of new focal points for all banks based on changes in risk caused by the COVID-19 situation, in particular in the operational risk and credit risk areas.

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, an ALCO and a compliance committee, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the individual institutions.

At the individual bank level, risk positions are regularly analysed, discussed intensively and documented in standardised reports. The risk departments of each bank report 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. The Management of ProCredit Holding has also defined risk events that require ad hoc reporting. 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.

On the basis of regulatory requirements, the group-wide recovery plan was prepared during the 2020 financial year. Among other things, it outlines the recovery options and the potential for recovery that the group has at its disposal in the event of a crisis, thus enabling the group to overcome a crisis through its own efforts.

Regular 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 – in the context of the COVID-19 pandemic as well, are presented in the individual sections of the disclosure report on the material risks and in the explanations regarding capital adequacy.

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.

Key decisions of the group are approved by the supervisory board of the ProCredit General Partner AG. 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 management body of ProCredit Holding at the end of 2020 comprised the three members of the Management[3] and the six members of the Supervisory Board.[4]

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 has thus far decided

3 Dr Gian Marco Felice has been a member of the Management Board of the general partner of ProCredit Holding since 3 June 2020. The Management had thus consisted of two members until early June 2020.

4 On 24 March 2020, Mr Rainer Ottenstein was elected as Deputy Chairman after Mr Christian Krämer resigned from this office. Mr Jasper Snoek's term as a member of the Supervisory Board ended with effect from 26 May 2020. Effective as of that same date, Dr H.P.M. (Ben) Knapen became a new member of the Supervisory Board.

against the formation of committees. All Supervisory Board duties have been performed by the Supervisory Board members themselves. Committees pursuant to section 25d KWG have been established for the 2021 financial year. One in-person meeting of the Supervisory Board was held in the 2020 financial year. Due to the COVID-19 pandemic, the following five meetings were held virtually.

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.[5]

The tables below indicate the number of positions held by the Management[6] and Supervisory Board, including their positions at ProCredit Holding.[7]

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

31.12.2020	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Gian Marco Felice	1	7	-
Sandrine Massiani	2	5	-
Dr Gabriel Schor	1	3	-

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

31.12.2020	Management positions outside of the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Claus-Peter Zeitinger (Chairman)	-	3	-
Rainer Ottenstein (Deputy Chairman)	-	7	-
Dr H.P.M. (Ben) Knapen	-	1	2
Christian Krämer	1	2	-
Marianne Loner	-	2	4
Petar Slavov	-	2	-

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.

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

6 Ms Sandrine Massiani is, in addition to her position as manager of ProCredit Holding, manager of ProCredit Reporting DOOEL, domiciled in North Macedonia, and, since 1 January 2021, interim management board member of ProCredit Bank AG.

7 The positions at ProCredit Holding AG & Co. KGaA and ProCredit General Partner AG are presented together in the tables.

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. Information about the professional experience of the members of the Supervisory Board is presented on the ProCredit Holding website.

Furthermore, the Supervisory Board has determined that its members shall include persons who, in addition to a sound knowledge of banking, also have:

- a good understanding of and interest in the group's core business
- the time and interest to travel to the region to understand and assess the operations of ProCredit subsidiaries, and ideally a seat on at least one supervisory board of a subsidiary
- a good understanding of and interest in development finance and sustainability aspects
- at least one member should have professional experience in South Eastern and Eastern Europe.

All members should have sufficient knowledge of financial analysis and risk aspects of banking. Furthermore, since the ProCredit Holding shares are listed on the Frankfurt Stock Exchange, a general understanding of capital markets is valuable.

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 2020 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 the 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 (ICAAP), the group applies both the normative and economic perspective.

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 banks' and 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 2020 is provided in the table below.

Structure of own funds

		Amount 31.12.2020 in EUR m	Regulation (EU) No. 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
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	387	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	-112	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)	0	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	14	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**730**	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) and (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) to (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 to 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)

continued next page

		Amount 31.12.2020 in EUR m	Regulation (EU) No. 575/2013 Article Reference
continued			
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**	**706**	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 row 43

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		Amount 31.12.2020 in EUR m	Regulation (EU) No. 575/2013 Article Reference
continued			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**706**	Sum of rows 29 and 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	76	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)
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**	**76**	
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**	**76**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**782**	Sum of rows 45 and 58
60	**Total risk-weighted assets**	**5,325**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.3%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	13.3%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	14.7%	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	-	

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		Amount 31.12.2020 in EUR m	Regulation (EU) No. 575/2013 Article Reference
continued			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.8%	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
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 (T1) capital (Common Equity Tier 1 (CET1) capital plus Additional Tier 1 (AT1) capital) and Tier 2 (T2) capital.

As of 31 December 2020, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 706 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 capital of the ProCredit group declined by EUR 36 million. This is mainly due to the negative development of the translation reserve. The Common Equity Tier 1 capital reported as of 31 December 2020 includes interim profits as of 30 June 2020, less foreseeable charges and dividends. The full impact of IFRS 9 has been recognised in the CET1 capital of the group at the initial implementation of IFRS 9. The respective transitional arrangements are not applied.

The ProCredit group issued no AT1 instruments. Therefore, as of 31 December 2020 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 76 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 8 million compared with the previous year, mainly due to the reduced recognition of existing subordinated debt. No new subordinated debt instruments were issued in 2020.

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

31.12.2020 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	135	0	135
Balances at central banks	1,270	0	1,270
Loans and advances to banks	237	0	236
Investment securities	336	0	336
Loans and advances to customers	5,132	7	5,139
Investments in subsidiaries, joint ventures and associates	0	2	2
Derivative financial assets	1	-	1
Property, plant and equipment and investment property	141	-10	131
Intangible assets	19	0	19
Current tax assets	6	0	6
Deferred tax assets	2	0	2
Other assets	51	1	52
Discontinued operations	-	-	-
Total assets	**7,329**	**1**	**7,330**

continued next page

31.12.2020 in EUR m	Consolidated balance sheet according to consolidated financial statements	Deconsolidation of subsidiaries	Consolidated balance sheet for regulatory purposes
continued			
Liabilities			
Liabilities to banks	231	0	231
Liabilities to customers	4,899	0	4,899
Liabilities to international financial institutions	1,005	–	1,005
Derivative financial liabilities	4	–	4
Debt securities	267	0	267
Other liabilities	41	0	41
Provisions	15	0	15
Current tax liabilities	2	0	2
Deferred tax liabilities	1	–	1
Subordinated debt	85	–	85
Discontinued operations	–	–	–
Total liabilities	**6,550**	**0**	**6,550**
Equity			
Subscribed capital and capital reserve	441	–	441
Retained earnings*	447	0	448
Translation reserve	–112	0	–112
Revaluation reserve	3	0	3
Equity attributable to the equity holders of the parent company	**780**	**0**	**780**
Non-controlling interests	–	–	–
Total equity	**780**	**0**	**780**
Total equity and liabilities	**7,329**	**1**	**7,330**

* *Retained earnings also include the legal reserves.*

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

in EUR m	**31.12.2020**
Shareholders' equity reported on balance sheet	**780**
Deconsolidation of subsidiaries	0
Shareholders' equity in regulatory balance sheet	**780**
Profit ineligible for recognition*	-47
Non-controlling interests	0
Minority interests ineligible for recognition under transitional provisions	0
Adjustments relating to unrealised gains pursuant to Article 68 CRR	-3
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**730**
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	**706**
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	**706**
Subordinated liabilities	
Reported on balance sheet	85
of which: accrued interest and deferred fees	-1
of which: non-grandfathered instruments	-
Amortisation according to Article 64 CRR	-8
Regulatory adjustments to balance sheet	-
Recognition of amount excluded from AT1 due to cap	-
Tier 2 capital	**76**
Total regulatory own funds	**782**

* *As approved by the regulatory authorities, as of 31 December 2020 the interim profits as of 30 June 2020, 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

	31.12.2020		31.12.2019	
in EUR m	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	**4,363**	**349**	**4,240**	**339**
Exposures to central governments or central banks	434	35	498	40
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	13	1
Exposures to corporates	1,878	150	1,780	142
of which: SMEs subject to SME factor*	747	60	293	23
Exposures to institutions and corporates with a short-term credit assessment	59	5	85	7
Retail exposures	1,671	134	1,584	127
of which: SMEs subject to SME factor*	1,257	101	1,239	99
Exposures secured by mortgages on immovable property	-	-	-	-
Exposures in default	106	9	70	6
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")	11	1	14	1
Equity exposures	8	1	9	1
Other items	183	15	187	15
Credit Valuation Adjustment (CVA) risk	**2**	**0**	**1**	**0**
Market risk (foreign currency risk)	**528**	**42**	**574**	**46**
Operational risk	**432**	**35**	**436**	**35**
Total	**5,325**	**426**	**5,252**	**420**

** 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 of individual institutions or of the group as a whole 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)[8] is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk.

Solid loan portfolio growth of EUR 441 million in 2020 was largely offset in risk-weighted assets by the recognition of Serbia's banking regulation as CRR-equivalent by the EU Commission in January and by the introduction of a new SME support factor due to the "CRR quick fix" in June.

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	**31.12.2020**	**31.12.2019**
Common equity Tier 1 capital	706	742
Additional Tier 1 capital	-	-
Tier 2 capital	76	84
Own funds	**782**	**826**
Credit risk	4,363	4,240
CVA risk	2	1
Market risk (foreign currency risk)	528	574
Operational risk	432	436
Risk-weighted assets	**5,325**	**5,252**
Common Equity Tier 1 capital ratio	**13.3%**	**14.1%**
Tier 1 capital ratio	**13.3%**	**14.1%**
Total capital ratio	**14.7%**	**15.7%**

8 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.

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the total capital ratio. 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 2.5% to 2.0% in 2020. The capital conservation buffer is currently 2.5%. The institution-specific countercyclical capital buffer amounted to 0.1% as of 31 December 2020. This buffer will be addressed in detail in the following section. Overall, this results in a minimum capital requirement of 8.2% for the CET1 capital ratio, 10.1% for the T1 capital ratio and 12.6% for the total capital ratio, taking into account the capital buffers.

With a Common Equity Tier 1 capital ratio of 13.3%, a Tier 1 capital ratio of 13.3% and a total capital ratio of 14.7% as of 31 December 2020, the ProCredit group's ratios clearly exceed the current regulatory requirements, despite the COVID-19 pandemic.

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

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 retained the countercyclical capital buffer of 0.5% during the reporting period. As the responsible supervisory authority, BaFin kept the countercyclical capital buffer for Germany at 0% for all of 2020. The increases originally planned for 2020 for Bulgaria and Germany were not implemented due to the COVID-19 pandemic. For all other countries where ProCredit is active, a 0% countercyclical capital buffer was applicable or no buffer was defined for 2020. The buffer requirement for the ProCredit group as of 31 December 2020 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 2020, 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

31.12.2020	General credit exposures	Trading book exposure	Securitisation exposure	Own funds requirements					
in EUR m	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	Own funds requirement weights	Countercyclical capital buffer rate
Breakdown by country									
Serbia	1,003	–	–	56	–	–	56	0,18	0.000
Bulgaria	905	–	–	46	–	–	46	0.15	0.005
Ukraine	576	–	–	34	–	–	34	0.11	–
Kosovo	548	–	–	33	–	–	33	0,10	–
North Macedonia	467	–	–	24	–	–	24	0.08	–
Germany	424	–	–	18	–	–	18	0.06	0.000
Georgia	372	–	–	20	–	–	20	0.07	0.000
Ecuador	349	–	–	20	–	–	20	0.06	–
Romania	345	–	–	16	–	–	16	0.05	0.000
Bosnia and Herzegovina	250	–	–	12	–	–	12	0.04	–
Albania	220	–	–	12	–	–	12	0.04	0.000
Greece	215	–	–	13	–	–	13	0.04	0.000
Moldova	159	–	–	8	–	–	8	0.02	0.000
United States of America	19	–	–	1	–	–	1	0.00	0.000
United Kingdom	5	–	–	0	–	–	0	0.00	0.000
Belgium	3	–	–	0	–	–	0	0.00	0.000
Netherlands	1	–	–	0	–	–	0	0.00	0.000
Cook Islands	1	–	–	0	–	–	0	0.00	–
Italy	1	–	–	0	–	–	0	0.00	0.000
Other	2	–	–	0	–	–	0	0.00	0.000
Total	**5,866**	**–**	**–**	**313**	**–**	**–**	**313**	**1.00**	

Amount of institution-specific countercyclical capital buffer

31.12.2020 in EUR m	
Total risk exposure amount	5,325
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 2020 the ProCredit group reported a very comfortable leverage ratio of 9.3%. This was a slight decrease compared to the previous year, which ended with a ratio of 10.8%. The total risk position for the ProCredit group increased in the course of 2020 by EUR 716 million. This development was due primarily to loan portfolio growth. The simultaneous decline in T1 capital by EUR 36 million had an additional negative effect, with the result that the leverage ratio showed a decline overall. The decrease in Tier 1 capital is due exclusively to the negative development in the translation reserve.

Leverage ratio common disclosure

31.12.2020 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)	7,353
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)**	**7,330**
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	7
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)**	**7**
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

31.12.2020 in EUR m		CRR leverage ratio exposures
continued		
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	917
18	(Adjustments for conversion to credit equivalent amounts)	-652
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**265**
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**	**706**
21	**Leverage ratio total exposure measure (sum of rows 3, 11, 16, 19, EU-19a and EU-19b)**	**7,602**
Leverage ratio		
22	**Leverage ratio**	**9.3 %**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully implemented
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

31.12.2020 in EUR m		Applicable amount
1	Total assets as per published financial statements	7,329
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1
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	7
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)	265
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	0
8	**Leverage ratio total exposure measure**	**7,602**

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

31.12.2020 in EUR m		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	7,353
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	7,353
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,630
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0
EU-7	Institutions	47
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	2,814
EU-10	Corporates	2,305
EU-11	Exposures in default	86
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	472

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 sufficient at all times. Capitalisation in the economic perspective was adequate at all times during the course of 2020.

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. There were no significant changes to the risk modelling compared to the previous years. The countries in which we do business have a relatively volatile history. Therefore, our datasets include various periods of stress, such as the armed conflicts in Ukraine. As a result, there was no need to adjust risk modelling to adequately reflect the impact of the COVID-19 pandemic.

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: • customer credit risk • counterparty risk • country risk	Portfolio model based on a Monte Carlo simulation (Value at Risk, 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 and deferred tax assets) plus ProCredit Holding's subordinated debt, amounted to EUR 843 million as of the end of December 2020. 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 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 2020. In the standard scenario, which in the economic perspective is calculated with a 99.9% confidence level, the ProCredit group needs 75.6% of its RAtCR and 66.9% of its RTP to cover its risk profile.

Capitalisation in the economic perspective

	Limit in EUR m	Limit utilisation in EUR m	Limit utilisation in %
Credit risk	385	289	75.0
Interest rate risk	122	92	75.8
Foreign currency risk	128	97	75.8
Operational risk	27	21	77.8
Business risk	28	19	69.3
Funding risk	10	7	69.9
Model risk	45	38	n.a.
Total 2020	**745**	**564**	**75.6**
Total 2019	745	581	77.9

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. 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. The stress tests are supplemented by reverse stress tests and, if applicable, by ad hoc stress tests.

A range of stress scenarios are adopted and tested in order to analyse the impact of extraordinary but plausible events. The scenarios apply to both historical and hypothetical stress situations. They are based on, among other things, assumptions depicting significant deterioration of worldwide macroeconomic conditions and include an analysis of a severe economic downturn. The selection of the scenarios takes account for the group's strategic orientation and the economic environment. The macroeconomic stress scenario we have analysed exceeds current expectations for the impact of the COVID-19 pandemic. In addition, various stress analyses related to the COVID-19 pandemic were conducted during 2020.

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 RAtCR, meaning that the capitalisation of the group in the economic perspective would be adequate even under the defined 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 our most significant risk, and customer credit exposures account for the largest share of that risk.

6.1 Customer credit risk

Strategy and principles

The key objectives of 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 assessments 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 forborne exposures, loss allowances 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 a necessary form of credit risk management. Our credit decisions are therefore based predominantly on a comprehensive analysis of the client's financial situation, management capacities, business plans and on a detailed assessment of creditworthiness. Regular on-site visits are performed for clients to ensure an adequate consideration of their specific features and needs. Customer contact was intensified in the course of 2020 due to the pandemic and when necessary shifted to virtual channels.

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 credit exposures above the risk relevance threshold (i.e. EUR 250,000) 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 and longer maturity 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 for credit exposures. 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 firmly incorporated into all lending-related processes, resulting in a fast assessment of the degree of financial difficulty faced by clients.

Additionally, 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.

The most significant new factor influencing credit risk in 2020 was the outbreak of the COVID-19 pandemic. Our activities have therefore also focused on assessing the effects of the pandemic on the credit portfolio and on a corresponding risk-mitigation strategy.

Within the framework of the international and national aid measures which have been enacted, we have adopted a conservative approach. Thus, we have always envisaged moratoria only as a temporary measure for short-term liquidity problems. Moratoria were typically issued for a period of three months (for all economic sectors) to six months (for the most affected sectors). The share of the loan portfolio in moratorium peaked at 37% in May 2020. The share declined steadily thereafter, falling to below 2% by the end of the year. In line with the EBA's interpretations, applying these moratoria under certain conditions did not automatically lead to forbearance measures.

In parallel with these deferral measures, we intensified the annual monitoring of our customer loans during this financial year according to the potential impact of the COVID-19 pandemic. In the second half of the year, for example, we updated the risk analyses for all business customers and we assessed and mapped the credit risks to which our clients were exposed due to the pandemic. In this process, consideration was given to the impact of the pandemic on the economic sector as well as the liquidity and earnings situation of the company. There was also an intensified monitoring process for new loan disbursements and their subsequent performance. As a result of intensified loan portfolio monitoring, risk classification downgrades were made where needed. Restructuring measures were already taken during 2020 as necessary to prevent possible defaults.

On the basis of asset quality indicators, 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 indicators 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 which have shown lasting payment difficulties (over 90 days) or other indications. These include, among other factors, when the borrower is highly unlikely to meet his loan obligations to the banking group in full or when insolvency proceedings have been initiated. Further details are provided below.

The indicators and the associated internal processes have been defined in line with the requirements set by international regulatory authorities and are continuously reviewed and adjusted accordingly. For example, as of 31 December 2020 adjustments were made regarding the counting of days past due as a criterion for determining default and the indicators for unlikelihood of settling liabilities. These changes were implemented as part of introducing the amended definition of default.

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 current 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 of the respective bank. 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 exposures 2020**	**Total amount of exposures 31.12.2020**	**Average amount of exposures 2019**	**Total amount of exposures 31.12.2019**
Exposures to regional governments or local authorities	0	0	0	0
Exposures to corporates	2,349	2,478	1,953	2,112
Retail exposures	3,413	3,501	3,211	3,275
Exposures in default	60	71	59	53
Other items	0	0	0	0
Total	**5,822**	**6,050**	**5,224**	**5,440**

The on- and off-balance sheet loan portfolio volume, net of provisions, stood at EUR 6.1 billion at year-end 2020. At EUR 914 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, 72% consisted of credit commitments with immediate right of cancellation.

In 2020 all of the main geographical regions where we operate showed loan portfolio growth. Only in Germany was loan volume down slightly.

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	1,764	550	96	68
Retail exposures	2,619	667	215	-
Exposures in default	41	16	14	-
Other items	0	-	-	-
Total 2020	**4,425**	**1,233**	**324**	**68**
Total 2019	3,860	1,214	292	74

The following table presents client exposures by industry.

Client exposures, by industry

	Non-financial companies				Other
in EUR m	Production (including agriculture)	Trade	Transport and storage	Other non-financial companies	
Exposures to regional governments or local authorities	-	-	-	-	0
Exposures to corporates	1,057	658	82	666	14
of which: SMEs	972	581	76	460	0
Retail exposures	1,252	1,033	189	668	358
of which: SMEs	1,021	744	147	469	7
Exposures in default	28	20	5	15	3
of which: SMEs	27	20	5	14	0
Other items	-	-	-	-	-
Total 2020	**2,338**	**1,711**	**276**	**1,349**	**375**
Total 2019	2,160	1,584	278	1,071	347

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	765	883	830
Retail exposures	1,364	1,420	716
Exposures in default	17	40	14
Total 2020	**2,147**	**2,343**	**1,560**
Total 2019	1,938	1,866	1,636

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, central governments and 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 usually overnight) 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 currency 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 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 so-called 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 almost half of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

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 2020**	**Total amount of exposures 31.12.2020**	**Average amount of exposures 2019**	**Total amount of exposures 31.12.2019**
Exposures to central governments or central banks	1,393	1,580	1,161	1,313
Exposures to regional governments or local authorities	43	50	26	24
Exposures to public sector entities	1	0	11	-
Exposures to multilateral development banks	0	0	18	18
Exposures to international organisations	0	0	-	-
Exposures to institutions	51	48	44	53
Exposures to corporates	27	32	31	51
Exposures to institutions and corporates with a short-term credit assessment	114	123	69	165
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	12	11	14	14
Total	**1,641**	**1,843**	**1,372**	**1,638**

The group's exposure to counterparties and issuers increased compared to the previous year. This development is attributable to higher liquidity reserves in the banks.

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	793	737	38	13	-
Exposures to regional governments or local authorities	50	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-
Exposures to institutions	44	-	-	3	-
Exposures to corporates	-	14	17	-	0
Exposures to institutions and corporates with a short-term credit assessment	96	9	2	16	0
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	11	-	-
Total 2020	**983**	**759**	**69**	**32**	**0**
Total 2019	782	739	61	55	0

Exposures to counterparties and issuers, by counterparty type

	Central banks, central governments, international organisations and development banks		Banks		Other
in EUR m	OECD	Non-OECD	OECD	Non-OECD	
Exposures to central governments or central banks	491	1,089	-	-	-
Exposures to regional governments or local authorities	50	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-
Exposures to institutions	-	-	48	-	-
Exposures to corporates	-	-	0	31	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	104	19	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	11	-
Total 2020	**540**	**1,089**	**152**	**61**	**-**
Total 2019	456	899	193	89	-

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	1,503	71	6
Exposures to regional governments or local authorities	5	45	-
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	-	-	-
Exposures to international organisations	-	-	-
Exposures to institutions	44	1	2
Exposures to corporates	31	0	-
Exposures to institutions and corporates with a short-term credit assessment	123	-	-
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	11	-	-
Total 2020	**1,719**	**117**	**8**
Total 2019	1,611	27	0

Since the outbreak of the COVID-19 pandemic, we have monitored the credit quality of our counterparties even more closely. To this end, we have closely followed rating actions by ratings agencies, news coverage, analysis reports and assessments by our banks' risk managers, among other information. During the course of the year, only a few of our counterparties were downgraded by one rating grade; they nonetheless retained sufficiently high credit quality. The exception was the Ecuadorian sovereign (and some regional banks): Fitch downgraded the long-term issuer default rating to RD (restricted default) and the country ceiling to CCC in April 2020, as interest payments on ten external bonds were deferred until August. The ratings were restored back to the previous level of B- in September due to the conclusion of a distressed debt exchange. Considering the fact that we did not make any investments in the affected bonds, the default event had no negative impact on the group. Despite pandemic events, the group's counterparty and issuer risk remained stable.

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 2020.

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 selected third-party banks. Furthermore, they only carry out cross-border transactions in exceptional cases and only with prior approval from ProCredit Holding.

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.

As in most countries around the world, the economies in our countries of operation were negatively affected by the COVID-19 situation. Since the outbreak of the pandemic, we have thus been following developments particularly in these countries even more closely, e.g. through regular exchanges with colleagues in the ProCredit banks and daily monitoring of news reports and newly published external analyses.

Ratings agencies maintained the sovereign ratings for our countries of operation in 2020 (a brief discussion of Ecuador's sovereign rating development in 2020 is provided in the "Counterparty Risk, including Issuer Risk" section). At year-end 2020, three countries where we operate (Romania, Georgia and North Macedonia) had a negative outlook from Fitch (if no Fitch rating, then Moody's or S&P). The respective outlook for the other countries remained at stable. We do not expect any significant deterioration in country risk for the group and continue to monitor developments on an ongoing basis.

6.4 Loss allowances

The ProCredit group establishes appropriate loss allowances 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 applied for loss allowances pursuant to Article 442 (b) CRR, please refer to the Annual Report 2020 (section on credit risk in the Risk Report).[9]

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 definition of impairment according to IFRS 9 corresponds to the regulatory definition of default. This default definition is also used for internal risk management and is applied to all exposures that are part of the group's customer loan portfolio. 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, reflected in insufficient repayment capacity
- 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

9 Our impairment methodology is based on the three-stage 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. The establishment of loss allowances for the 2020 financial year was impacted by the COVID-19 pandemic. At the same time, there was a rise in the number of exposures with an individually identified increase in credit risk. In anticipation of a general deterioration in market developments and increased uncertainty due to the COVID-19 pandemic, also in the longer term, appropriate adjustments have been made to the macroeconomic factors used to determine the ECL model parameters. These adjustments were based on the newest IMF World Economic Outlook Database macroeconomic forecasts, taking account for the longer-term outlook.

Development of specific credit risk adjustments

	Total	of which			
in EUR m		Stage 1	Stage 2	Stage 3	POCI
Loss allowances at 1 January 2020	**106**	**32**	**8**	**66**	**1**
Additions	31	21	2	8	-
Releases	-19	-4	-3	-11	0
Transfers	-	-2	-2	4	-
Change in credit risk	27	-2	14	14	0
Utilisation	-17	0	0	-17	0
Exchange rate adjustments and other changes	-6	-3	-1	-3	0
Sale of/reclassification to discontinued operations	-	-	-	-	-
Loss allowances at 31 December 2020	**123**	**43**	**17**	**62**	**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)	9	28	16	7	21	0	-17
	Trade	4	20	12	5	19	0	-10
	Transport and storage	1	5	2	1	4	0	-3
	Other non-financial companies	3	15	9	4	15	0	-6
Financial enterprises		0	0	1	0	0	0	0
Other		1	3	6	1	4	0	-10
Total 2020		**16**	**71**	**44**	**17**	**62**	**1**	**-47**
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	13	41	28	8	43	0
Eastern Europe	1	16	14	7	13	1
South America	2	14	2	1	5	0
Germany	-	-	0	0	-	-
Total 2020	**16**	**71**	**44**	**17**	**62**	**1**
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.

For credit exposures of any size, an individual assessment of the reasonable expectation of repayment is made by the banks. 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 repayments.

Loss allowances are recognised in the income statement as follows.

Loss allowances in the income statement

in EUR m	1.1.-31.12.2020	1.1.-31.12.2019
Increase of loss allowances	93	88
Releases of loss allowances	-54	-81
Recoveries of write-offs	-11	-12
Direct write-offs	0	0
Non-substantial modification	0	1
Total	**29**	**-3**

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	31.12.2020	31.12.2019
interest rate currency swaps, FX swaps and FX forwards	1	0
interest rate swaps	0	-
Total	**1**	**0**

Counterparty credit risk exposures from derivatives (original exposure method)

in EUR m	31.12.2020	31.12.2019
interest rate currency swaps, FX swaps and FX forwards	6	4
interest rate swaps	1	1
Total	**7**	**5**

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

In 2020, 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 (other investments)

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 2020	Total amount of exposures 31.12.220	Average amount of exposures 2019	Total amount of exposures 31.12.2019
Investments in non-consolidated subsidiaries	3	2	4	4
Other investments	5	5	5	5
Total	**8**	**8**	**9**	**9**

Due to the nature of the investments (non-consolidated subsidiaries) and the non-materiality of investments supporting operating processes, 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

	Risk weighting, in %											Total
in EUR m	0	10	20	35	50	75	100	150	250	1,250	Other	
Exposure class												
Exposures to central governments or central banks	941	-	-	-	0	-	638	-	1	-	-	1,581
Exposures to regional governments or local authorities	50	-	-	-	-	-	0	-	-	-	-	50
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	42	-	8	-	-	-	-	-	-	50
Exposures to corporates	-	-	-	-	-	-	2,361	-	-	-	-	2,361
Exposures to institutions and corporates with a short-term credit assessment	-	-	95	-	2	-	11	18	-	-	-	126
Retail exposures	-	-	-	-	-	2,957	-	-	-	-	-	2,957
Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-	32	54	-	-	-	86
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")	-	-	-	-	-	-	11	-	-	-	-	11
Equity exposures	-	-	-	-	-	-	8	-	-	-	-	8
Other items	135	-	-	-	-	-	183	-	-	-	-	317
Total 2020	**1,125**	**-**	**137**	**-**	**11**	**2,957**	**3,244**	**72**	**1**	**-**	**-**	**7,547**
Total 2019	767	0	149	-	34	2,804	3,052	41	1	-	9	6,856

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 2020, EUR 209 million of the EUR 504 million in total mandatory reserves were covered by MIGA guarantees.

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

	Risk weighting, in %											Total
in EUR m	**0**	**10**	**20**	**35**	**50**	**75**	**100**	**150**	**250**	**1,250**	**Other**	
Exposure class												
Exposures to central governments or central banks	987	–	9	–	–	–	430	–	1	–		1,427
Exposures to regional governments or local authorities	50	–	–	–	–	–	–	–	–	–	–	50
Exposures to public sector entities	–	–	–	–	–	–	–	–	–	–	–	–
Exposures to multilateral development banks	612	–	–	–	–	–	–	–	–	–	–	612
Exposures to international organisations	–	–	–	–	–	–	–	–	–	–	–	–
Exposures to institutions	–	–	42	–	8	–	–	–	–	–	–	50
Exposures to corporates	–	–	–	–	–	–	2,112	–	–	–	–	2,112
Exposures to institutions and corporates with a short-term credit assessment	–	–	95	–	2	–	11	18	–	–	–	126
Retail exposures	–	–	–	–	–	2,752	–	–	–	–	–	2,752
Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	31	50	–	–	–	81
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")	–	–	–	–	–	–	11	–	–	–	–	11
Equity exposures	–	–	–	–	–	–	8	–	–	–	–	8
Other items	135	–	–	–	–	–	183	–	–	–	–	317
Total 2020	**1,784**	**–**	**145**	**–**	**11**	**2,752**	**2,786**	**68**	**1**	**–**	**–**	**7,547**
Total 2019	1,351		157	–	34	2,629	2,637	40	1	–	9	6,856

Total amount of secured exposures

31.12.2020 in EUR m	Financial collateral	Guarantees	Total
Central governments	–	209	209
Regional governments	–	–	–
Other public sector entities	–	–	–
Multilateral development banks	–	–	–
International organisations	–	–	–
Institutions	–	–	–
Covered bonds issued by credit institutions	–	–	–
Corporates	23	225	249
Retail exposures	31	174	205
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	4	4
Exposures to institutions and corporates with a short-term credit assessment	–	–	–
Exposures associated with particularly high risk	–	–	–
Total 2020	**55**	**612**	**667**
Total 2019	59	532	592

Secured exposure amounts totalled EUR 667 million as of 31 December 2020. 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. All ProCredit banks are non-trading book institutions. 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.

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.

The translation reserve changed from EUR -56 million at the end of 2019 to EUR -112 million in December 2020. This is mainly due to the significant depreciations of the Eastern European currencies and the US dollar. Since the outbreak of the COVID-19 pandemic, some currencies of the countries where we operate have been volatile. Compared to the previous year, the Ukrainian and Georgian domestic currencies, which were impacted by local political and economic developments in addition to the pandemic, depreciated by more than 20% against the euro. The depreciation of the US dollar and the Moldovan domestic currency was 8%; the other domestic currencies in the group showed 2% or less.

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 mainly from 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 contractual terms, thereby aggregating individual contracts into homogeneous groups. Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific historical analyses. Here, the repricing maturity per currency is limited to a maximum of every three years. At group level, this amounted to 10.6 months on average as of 31 December 2020.

At the bank level, we assume a parallel shift of the interest rate curve. For euros and US dollars the interest rate shock is ± 200 basis points, whereas for domestic currencies the magnitude of the shock is derived on the basis of a bank-specific historical analysis. Limits are set in relation to CRR 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. Account is taken for EVI effects within the scope of the group's capital adequacy calculation in the economic approach. The indicators are calculated using historical VaR models with a holding period of one year respectively confidence level of 99.9% (EVI) or 99.0% (P&L effect). Modelled country-specific risk-free curves are used in a multi-curve approach to discount the cash flows. The maturity-specific interest rate shocks are based on the historical daily development of the reference curves over the last ten years.

Interest rate risk in the banking book

	31.12.2020		31.12.2019	
in EUR m	Economic value impact	12-month P&L effect	Economic value impact	12-month P&L effect
Total	**-92**	**-11**	**-71**	**-8**

Compared to the previous year, the economic value impact grew to EUR -92 million, mainly due to a higher contribution of the loan portfolio in euros. Furthermore, the portfolio of sight deposits in US dollars and the ongoing calibration of currency-specific interest rate shocks also had an effect. The 12-month P&L effect increased to EUR -11 million at year-end.

In accordance with regulatory requirements, the change (increase or decrease) in EVI is also calculated for a parallel shift of ±200[10] basis points in the yield curves. Modelled risk-free curves per currency are used to discount the cash flows. For 2020, a potential loss of the economic value of capital was determined for an upward parallel shift. This was mainly due to a higher contribution of the portfolio in euros and US dollars, as well as changes in the volume and repricing maturities of long-term liabilities in euros and US dollars, resulting in an opposing effect for both currencies.

Interest rate risk in the banking book, standard test

Currency	31.12.2020		31.12.2019	
in EUR m	Economic value impact +200 bp shock	Economic value impact -200 bp shock	Economic value impact +200 bp shock	Economic value impact -200 bp shock
Euro	2	5	12	7
US dollar	-14	4	-10	6
Other	5	-3	5	-1
Total	**-7**	**7**	**8**	**12**

"Other" is an aggregate position of the domestic currencies in the ProCredit banks deviating from the euro or US dollar.

10 The downward shift took into account the maturity-specific interest rate floors prescribed by BaFin in Circular 06/2019 (BA).

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 Liquidity Coverage Ratio (LCR) stipulated by CRR. 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) and combined 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, 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. Moreover, ProCredit Holding has developed a liquidity contingency plan.

In addition, liquidity risk is measured and assessed at bank level on the basis of national requirements. For example, 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.

A working group was established in March 2020 to monitor the impact of the COVID-19 pandemic on the group's liquidity position and to take appropriate action in a timely manner. Developments were monitored and assessed on the basis of daily liquidity risk indicators, regular communication between ProCredit Holding and the subsidiary banks, and monitoring of regulatory measures and market trends.

Despite considerable uncertainty regarding market liquidity and possible deposit outflows, especially at the beginning of the global pandemic outbreak, the liquidity situation of the ProCredit banks and the group remained stable. In fact, it showed improvement. This was mainly due to an increase in customer deposits in all banks as well as new funding agreements with international financial institutions (IFIs). This can be seen as evidence of the high level of confidence in the ProCredit banks, even in stress situations, and it demonstrates our strong profile in our markets. The impact of customer loan repayment moratoria on the liquidity position was forecast accurately and absorbed by the banks accordingly. Both the banks and the group had sufficient liquidity available at all times in 2020 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 2020, the LCR was 153% at 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	**31.03.2020**	**30.06.2020**	**30.09.2020**	**31.12.2020**
Number of data points used in the calculation of averages	12	12	12	12
Liquidity buffer	636	686	739	779
Total net cash outflows	372	405	446	494
Liquidity Coverage Ratio	**171%**	**169%**	**166%**	**158%**

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 4.9 billion (or 75% of group liabilities) as of 31 December 2020 are the largest source of funding for the ProCredit banks. Around 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 2020 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. Additionally, two indicators are used to limit the level of funding from the interbank market.

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 2020, the encumbered assets of the ProCredit group amounted to EUR 38 million, which is equivalent to 0.5% 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 2020.

Encumbered and unencumbered assets

31.12.2020 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	**30**		**6,928**	
Equity instruments	-		-	
Debt securities	-	-	339	339
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	200	200
of which: issued by financial corporations	-	-	19	19
of which: issued by non-financial corporations	-	-	2	2
Other assets	30		6,589	

The collateral received are shown in the following table.

Collateral received

31.12.2020 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	**–**	**37**
Loans on demand	–	–
Equity instruments	–	–
Debt securities	–	37
of which: covered bonds	–	–
of which: asset-backed securities	–	–
of which: issued by general governments	–	37
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	**31**	

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

Sources of encumbrance

31.12.2020 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	32	24

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 (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters, etc.). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence.

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events identified in the group with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/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 in the 2018-2020 financial years (data as of 4 February 2021).

Gross and net losses due to operational risk events

in EUR m	**2020**	**2019**	**2018**
Gross loss	1	1	1
Current net loss	1	1	0
Number of loss events	172	206	319

In addition, risk assessments are carried out annually throughout the group. In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, these risk assessments are systematically performed in order to identify and evaluate key risks and to assess the adequacy of the control processes. Risk mitigation measures are defined for the areas identified as high risk. These two control components 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.

Moreover, early warning indicators have been defined at the level of ProCredit Holding to identify areas of banking business with increased fraud risk. These can be expanded upon by the subsidiary banks. The early warning indicators are analysed regularly and, where needed, preventive measures are agreed upon.

To complete the management of operational risk, all new or significantly changed products, business processes, instruments, IT systems or organisational structures and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation. This also applies to activities in new markets and via new distribution channels.

The group has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The ProCredit banks carry out a classification of their information assets and conduct a risk assessment on their critical information assets each year. 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 group companies with respect to software and hardware.

Against the background of the COVID-19 pandemic, a working group focusing on staff organisation and operational risk was set up at the level of ProCredit Holding at an early stage. The objective of this working group is to ensure the continuity of business operations and adequate staffing. Our digital approach to all routine banking operations has enabled us to quickly implement home-office models to protect the health and safety of customers and employees. The working group also focuses on regular monitoring of information security. Training measures on information security and data protection were carried out in the group at an early stage.

We have seen a pandemic-related increase in attempted cyber attacks in the group, although these did not result in any losses. We were able to maintain business continuity and guarantee the availability of IT systems without any loss of performance. Furthermore, we did not identify any increase in fraud or other operational risks.

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, sudden 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. The basic principles of model risk management are the identification and avoidance of model risks (e.g. through the use of standard market models) and the appropriate consideration of known model risks (e.g. through conservative calibration). Model risks that are not known and therefore cannot be mitigated are accepted as an inherent risk of the business model. With regard to governance in model risk management, requirements are defined for model use, model validation and model changes.

Information about risks relating to money laundering, terrorist financing and other acts punishable by law are contained in the 2020 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 line with our group policy against discrimination of any kind, gender plays no role in our promotion or salary decisions. There is no difference in salary between men and women in comparable positions.

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 general and specialized 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 used 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 already approved a buyback of up to 1.5% of the shares issued. Due to the outbreak of the global COVID-19 pandemic, this planned employee programme was put on hold.

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.[11]

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. 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 for the 2020 financial year 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 six times during the 2020 financial year. For the 2021 financial year, in line with the regulatory requirements, the Supervisory Board of ProCredit General Partner AG has established a Remuneration Control Committee.

11.4 Remuneration 2020

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 the management level directly below them as well as staff with management responsibilities (pursuant to sec. 25a (5b) KWG in conjunction with Delegated Regulation (EU) No. 604/2014).

Remuneration is also 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

11 Furthermore, members of the Management/Management Board receive Directors & Officers (D&O) insurance coverage with a deductible in accordance with section 93 (2) sentence 3 Stock Corporation Act (Aktiengesetz, AktG) 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 2020, variable compensation amounted to less than 0.1% of the total fixed salary.

The non-relevant remuneration positions in 2020 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

31.12.2020	Fixed remuneration	Variable remuneration				No. of beneficiaries	Outstanding deferred remunerations		Severance payments		
in EUR '000		Cash	Shares	Share-linked instruments	Other types		Vested	Unvested	Amount	No. of beneficiaries	Highest payment to a single person
Management/Management Board											
ProCredit Holding	492	-	-	-	-	3	-	-	-	-	-
ProCredit banks	2.635	-	-	-	-	40	47	51	119	2	70
Staff whose professional activities have an impact on the risk profile											
ProCredit Holding	1,814	38	-	-	-	19	-	-	-	-	-
ProCredit banks	8,112	11	-	16	-	269	72	114	-	-	-

The members of the Supervisory Board of ProCredit General Partner AG each receive gross annual remuneration in the amount of EUR 10,000, independent of their role as Chairperson, Deputy Chairperson or member; travel costs are reimbursed. One Supervisory Board member has waived his Supervisory Board compensation starting from 1 July 2020 until further notice due to the COVID-19 pandemic. Furthermore, ProCredit Holding concluded a D&O insurance policy which provides coverage for the members of the Supervisory Board. No fees are paid for participating in the meetings of the Supervisory Board of ProCredit Holding. Additional remuneration is granted in individual ProCredit institutions for supervisory board activities.

ANNEX

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 at 31 December 2020)	EUR 294.5 million	EUR 1.6 million	EUR 5.9 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 1.8 million	EUR 6.5 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 at 31 December 2020)	EUR 0.7 million	EUR 4.2 million	EUR 8.3 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 0.8 million	EUR 4.7 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 at 31 December 2020)	EUR 4.9 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	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 at 31 December 2020)	EUR 15.0 million	EUR 4.9 million	EUR 0.6 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 4.9 million	EUR 0.6 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 at 31 December 2020)	EUR 4.9 million	EUR 1.8 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 4.9 million	EUR 1.8 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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