Part of the ProCredit Group

ProCredit Bank

ProCredit Bank (Bulgaria) EAD

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Disclosure Report 2018 in accordance with Article 13 of EU REGULATION No. 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending EU Regulation No 648/2012.

Data are on an individual basis as of 31.12.2018.

This English translation is provided by ProCredit Bank for information only, and is not legally valid. The Bulgarian version is the only legally binding version.

All amounts are in BGN thousands.

Introduction

As a significant subsidiary of ProCredit Holding AG & Co. KGaA (ProCredit Holding), which is the superordinated company of the ProCredit financial holding group (ProCredit group, the group), ProCredit Bank (Bulgaria) EAD (ProCredit Bank, the bank) has a duty of disclosure in accordance with Article 13 of EU Regulation No. 575/2013 (Capital Requirements Regulation, the CRR).

The intention behind the regular disclosure of qualitative and quantitative information is to give the reader detailed insight into the current risk profile and risk management of an institution, and thus to create transparency and enhance market discipline. In this report ProCredit Bank discloses all qualitative and quantitative information required in accordance with the CRR as at 31 December 2018. The CRR is directly applicable in Bulgaria as the country is an EU member state. ProCredit Bank is supervised by the Bulgarian National Bank (the BNB).

This disclosure report is an additional document alongside the annual financial statements of ProCredit Bank, which are published on the bank's website. In particular, the report discloses information about the bank's own funds and mechanisms for managing credit risk. For further information related to the organisation of risk management, own funds and remuneration, please refer to the group disclosure report and the group annual report, which are published on the ProCredit Holding website.

Confidential information or that which is legally protected or whose publication would weaken the competitive position of the bank is not subject to presentation in these disclosures. This report has not been audited by the bank's external auditors. However, the information disclosed is based on the bank's audited separate financial statements. The bank's subsidiaries – ProCredit Properties EAD and ProCredit Education EAD – are outside the scope of the prudential consolidation in accordance with the CRR, so this report discloses data solely for ProCredit Bank.

The disclosure report was formally approved by the Management Board of the bank at its regular meeting on 25 March 2019.

Due to rounding, numbers and percentages presented throughout this report may not add up precisely to the totals provided.

Article 437 CRR

Own funds

Structure of own funds

The table below presents the bank’s own funds as of 31 December 2018.

in BGN thousands	31.12.2018	31.12.2017
Paid up capital instruments	164,209	164,209
Share premium	3,496	3,496
Other reserves and other comprehensive income	14,846	13,712
(-) Value adjustments due to the requirements for prudent valuation	(33)	(29)
(-) Gross amount of other intangible assets	(5,017)	(3,743)
(-) Exposure amount of qualifying holdings outside the financial sector	(1,982)	(419)
(-) Losses for the current financial year	(99)	(108)
Common Equity Tier 1 (CET1) capital	**175,420**	**177,118**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 (T1) capital	**175,420**	**177,118**
Tier 2 (T2) capital	**-**	**-**
Total regulatory capital	**175,420**	**177,118**

The regulatory own funds as at 31 December 2018 are entirely composed of Common Equity Tier 1 capital (CET1) as defined in Part II of the CRR.

The basic characteristics of the CET1 capital components are:

- Paid-up capital instruments – consist entirely of paid-up share capital (ordinary shares).
- Share premium – the excess of the paid issue value of share capital over its face value.
- Other reserves – formed by legally defined deductions from generated net profit for the previous reporting periods and accumulated other comprehensive income.

The CET1 of the bank is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, investments in subsidiaries, additional valuation adjustments for fair-valued balance sheet positions and losses for the current financial year. In 2018 BGN 32,023 thousand was paid as dividends and BGN 19,558 thousand was reinvested by ProCredit Holding in the form of share capital. The newly paid capital was registered in the Bulgarian Trade Register in November 2018, but as of end-2018 was still in the process of being recognised as paid-up capital instruments as part of CET1 by the BNB.

Reconciliation of the components of regulatory own funds and the separate balance sheet

The following table presents the reconciliation of the separate 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.

in BGN thousands	31.12.2018	31.12.2017
Shareholders' equity reported on balance sheet	**239,300**	**213,606**
Retained earnings	(37,378)	(32,023)
Accumulated other comprehensive income, net of tax	187	(166)
Capital instruments in process of recognition as CET1	(19,558)	-
Total shareholders' equity per regulatory balance sheet	**182,551**	**181,417**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**182,551**	**180,629**
Regulatory adjustments	**(7,131)**	**(4,299)**
Additional value adjustments (negative amount)	(33)	(29)
Intangible assets	(5,017)	(3,743)
Exposure amount of qualifying holdings outside the financial sector	(1,982)	(419)
Losses for the current financial year	(99)	(108)
Common Equity Tier 1 (CET1) capital	**175,420**	**177,118**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 (T1) capital	**175,420**	**177,118**
Tier 2 (T2) capital	**-**	**-**
Subordinated debt as per balance sheet	-	-
Amortization according to Article 64 of CRR	-	-
Total regulatory capital	**175,420**	**177,118**

Main features of the capital instruments

The only capital instrument that the bank had as at 31 December 2018 was issued ordinary shares, which form part of the Common Equity Tier 1 (CET1) capital. The features of the shares are presented below.

No.	Main features	Common Equity Tier 1
1	Issuer	ProCredit Bank (Bulgaria) EAD
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Bulgarian Commercial Law; Bulgarian Law on Credit Institutions; Bulgarian Law on Markets in Financial Instruments
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (in BGN million, as of 31.12.2018)	BGN 164 million
9	Nominal amount of instrument	BGN 1
9a	Issue price	Various
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	28.09.2001
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Structure of own funds

Disclosure of the nature and amounts of specific items in own funds is presented below in accordance with the requirements of the CRR. The full effects of IFRS 9 have already been taken into account the Common Equity Tier 1 capital. The corresponding transitional arrangements have not been applied.

		Amount 31.12.2018 in BGN thousands	**Amount 31.12.2017** in BGN thousands	**Regulation (EU) No. 575/2013 Article Reference**
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	167,705	167,705	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: Instrument type 1	167,705	167,705	EBA list 26 (3)
	of which: Instrument type 2	-	-	EBA list 26 (3)
	of which: Instrument type 3	-	-	EBA list 26 (3)
2	Retained earnings	-	-	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	14,846	13,712	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)	-	-	84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**182,551**	**181,417**	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(33)	(29)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(5,017)	(3,743)	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)	-	-	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 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 holdings and 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 the 10% threshold and net of eligible short positions) (negative amount)	-	-	36 (1) (h), 43, 45, 46, 49 (2) (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	(1,982)	(419)	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	(1,982)	(419)	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)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 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)	(99)	(108)	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	36 (1) (1)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	36 (1) (j)

	(continued)	Amount 31.12.2018 in BGN thousands	Amount 31.12.2017 in BGN thousands	Regulation (EU) No. 575/2013 Article Reference
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(7,131)**	**(4,299)**	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	**175,420**	**177,118**	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**	**-**	-	
	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 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 of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 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 (net of eligible short positions) (negative amount)	-	-	56 (d), 59, 79
41	Empty Set in the EU	-	**-**	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	**-**	**-**	Row 36 minus 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	**175,420**	**177,118**	Sum of rows 29 and row 44
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	-	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)
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (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	-	-	87, 88
49	of which: instruments issued by subsidiaries subject to phase out	-	-	486 (4)
50	Credit risk adjustments	-	-	62 (c) and (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	**-**	
	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 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, 477 (4)
56	Empty Set in the EU)	-	-	

(continued)		Amount 31.12.2018 in BGN thousands	Amount 31.12.2017 in BGN thousands	Regulation (EU) No. 575/2013 Article Reference
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	**-**	**-**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**175,420**	**177,118**	Sum of row 45 and row 58
60	**Total risk weighted assets**	**1,084,781**	**991,646**	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.2%	17.9%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	16.2%	17.9%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	16.2%	17.9%	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 expressed as a percentage of risk exposure amount)	5.5%	5.5%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	-	-	
67	of which: systemic risk buffer requirement	3.0%	3.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.7%	13.4%	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, 36 (1) (i), 45, 48
75	Deferred tax assets arising 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 standardized 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 for 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) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (3), 486 (2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	484 (4), 486 (3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (4), 486 (3) and (5)
84	Current cap on T2 instruments subject to phase out arrangements	-	-	484 (5), 486 (4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	484 (5), 486 (4) and (5)

Article 438 CRR

Capital requirements

Adequacy of own funds

Maintaining an adequate level of capital is a core objective of the bank. At no point may the bank incur greater risks than it is able to bear. Compliance with this principle is assured by the regular monitoring of an established set of early warning indicators and limits.

When determining the capital requirements for the purposes of calculating capital adequacy as per the CRR, the bank adheres to the following:

1. Capital requirements for credit risk and counterparty risk – Standardised approach as per Part Three, Section II, Chapter 2 of the CRR.
2. Capital requirements for operational risk – Standardised approach as per Part Three, Section III, Chapter 3 of the CRR.

As at 31 December 2018 there was no capital requirement for market risk. As ProCredit Bank has no trading portfolio under the CRR, the bank does not have positions in financial instruments and commodities held for short-term resale or profit from the difference between sale and purchase prices arising from actual or expected short-term price differences on the market.ProCredit Bank does not calculate a capital requirement for currency risk, as the overall net foreign currency position (excluding euro) as at 31 December 2018 was 0.2% of the capital, which is less than the minimum threshold of 2% according to the CRR.

As per Article 92 of the CRR, the minimum capital requirement for the overall capital adequacy ratio is 8% of the total risk exposure. Added to this requirement are the capital buffers, which the Bulgarian National Bank obligates the banks to maintain as per Ordinance No. 8 of the BNB of 24 April 2014 on Banks' Capital Buffers. They are:

- capital conservation buffer in the form of Common Equity Tier 1 equal to 2.5% of total risk exposure
- systemic risk buffer in the form of Common Equity Tier 1 capital equal to 3.0% of the total risk exposure

After adding the capital buffers to the capital requirements, the minimum total capital adequacy requirement amounts to 13.5%.

The table below shows the risk-weighted assets and capital requirements (by types of risk and exposure class) needed for the minimum total capital adequacy with and without the capital buffers as set by the BNB. The calculations are made as per the CRR:

Risk-weighted assets and capital requirements, by risk category

in BGN thousands	31.12.2018 Risk-weighted assets	Capital requirements (8%)	Capital requirements with capital buffers included (13.5%)	31.12.2017 Risk-weighted assets	Capital requirements (8%)	Capital requirements with capital buffers included (13.5%)
Credit risk	**954,853**	**76,367**	**128,869**	**858,640**	**68,691**	**115,916**
Exposures to central governments or central banks	7,017	561	947	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-
Exposures to institutions	57,281	4,583	7,733	59,355	4,748	8,013
Exposures to corporates	206,627	16,530	27,895	155,215	12,417	20,954
Retail exposures	292,639	23,411	39,506	297,555	23,804	40,170
Exposures secured by mortgages on immovable property	331,290	26,503	44,724	272,475	21,798	36,784
Exposures in default	20,758	1,661	2,802	31,706	2,537	4,280
Exposures associated with particularly high risk	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Items representing securitisation positions	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (“CIUs”)	-	-	-	-	-	-
Equity exposures	4,718	377	637	3,863	309	522
Other items	34,255	2,740	4,624	38,471	3,078	5,194
Market risks (foreign currency risk)	**-**	**-**	**-**	**-**	**-**	**-**
Operational risk	**130,197**	**10,416**	**17,577**	**133,005**	**10,640**	**17,956**
CVA risk	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,084,781**	**86,782**	**146,445**	**991,646**	**79,332**	**133,872**

The predominant part of the total capital requirements are for credit risk: 88% as of year-end 2018 (2017: 87%). The increase in risk-weighted assets for credit risk resulted in a 9.4% increase in capital requirements compared to the previous year, with the main driver being growth of 13.5% in the bank’s customer loan portfolio.

The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the Common Equity Tier 1 (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 Additional Tier 1 (AT1) capital are considered; for the calculation of the total capital ratio, all regulatory capital components are considered. The table below shows information about the regulatory capital ratios.

Regulatory capital ratios

	Risk-weighted assets (in BGN thousands)	Total capital ratio (in %)	Tier 1 capital ratio (in %)	Common Equity Tier 1 capital ratio (in %)
31.12.2018	1,084,781	16.2	16.2	16.2
31.12.2017	991,646	17.9	17.9	17.9

Internal capital adequacy

The internal capital adequacy concept is a key element of risk management and of the Internal Capital Adequacy Assessment Process (ICAAP). In the context of the internal capital adequacy calculation, the capital needs arising from the specific risk profile are compared with the available capital resources to ensure that the bank's is sufficient to match its risk profile at all times. It is an ongoing process that raises awareness about the capital requirements and exposure to material risks.

The methods used to calculate the amount of economic capital required to cover the different risks to which the bank is exposed are based on statistical models, provided that appropriate models are available. Extreme scenarios, some of them historically observed, are applied to the bank in its entirety to test its ability to withstand such shocks, both in individual risk areas and in combination. The guiding principle for the internal capital adequacy calculations is that the bank is able to withstand shock scenarios without endangering depositors and other providers of funding. The crisis years 2009 and 2010 both underscored the necessity for a conservative approach towards capital management and demonstrated the bank's strength in dealing with a very difficult economic environment.

The approach adopted for management and monitoring of the bank's internal capital adequacy is the "gone concern" approach, where a sufficient security buffer is included to cover risk positions which are not explicitly included. The material risks for which the required capital is calculated, as well as the applicable reporting trigger for each risk, are a reflection of the risk profile of ProCredit Bank and are subject to annual review. These risks are: credit risk, counterparty risk (including issuer risk), interest rate risk, currency risk and operational risk.

Within the ICAAP, ProCredit Bank compares the calculated economic capital needed to cover the various risks to the available capital (risk-taking potential, RTP). The latter comprises equity as per the financial statements, minus intangible assets and deferred tax assets, plus Tier 2 capital. The resources available to cover risks (RAtCR) are calculated as 60% of the RTP. Only RAtCR are considered when setting the reporting trigger for each risk category. Thus, a buffer of 40% of the RTP is available. The table below gives more details on the calculated internal capital within the ICAAP as well as the RTP.

Internal capital adequacy assessment

31.12.2018 in BGN thousands	**Reporting trigger in %**	**Reporting trigger**	**Actual**	**Reporting trigger used in %**
Credit risk (customer and counterparty)	38	90,028	70,865	29.9
Currency risk	2	4,738	97	0.0
Interest rate risk	10	23,692	4,575	1.9
Operational risk	10	23,692	10,381	4.4
Total		**142,150**		
Risk-taking potential (RTP) 2018		**236,915**	**85,294**	**36.2**
Risk-taking potential (RTP) 2017		**218,035**	**54,432**	**25.0**

As shown in the table, as at December 2018, ProCredit Bank needed 36.2% of the risk-taking potential to ensure capital adequacy. This level is deemed adequate considering the risk profile of the institution. The increase of the economic capital requirements is due to stable growth (13.5%) of the bank's customer loan portfolio.

Article 440 CRR

Capital buffers

The tables below present information on the credit risk exposures of the bank in relation to the calculation of the countercyclical capital buffer according to Article 440 of the CRR.

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

31.12.2018	**General credit exposures**	**Trading book exposure**		**Own funds requirement**			**Own funds requirements weights**	**Countercyclical capital buffer rate**
in BGN thousands	**Exposure value for SA**	**Sum of long and short position of trading book**	**Value of trading book exposure for internal models**	**Of which: General credit exposures**	**Of which: Trading book exposures**	**Total**		
Bulgaria	1,376,845	-	-	67,952	-	67,952	0.95	0.00
Macedonia	1,164	-	-	53	-	53	-	0.00
Greece	91,696	-	-	3,218	-	3,218	0.05	0.00
Total	**1,469,705**	**-**	**-**	**71,223**	**-**	**71,223**	**1.00**	

Amount of institution-specific countercyclical capital buffer

31.12.2018 in BGN thousands	**Total**
Total risk exposure amount	890,286
Institution specific countercyclical buffer rate	0.00
Institution specific countercyclical buffer requirement	0

The institution-specific countercyclical capital buffer as at December 2018 was set at 0.0%. The BNB announced that the countercyclical buffer applicable to credit risk exposures in Bulgaria will be set to 0.5% starting from 1 October 2019.

Article 442 CRR

Credit risk adjustments

Credit risk is 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. The main credit risk-generating activity is providing loans to clients of the bank. These credit exposures (including contingent liabilities undertaken as bank guarantees and letters of credit) form the main part of credit risk-bearing assets. Activities related to the storage of liquid assets (receivables from banks, security investments) also generate credit risk, which is defined as counterparty risk (including issuer risk). Credit risk is the most significant risk facing the bank, and customer credit exposures account for the largest share of that risk.

Structure of the credit risk exposures

The tables below present information on the distribution of the risk exposures of the bank in relation to the credit risk by exposure classes listed in Article 112 of the CRR, broken down by industries, contractual residual maturities and countries, in accordance with Article 442 of the CRR. The value of the exposures is presented after deduction of credit risk adjustments (loan loss provisions) and before application of risk weights and techniques for the mitigation of credit risk in accordance with the CRR.

Exposures, by exposure classes

in BGN thousands	Average amount of exposures 2018	Total amount of exposures 31.12.2018	Average amount of exposures 2017	Total amount of exposures 31.12.2017
Exposures to central governments or central banks	185,498	208,188	178,811	176,042
Exposures to regional governments or local authorities	-	-	-	-
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	-	-	-	-
Exposures to international organisations	-	-	-	-
Exposures to institutions	226,548	268,469	209,140	288,851
Exposures to corporates	269,162	296,072	151,050	195,634
Retail exposures	626,127	624,708	612,645	605,323
Exposures secured by mortgages on immovable property	618,513	668,858	555,499	585,498
Exposures in default	22,766	20,671	30,527	28,726
Exposures associated with particularly high risk	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-
Items representing securitisation positions	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (“CIUs”)	-	-	-	-
Equity exposures	4,697	4,718	3,608	3,863
Other items*	74,741	73,536	85,556	83,236
Total	**2,028,052**	**2,165,220**	**1,826,836**	**1,967,173**

** Other items include: cash, fixed assets, repossessed assets and other balance sheet assets*

The credit portfolio volume reported on the bank’s balance sheet, net of provisions, reached BGN 1,603 million at year-end 2018. The bank was able to achieve positive results in its targeted business segment in 2018. This growth was the main driver for the increase in customer credit risk exposures in 2018.

Exposures, by significant business sectors

31.12.2018 in BGN thousands	Exposures to central government	Exposures to central bank and commercial banks	Trade	Agriculture	Industry	Services	Others	Not applicable	Total
Exposures to central governments or central banks	28,666	179,522	-	-	-	-	-	-	**208,188**
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	-	-	-	-	**-**
Exposures to institutions	-	268,469	-	-	-	-	-	-	**268,469**
Exposures to corporates	-	-	67,905	57,792	101,039	13,392	55,944	-	**296,072**
Thereof SME	*-*	*-*	*21,365*	*20,291*	*31,758*	*2,359*	*11,572*	*-*	***87,345***
Retail exposures	-	-	118,522	247,300	109,074	31,861	117,951	-	**624,708**
Thereof SME	*-*	*-*	*117,647*	*245,086*	*108,290*	*31,405*	*89,806*	*-*	***592,234***
Exposures secured by mortgages on immovable property	-	-	161,575	57,699	161857	64488	223239	-	**668,858**
Exposures in default	-	-	5,325	3,663	1,828	1,515	8,340	-	**20,671**
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	**-**
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	**-**
Items representing securitisation positions	-	-	-	-	-	-	-	-	**-**
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	**-**
Exposures in the form of units or shares in collective investment undertakings ("CIUs")	-	-	-	-	-	-	-	-	**-**
Equity exposures	-	-	-	-	-	4,718	-	-	**4,718**
Other items	-	-	-	-	-	-	-	73,536	**73,536**
Total 2018	**28,666**	**447,991**	**353,327**	**366,454**	**373,798**	**115,974**	**405,474**	**73,536**	**2,165,220**
Total 2017	**28,729**	**436,164**	**309,622**	**353,200**	**296,285**	**112,899**	**347,038**	**83,236**	**1,967,173**

Exposures, by residual maturity

31.12.2018 in BGN thousands	**<1 Year**	**1-5 Years**	**>5 Years**	**Not applicable**	**Total**
Exposures to central governments or central banks	192,897	15,291	-	-	**208,188**
Exposures to regional governments or local authorities	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	**-**
Exposures to institutions	268,469	-	-	-	**268,469**
Exposures to corporates	129,126	121,680	45,266	-	**296,072**
Retail exposures	362,764	222,954	38,990	-	**624,708**
Exposures secured by mortgages on immovable property	214,571	275,833	178,454	-	**668,858**
Exposures in default	-	-	20,671	-	**20,671**
Exposures associated with particularly high risk	-	-	-	-	**-**
Exposures in the form of covered bonds	-	-	-	-	**-**
Items representing securitisation positions	-	-	-	-	**-**
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	**-**
Exposures in the form of units or shares in collective investment undertakings (“CIUs”)	-	-	-	-	**-**
Equity exposures	-	-	-	4,718	**4,718**
Other items	-	-	-	73,536	**73,536**
Total 2018	**1,167,827**	**635,758**	**283,381**	**78,254**	**2,165,220**
Total 2017	**854,363**	**730,542**	**295,169**	**87,099**	**1,967,173**

Exposures, by countries

31.12.2018 in BGN thousands	**Bulgaria**	**Germany**	**Serbia**	**Greece**	**Macedonia**	**Total**
Exposures to central governments or central banks	206,285	-	-	1,903	-	**208,188**
Exposures to regional governments or local authorities	-	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	-	**-**
Exposures to institutions	-	268,469	-	-	-	**268,469**
Exposures to corporates	269,983	-	-	26,089	-	**296,072**
Retail exposures	595,347	-	-	28,197	1,164	**624,708**
Exposures secured by mortgages on immovable property	631,449	-	-	37,409	-	**668,858**
Exposures in default	20,671	-	-	-	-	**20,671**
Exposures associated with particularly high risk	-	-	-	-	-	**-**
Exposures in the form of covered bonds	-	-	-	-	-	**-**
Items representing securitisation positions	-	-	-	-	-	**-**
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	**-**
Exposures in the form of units or shares in collective investment undertakings (“CIUs”)	-	-	-	-	-	**-**
Equity exposures	4,718	-	-	-	-	**4,718**
Other items	73,536	-	-	-	-	**73,536**
Total 2018	**1,801,989**	**268,469**	**-**	**93,598**	**1,164**	**2,165,220**
Total 2017	**1,647,270**	**288,320**	**15**	**31,568**	**-**	**1,967,173**

Past due and impaired exposures

A credit exposure is defined as past due if the contractual interest and/or principal payments are past due for at least one day. In such cases, the total exposure to the client is regarded as being past due.

A credit exposure is defined as impaired (non-performing) if the bank has objective evidence that the quality of the credit exposure has deteriorated and it is deemed unlikely that the borrrower will be able to fulfil his or her repayment of obligations in full without recourse to collateral realisation. The main indicator of this condition is that the exposure is more than 90 days past due. However, credit exposures can show other signs of impairment as well. Typical examples are:

- initiation of bankruptcy proceedings
- initiation of legal proceedings by the bank
- information on the customer’s business or changes in the client’s market environment that are having or could have a negative impact on the client’s payment capacity

Loss allowances are established for non-performing exposures according to the requirements described below for Stage 3.

Loss allowances are established in line with the defined group standards, which are based on IFRS 9. The forward-looking expected credit losses (ECL) model is the central element of the approach to quantifying loss allowances. Accordingly, all credit exposures to customers are allocated among three stages, with a distinct provisioning methodology applied to each group.

Stage 1 comprises exposures for which credit risk has not significantly increased since initial recognition as well as those showing low credit risk as of the reporting date. For these exposures, the expected credit losses arising from possible default events within the 12 months following the reporting date are recognised in expenses.

Stage 2 comprises exposures for which credit risk has significantly increased since initial recognition, but for which there are no objective indications of impairment. This assessment takes account for appropriate and plausible information. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.

Stage 3 includes all defaulted exposures, i.e. as of the reporting date, there is both a significant increase in credit risk and objective indications of impairment. The respective calculation of loss allowances is performed based on the expected credit losses considering 100% probability of default. Stage 3 also includes financial assets which are already impaired at initial recognition (Purchased or Originated Credit Impaired (POCI) assets). Recognition of POCI exposures requires the fair value to be determined as of initial recognition, taking account of the expected losses.

The bank considers all provisions to be specific credit risk adjustments (i.e. no general credit risk adjustments).

The change in the loan loss provisions during the reporting period was as follows:

Changes in loan loss provisions (credit adjustments)

in BGN thousands	Stage 1	Stage 2	Stage 3	POCI
Carrying amount as at 1 January 2018	**7,300**	**8,021**	**25,716**	**-**
Additions	3,600	2,496	10,526	70
Utilisation	-	-	(4,202)	-
Releases	(5,049)	(2,723)	(5,737)	(6)
Transfers	1,712	(3,126)	1,414	-
Unwinding effects	-	-	(842)	-
Exchange rate adjustments	-	-	-	-
Carrying amount as at 31 December 2018	**7,563**	**4,668**	**26,876**	**63**

The following table presents past due and impaired exposures, as well as provisions, by industry.

Past due and impaired exposures, by industry

31.12.2018 in BGN thousands	**Past due but not impaired exposures**	**Impaired exposures**	**Loss allowances**				**Charges for specific credit risk adjustments**
			Stage 1	**Stage 2**	**Stage 3**	**POCI**	
Trade	1,424	5,325	1,515	955	6,949	-	(487)
Agriculture	771	3,663	1,997	1,037	2,567	-	448
Industry	516	1,828	1,780	915	4,983	-	885
Services	336	1,515	488	168	2,711	-	520
Others	3,153	8,340	1,614	1,593	9,665	63	1 099
Other financial assets	-	-	169	-	-	-	(130)
Total 2018	**6,201**	**20,671**	**7,563**	**4,668**	**26,876**	**63**	**2,335**

Loan loss provisions (LLP) were accounted for in the income statement as follows.

in BGN thousands	**Increase of risk provisioning**	**Release of risk provisioning**	**Direct write-offs**	**Recoveries of write-offs**	**Total**
Total 2018	16,691	(13,515)	589	(1,904)	1,861
Total 2017	20,638	(16,136)	126	(2,049)	2,579

Article 453 CRR

Credit risk mitigation techniques

Credit risk is the main risk faced by ProCredit Bank in its activities, and adequate collateralisation of the credit exposures helps to mitigate that risk. The collateral items are defined as assets pledged or mortgaged by the borrower to guarantee the credit exposure. In principle, the bank accepts any type of collateral which is permitted by law and considered appropriate by the relevant credit committee. The bank can provide financing guaranteed by collateral and/or guarantees. Collateral owned by related parties, partners and third parties is also accepted.

The credit decision is based on assessment of the business and creditworthiness of the borrower. Apart from this, the bank seeks to secure its receivables from clients with high-quality collateral. The choice of collateral is closely related to the credit risk assessment, which includes the financial state of the borrower, the term, the purpose of the loan and the method of repayment.

The collateral items are valued at fair market price, which represents the amount for which the property would change owner, going from the seller to the buyer, both of whom act on their own free will, without any pressure whatsoever, and who are well aware of the relevant circumstances. As a rule, real estate properties are appraised by applying at least two different methods; there is an exception for land, for which only one method is applied for valuation – the sales comparison approach.

For business clients – small and medium-sized enterprises – the collateral assessments are updated as part of the annual monitoring of the business activity and financial condition. This process involves checking the legal aspects concerning the collateral and its current market price. In the event that a significant reduction in the price of the asset under assessment is established, or if there is a deviation from the procedures of the bank related to the covering of the credit exposure, the case is referred to a credit committee to be resolved appropriately.

The types of collateral accepted by the bank are:

- Deposits
- Real estate (residential, administrative, commercial and industrial properties, hotels, land, etc.)
- Inventory or materials
- Vehicles
- Receivables
- Equipment
- Livestock
- Guarantees
- Other

To reduce credit risk, the following techniques (instruments) are applied when calculating the capital requirements for credit risk:

- Guarantees obtained from the European Investment Fund (EIF) on credit exposures, under the following programmes for lending to small and medium-sized enterprises:

  - First Loss Portfolio Guarantee Agreement – The EIF guarantee covers losses on loans under certain conditions in the agreement. The amount of the guarantee is EUR 11 million for the entire portfolio of EUR 44 million, with a maximum of 80% coverage for a single exposure. As at 31 December 2018, BGN 3 million (EUR 1,5 million) were still outstanding on the balance sheet for loans granted under the programme.
  - Portfolio Risk-Sharing Facility Agreement – In accordance with the agreement, ProCredit Bank provided loans to small and medium enterprises totalling EUR 111 million before the end of March 2016. The EIF provides guarantees for half of the financed amount of an individual loan in this portfolio. As at 31 December 2018, BGN 77 million (EUR 39 million) were still outstanding on the balance sheet for loans provided under the programme.
  - InnovFin SME Guarantee Facility – The amount of the guarantee portfolio is EUR 120 million, with a guarantee rate of 50% coverage of the exposures. As at 31 December 2018, BGN 140 million (EUR 72 million) were still outstanding on the balance sheet for loans granted under the programme.
  - SME Initiative Guarantee Facility – The amount of the guarantee portfolio is EUR 128 million, with a guarantee rate of 60% coverage of the exposures. As at 31 December 2018, BGN 171 million (EUR 87 million) were still outstanding on the balance sheet for loans granted under the programme.
- Funded protection in the form of cash on deposits blocked in the account of the borrower or related persons. Upon recognition of funded protection for credit risk mitigation, a simplified method is used for financial collateral under the CRR.
- Immovable property collateral – The bank has exposures in the class “Exposures secured by mortgages on immovable property” for which lower risk weights are applied when calculating the risk-weighted assets. These are as follows: 35% for exposures fully and completely secured by mortgages on residential property and 50% for exposures fully and completely secured by mortgages on commercial immovable property. When an exposure or any part of an exposure is secured by a mortgage of immovable property and the conditions under Articles 125 and 126 from the CRR are not met, a risk weight of 100% is applied.

The risk exposures which are covered by eligible collateral under the CRR are presented in the following tables. The bank has no risk exposures covered by credit derivatives.

Credit risk mitigation by exposure classes

31.12.2018 in BGN thousands	**Financial collateral**	**Other eligible collateral**	**Guarantees**
Exposures to central governments or central banks	-	-	-
Exposures to regional governments or local authorities	-	-	-
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	-	-	-
Exposures to international organisations	-	-	-
Exposures to institutions	-	-	-
Exposures to corporates	17,252	-	56,489
Retail exposures	21,811	-	99,903
Exposures secured by mortgages on immovable property	2,573	325,697	60,253
Exposures in default	-	-	545
Exposures associated with particularly high risk	-	-	-
Exposures in the form of covered bonds	-	-	-
Items representing securitisation positions	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-
Exposures in the form of units or shares in collective investment undertakings (“CIUs”)	-	-	-
Equity exposures	-	-	-
Other items	-	-	-
Total 2018	**41,636**	**325,697**	**217,190**
Total 2017	**26,044**	**287,030**	**152,247**

The total loan portfolio, covered by EIF guarantees, showed a stable increase of 37% compared to year-end 2017, reaching BGN 391 million at the end of 2018 (2017: BGN 284 million).

The expanded application of other eligible collateral in 2018 was related to the increase in risk exposures collateralised with immovable property (residential and/or commercial real estate). This stemmed from growth in the portfolio of loans to the target customers – companies with a sustainable business model, high-quality of management, clear organisational structures and a development vision.

Article 451 CRR

Leverage

The BNB has implemented a regular leverage ratio calculation and reporting method within the supervisory reporting process. ProCredit Bank relies fully on Tier 1 capital for the fulfilment of the capital requirements set under the CRR. Hence, the total regulatory capital of the bank is considered when calculating the leverage ratio. The following tables provide detailed information on the calculation of leverage.

Summary reconciliation of accounting assets and leverage ratio exposures

31.12.2018 in BGN thousands		**Applicable amounts**
1	Total assets as per published financial statements	2,163,952
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
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	201
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	33,340
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	-
8	**Leverage ratio total exposure measure**	2,190,493

Leverage ratio common disclosure

		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)	2,163,952
2	(Asset amounts deducted in determining Tier 1 capital)	(7,000)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	2,156,952
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark- to-market method)	201
EU-5a	Exposure determined under Original Exposure Method	-
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 lines 4 to 10)**	201
(SFT) Securities financing transaction 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	-
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 lines 12 to 15a)**	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	292,328
18	(Adjustments for conversion to credit equivalent amounts)	(258,988)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	33,340
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**	175,420
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	2,190,493
Leverage ratio		
22	**Leverage ratio**	8.0%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) NO. 575/2013	0

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

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,163,952
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	2,163,952
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	208,188
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	268,469
EU-8	Secured by mortgages of immovable properties	668,858
EU-9	Retail exposures	618,896
EU-10	Corporate	294,102
EU-11	Exposures in default	20,671
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	84,768

The bank regularly monitors and analyses the balance sheet exposures as part of the management of the components of the leverage ratio. On the basis of this information, early measures can be taken to limit the risk of excessive leveraging.

Article 450 CRR

Remuneration policy

The process of determining the remuneration of the bank's personnel is regulated by the Rules for Remuneration of the Personnel and Remuneration Policy of Senior Positions as per Article 2 of Ordinance No. 4 of the BNB (these positions are: senior management, employees whose work is related to risk-taking; staff whose actions have a material impact on the risk profile of the institution). The bank has a Human Resources Committee which monitors changes in the situation on the labour market in the country and remuneration levels in and outside the bank, reviews salaries and makes decisions on issues concerning current or potential employees of the bank. The members of the Human Resources Committee are the Chairman of the Supervisory Board, three members of the Management Board, Director Business Department Upper Medium Clients and a Branch Manager. Depending on the nature of the topics of the meetings, the Committee may invite other participants. The Human Resources Committee holds monthly meetings.

The following table contains aggregate quantitative information on the remuneration of senior management and members of staff whose actions have a material impact on the risk profile of the institution.

31.12.2018	**Fixed remuneration**	**Variable remuneration**				**Number of beneficiaries**	**Severance payment**		
in BGN thousands		Cash	Shares	Share-linked instru-ments	Other types		Amount	Number of bene-ficiaries	Highest award to a single person
Management body	469	-	-	370	-	4	-	-	-
Other risk takers	1,986	-	-	-	-	30	-	-	-

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