Part of the ProCredit Group

ProCredit Bank

ProCredit Bank (Bulgaria) EAD

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Disclosure Report 2015 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 a consolidated basis as of 31.12.2015.

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 a detailed insight into the current risk profile and risk management of an institution, and thus, to create transparency and enhance market discipline. In this report ProCredit Bank discloses all qualitative and quantitative information required in accordance with the CRR as of 31 December 2015. 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 own funds and credit risk. For further information, related to the organisation of risk management, own funds and remuneration, please refer to the group disclosure report as well as the group annual report, which are published on the ProCredit Holding website.

With the present report ProCredit Bank responds to the requirements for disclosure of information in accordance with Article 70 (3) of the Law on credit institutions. Confidential information or that which is legally protected or its 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 consolidated financial statements.

The disclosure report was formally approved by the Management Board of the bank on its regular meeting on 31 March 2016.

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 own funds of the bank group as of 31 December 2015.

in BGN thousands	31.12.2015	31.12.2014
Tier 1 (T1) capital	**146,654**	**146,027**
Common Equity Tier 1 (CET1) capital	**146,654**	**146,027**
Paid up capital instruments	135,634	135,634
Share premium	3,496	3,496
Other reserves	10,468	10,468
(-) Value adjustments due to the requirements for prudent valuation	(20)	-
(-) Gross amount of other intangible assets	(2,924)	(3,571)
Additional Tier 1 (AT1) capital	-	-
Tier 2 (T2) capital	**-**	**1,277**
Paid up capital instruments and subordinated loans	-	1,277
Total regulatory capital	**146,654**	**147,304**

The regulatory own funds as of 31 December 2015 are entirely composed of Common Equity Tier 1 capital (CET1) as defined in with Part II of the CRR. The CET1 of the bank is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets and additional valuation adjustments for fair-valued balance sheet positions. No new Tier 1 capital instruments were issued in 2015.

The basic characteristics of the CET1 capital components are:

- Paid-up capital instruments – totally comprised 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.

The bank repaid its Tier 2 capital in October 2015 (in the amount of BGN 7,823 thousand). The repayment was performed on the effective maturity date of the instrument.

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.

in BGN thousands	31.12.2015	31.12.2014
Shareholders' equity reported on balance sheet	**202,701**	**175,663**
Retained earnings	(47,106)	(26,940)
Accumulated other comprehensive income, net of tax	(5,997)	875
Total shareholders' equity per regulatory balance sheet	**149,598**	**149,598**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**149,598**	**149,598**
Regulatory adjustments	**(2,944)**	**(3,571)**
Additional value adjustments (negative amount)	(20)	-
Intangible assets	(2,924)	(3,571)
Common Equity Tier 1 (CET1) capital	**146,654**	**146,027**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 (T1) capital	**146,654**	**146,027**
Tier 2 (T2) capital	**-**	**1,277**
Subordinated debt as per balance sheet	-	7,823
Amortization according to Article 64 of CRR	-	(6,546)
Total regulatory capital	**146,654**	**147,304**

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ProCredit Bank

Main features of the capital instruments

The only capital instruments, which the bank had as of 31 December 2015, were 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 and Sub-Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	BGN 139 million
9	Nominal amount of instrument	BGN 1
9a	Issue price	100%
9b	Redemption price	100%
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	N/A
23	Convertible or non-convertible	N/A
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 during the transitional period

Disclosure of nature and amounts of specific items in own funds is presented below in accordance with the requirements of the CRR.

Structure of own funds during the transitional period

Row		Amount 31.12.2015 in BGN thousands	Amount 31.12.2014 in BGN thousands	CRR Article Reference	Amounts subject to pre-CRR treatment or prescribed residual amount of CRR*
	Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	139,130	139,130	26 (1), 27, 28, 29, EBA list 26 (3)	N/A
	of which: Instrument type 1	139,130	139,130	EBA list 26 (3)	N/A
	of which: Instrument type 2	-	-	EBA list 26 (3)	N/A
	of which: Instrument type 3	-	-	EBA list 26 (3)	N/A
2	Retained earnings	-	-	26 (1) (c)	N/A
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	10,468	10,468	26 (1)	N/A
3a	Funds for general banking risk	-	-	26 (1) (f)	N/A
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)	N/A
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (2)	N/A
5	Minority Interests (amount allowed in consolidated CET1)	-	-	84, 479, 480	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	26 (2)	N/A
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**149,598**	**149,598**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(20)	-	34, 105	N/A
8	Intangible assets (net of related tax liability) (negative amount)	(2,924)	(3,571)	36 (1) (b), 37, 472 (4)	N/A
9	Empty Set in the EU	-	-		
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, 472 (5)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	-	-	33 (a)	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	36 (1) (d), 40, 159, 472 (6)	N/A
13	Any increase in equity that results from securitised assets (negative amount)	-	-	32 (1)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	33 (b)	N/A
15	Defined-benefit pension fund assets (negative amount)	-	-	36 (1) (e) , 41, 472 (7)	N/A
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-	36 (1) (f), 42, 472 (8)	N/A
17	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, 472 (9)	N/A
18	Direct and indirect 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 the 10% threshold and net of eligible short positions) (negative amount)	-	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	N/A
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, 470, 472 (11)	N/A
20	Empty set in the EU	-	-		
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)	N/A
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	36 (1) (k) (i), 89 to 91	N/A
20c	of which: securitisation positions (negative amount)	-	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	N/A
20d	of which: free deliveries (negative amount)	-	-	36 (1) (k) (iii), 379 (3)	N/A

**Applicable for the data as of 31 Dec 2014 and 31 Dec 2015*

Row (continued)		Amount 31.12.2015 in BGN thousands	Amount 31.12.2014 in BGN thousands	CRR Article Reference	Amounts subject to pre-CRR treatment or prescribed residual amount of CRR*
21	Deferred tax assets arising 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), 470, 472 (5)	N/A
22	Amount exceeding the 15% threshold (negative amount)	-	-	48 (1)	N/A
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), 470, 472 (11)	N/A
24	Empty Set in the EU	-	-		N/A
25	of which: deferred tax assets arising from temporary differences	-	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	N/A
25a	Losses for the current financial year (negative amount)	-	-	36 (1) (a), 472 (3)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	36 (1) (1)	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-		N/A
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-		N/A
	Of which:... filter for unrealised loss 1	-	-	467	N/A
	Of which: ... filter for unrealised loss 2	-	-	467	N/A
	Of which: ... filter for unrealised gain 1	-	-	468	N/A
	Of which: ... filter for unrealised gain 2	-	-	468	N/A
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	-	481	N/A
	Of which: ...	-	-	481	N/A
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	36 (1) (j)	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(2,944)**	**(3,571)**		**N/A**
29	**Common Equity Tier 1 (CET1) capital**	**146,654**	**146,027**		**N/A**
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	-	-	51, 52	N/A
31	of which: classified as equity under applicable accounting standards	-	-		N/A
32	of which: classified as liabilities under applicable accounting standards	-	-		N/A
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)	N/A
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (3)	N/A
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, 480	N/A
35	of which: instruments issued by subsidiaries subject to phase out	-	-	486 (3)	N/A
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	-		N/A
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, 475 (2)	N/A
38	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, 475 (3)	N/A
39	Direct and indirect 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, 475 (4)	N/A
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-	56 (d), 59, 79, 475 (4)	N/A
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts_)	-	**-**		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-	-		N/A

**Applicable for the data as of 31 Dec 2014 and 31 Dec 2015*

Part of the ProCredit Group

ProCredit Bank

Row (continued)		Amount 31.12.2015 in BGN thousands	Amount 31.12.2014 in BGN thousands	CRR Article Reference	Amounts subject to pre-CRR treatment or prescribed residual amount of CRR*
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	-	-	477, 477 (3), 477 (4) (a)	N/A
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	-	-		N/A
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	-	467,468, 481	N/A
	Of which: ... possible filter for unrealised losses	-	-	467	N/A
	Of which: ... possible filter for unrealised gains	-	-	468	N/A
	Of which: ...	-	-	481	N/A
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-	56(e)	N/A
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**		**N/A**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**		**N/A**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**146,654**	**146,027**		**N/A**
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	-	-	62, 63	N/A
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	1,277	486 (4)	N/A
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (4)	N/A
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, 480	N/A
49	of which: instruments issued by subsidiaries subject to phase out	-	-	486 (4)	N/A
50	Credit risk adjustments	-	-	62 (c) & (d)	N/A
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	**1,277**		**N/A**
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, 477 (2)	N/A
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, 477 (3)	N/A
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, 477 (4)	N/A
54a	Of which new holdings not subject to transitional arrangements	-	-		N/A
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-		N/A
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)	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-		N/A
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	-	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-	-		N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	-	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	N/A
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in atl instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc	-	-		N/A
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-	467, 468, 481	N/A
	Of which: ... possible filter for unrealised losses	-	-	467	N/A
	Of which: ... possible filter for unrealised gains	-	-	468	N/A
	Of which: ...	-	-	481	N/A

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Part of the ProCredit Group

ProCredit Bank

Row (continued)		Amount 31.12.2015 in BGN thousands	Amount 31.12.2014 in BGN thousands	CRR Article Reference	Amounts subject to pre-CRR treatment or prescribed residual amount of CRR*
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**		
58	**Tier 2 (T2) capital**	**-**	**1,277**		**N/A**
59	**Total capital (TC = T1 + T2)**	**146,654**	**147,304**		**N/A**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-	-		N/A
	Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	-	-	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	N/A
	Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-	-	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	N/A
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	N/A
60	**Total risk weighted assets**	**869,714**	**810,797**		**N/A**
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.86%	18.01%	92 (2) (a), 465	N/A
62	Tier 1 (as a percentage of risk exposure amount)	16.86%	18.01%	92 (2) (b), 465	N/A
63	Total capital (as a percentage of risk exposure amount)	16.86%	18.17%	92 (2) (c)	N/A
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)	5.50%	5.50%	CRD 128, 129, 130	N/A
65	of which: capital conservation buffer requirement	2.50%	2.50%		N/A
66	of which: countercyclical buffer requirement	-	-		
67	of which: systemic risk buffer requirement	3.00%	3.00%		N/A
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	CRD 131	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.36%	13.51%	CRD 128	N/A
69	[non relevant in EU regulation]	-	-		
70	[non relevant in EU regulation]	-	-		
71	[non relevant in EU regulation]	-	-		
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, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	N/A
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, 470, 472 (11)	N/A
74	Empty Set in the EU				
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, 470, 472 (5)	N/A
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	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	62	N/A
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	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	62	N/A

**Applicable for the data as of 31 Dec 2014 and 31 Dec 2015*

Row (continued)		Amount 31.12.2015 in BGN thousands	Amount 31.12.2014 in BGN thousands	CRR Article Reference	Amounts subject to pre-CRR treatment or prescribed residual amount of CRR*
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	484 (3), 486 (2) & (5)	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (3), 486 (2) & (5)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	484 (4), 486 (3) & (5)	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (4), 486 (3) & (5)	N/A
84	Current cap on T2 instruments subject to phase out arrangements	-	-	484 (5), 486 (4) & (5)	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	484 (5), 486 (4) & (5)	N/A

**Applicable for the data as of 31 Dec 2014 and 31 Dec 2015*

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. This principle is implemented using different indicators for which early warning indicators and limits have been established which are monitored regularly.

When determining the capital requirements for the purposes of calculation of 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 – Standardized approach as per part Three, Section III, Chapter 3 of the CRR.

As of 31.12.2015 there is no capital requirement for market risk, as the bank has no trading portfolio under the CRR. The bank does not have positions for trading, which are 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 EUR) as of 31.12.2015 is (0.12%) of the capital, which is less than 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 demands that the banks 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 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

	31.12.2015			31.12.2014		
in BGN thousands	Risk-weighted assets	Capital requirements (8%)	Capital requirements with capital buffers included (13.5%)	Risk-weighted assets	Capital requirements (8%)	Capital requirements with capital buffers included (13.5%)
Credit risk	**729,693**	**58,375**	**98,509**	**666,029**	**53,282**	**89,914**
Exposures to central governments or central banks	-	-	-	4,180	334	564
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-
Exposures to institutions	21,302	1,704	2,876	29,206	2,336	3,943
Exposures to corporates	73,883	5,911	9,974	49,140	3,931	6,634
Retail exposures	304,152	24,332	41,061	301,250	24,100	40,669
Exposures secured by mortgages on immovable property	203,525	16,282	27,476	181,140	14,491	24,454
Exposures in default	47,609	3,809	6,427	24,886	1,991	3,360
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	8,262	661	1,115	947	76	128
Other items	70,960	5,677	9,580	75,280	6,022	10,163
Market risks (foreign currency risk)	**-**	**-**	**-**	**-**	**-**	**-**
Operational risk	**140,023**	**11,202**	**18,903**	**144,766**	**11,581**	**19,543**
CVA risk	**-**	**-**	**-**	**-**	**-**	**-**
Total	**869,716**	**69,577**	**117,412**	**810,795**	**64,864**	**109,457**

The predominant part of the total capital requirements are for credit risk: 84% as of year-end 2015 (2014: 82%). The increase in risk weighted assets for credit risk resulted in a 7.3% increase in capital requirements compared to the previous year, with the main driver being the 14.6% growth in 2015 of 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 (%)	Tier 1 capital ratio (%)	Common Equity Tier 1 capital ratio (%)
31.12.2015	869,716	16.9%	16.9%	16.9%
31.12.2014	810,795	18.2%	18.0%	18.0%

Adequacy of internal capital (risk-bearing capacity)

The risk-bearing capacity concept is a key element of risk management and of the Internal Capital Adequacy Assessment Process (ICAAP). The adequacy of internal capital assessment entails defining the risk-bearing capacity of the bank. The current capital resources are compared to the capital needs, which are derived from the risk profile and risk exposure, in order to guarantee the sufficiency of the capital resources at any moment. This is a continuous process which provides clarity on capital requirements and exposure to material risks.

The methods used to calculate the amount of economic capital required to cover the different risks the bank is exposed to 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 risk-bearing capacity 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 underscored, firstly, the necessity for a conservative approach towards capital management, and secondly, the developments during that time proved the strength of the bank in dealing with a very difficult economic environment.

The approach adopted for management and monitoring of the risk-bearing capacity is the “gone concern” approach. A sufficient buffer is included to cover risk positions which are either not considered essential, or cannot be measured and have the potential for loss. The material risks, as well as the applicable reporting trigger for each risk, for which the required capital is calculated, reflect the risk profile of ProCredit Bank, and are subject to annual revisions. These risks are: credit risk, counterparty risk (including issuer risk), interest rate risk, FX risk and operational risk.

Within ICAAP ProCredit Bank compares the calculated economic capital needed for the various risks to the available capital (risk-taking potential, RTP), which is comprised of the equity as per the financial statements, minus the intangible assets and the 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 limits 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 on the risk taking potential.

Internal capital adequacy assessment

31.12.2015 in BGN thousands	**Reporting trigger in %**	**Reporting trigger**	**Actual**	**Reporting trigger used in %**
Customer credit risk	33%	65,889	22,829	34.6%
Counterparty risk	5%	9,983	851	8.5%
Currency risk	2%	3,993	103	2.6%
Interest rate risk	10%	19,967	2,951	14.8%
Operational risk	10%	19,967	11,202	56.1%
Resources available to cover risks (RAtCR) (limited at 60% of RTP)		**119,799**	**37,936**	**31.7%**
Risk-taking potential (RTP)		**199,665**	**-**	

31.12.2014 in BGN thousands	**Reporting trigger in %**	**Reporting trigger**	**Actual**	**Reporting trigger used in %**
Customer credit risk	33%	59,457	22,504	37.8%
Counterparty risk	5%	9,009	767	8.5%
Currency risk	2%	3,603	210	5.8%
Interest rate risk	10%	18,017	32	0.2%
Operational risk	10%	18,017	12,663	70.3%
Resources available to cover risks (RAtCR) (limited at 60% of RTP)		**108,103**	**36,176**	**33.5%**
Risk-taking potential (RTP)		**180,174**		

As shown in the table, ProCredit Bank only needs 31.7% of the resources available to cover risks to secure capital adequacy as of December 2015, which is adequate to the risk profile of the institution.

Article 440 CRR

Capital buffers

The countercyclical buffer is not applicable as of end 2015.

Article 442 CRR

Credit risk adjustments

Credit risk is the risk that the counterparty in a credit agreement will not be able to fulfil its contractual obligations or that it can only fulfil them partly. The main credit risk generating activity is providing loans to clients of the bank. The credit risk bearing assets are the credit exposures thus formed (incl. contingent liabilities undertaken in the form of bank guarantee and letters of credit). 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 and contractual residual maturities, in accordance with Article 442 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 2015	Total amount of exposures 31.12.2015	Average amount of exposures 2014	Total amount of exposures 31.12.2014
Exposures to central governments or central banks	189,199	167,005	159,267	172,115
Exposures to regional governments or local authorities	-	-	-	-
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	-	-	-	-
Exposures to international organisations	-	-	-	-
Exposures to institutions	91,595	102,606	102,003	138,220
Exposures to corporates	81,608	92,451	44,776	62,221
Retail exposures	562,534	588,147	573,573	565,796
Exposures secured by mortgages on immovable property	410,345	417,121	378,453	353,849
Exposures in default	25,932	40,807	23,655	21,092
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	2,790	8,262	911	947
Other items*	119,404	122,916	115,679	132,914
Total	**1,483,407**	**1,539,315**	**1,398,317**	**1,447,154**

** 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, stood at BGN 1,134 million at year-end 2015. The bank was able to achieve positive results in its target client business in 2015. This growth was the driver for the increase in customer credit risk exposures in 2015 compared to year-end 2014. In contrast, the bank recorded a decrease in risk exposures towards institutions (i.e. placements with commercial banks) in the process of optimising its liquidity and funding structure. Equity exposures increased due to a change in the market value of the Visa shares due to the expected market transaction with Visa Inc.

Part of the ProCredit Group

ProCredit Bank

Exposures, by significant business sectors

31.12.2015 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	19,750	147,255	-	-	-	-	-	-	**167,005**
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	-	-	-	-	**-**
Exposures to institutions	-	102,606	-	-	-	-	-	-	**102,606**
Exposures to corporates	-	-	23,354	29,814	17,548	8,944	12,791	-	**92,451**
Thereof SME	-	-	*8,375*	*16,061*	*8,961*	*2,669*	*9,848*	-	***45,914***
Retail exposures	-	-	135,408	251,172	70,082	36,768	94,717	-	**588,147**
Thereof SME	-	-	*135,037*	*248,587*	*70,017*	*36,276*	*85,482*	-	***575,399***
Exposures secured by mortgages on immovable property	-	-	132,520	38,220	89,575	49,713	107,093	-	**417,121**
Exposures in default	-	-	13,025	3,512	5,715	6,899	11,656	-	**40,807**
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	-	-	-	-	-	8,262	-	-	**8,262**
Other items	-	-	-	-	-	-	-	122,916	**122,916**
Total	**19,750**	**249,861**	**304,307**	**322,718**	**182,920**	**110,586**	**226,257**	**122,916**	**1,539,315**

31.12.2014 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	28,503	143,612	-	-	-	-	-	-	**172,115**
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	-	-	-	-	**-**
Exposures to institutions	-	138,220	-	-	-	-	-	-	**138,220**
Exposures to corporates	-	-	13,108	8,212	20,097	7,746	13,058	-	**62,221**
Thereof SME	-	-	*7,892*	*8,213*	*5,968*	*2,263*	*8,651*	-	***32,987***
Retail exposures	-	-	142,761	208,977	74,462	43,945	95,651	-	**565,796**
Thereof SME	-	-	*142,694*	*208,331*	*74,460*	*43,942*	*82,661*	-	***552,088***
Exposures secured by mortgages on immovable property	-	-	113,683	33,667	66,913	42,438	97,148	-	**353,849**
Exposures in default	-	-	7,072	606	5,246	4,012	4,156	-	**21,092**
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	-	-	-	-	-	947	-	-	**947**
Other items	-	-	-	-	-	-	-	132,914	**132,914**
Total	**28,503**	**281,832**	**276,624**	**251,462**	**166,718**	**99,088**	**210,013**	**132,914**	**1,447,154**

Exposures, by residual maturity

31.12.2015 in BGN thousands	<1 Year	1-5 Years	>5 Years	Not applicable	Total
Exposures to central governments or central banks	164,766	2,239	-	-	**167,005**
Exposures to regional governments or local authorities	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	**-**
Exposures to institutions	102,571	35	-	-	**102,606**
Exposures to corporates	31,224	43,822	17,405	-	**92,451**
Retail exposures	190,876	332,075	65,196	-	**588,147**
Exposures secured by mortgages on immovable property	101,758	207,209	108,154	-	**417,121**
Exposures in default	-	-	40,807	-	**40,807**
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	-	-	-	8,262	**8,262**
Other items	-	-	-	122,916	**122,916**
Total	**591,195**	**585,380**	**231,562**	**131,178**	**1,539,315**

31.12.2014 in BGN thousands	<1 Year	1-5 Years	>5 Years	Not applicable	Total
Exposures to central governments or central banks	152,179	19,936	-	-	**172,115**
Exposures to regional governments or local authorities	-	-	-	-	**-**
Exposures to public sector entities	-	-	-	-	**-**
Exposures to multilateral development banks	-	-	-	-	**-**
Exposures to international organisations	-	-	-	-	**-**
Exposures to institutions	138,220	-	-	-	**138,220**
Exposures to corporates	24,218	24,242	13,761	-	**62,221**
Retail exposures	222,926	281,333	61,537	-	**565,796**
Exposures secured by mortgages on immovable property	103,509	167,183	83,157	-	**353,849**
Exposures in default	-	-	21,092	-	**21,092**
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	-	-	-	947	**947**
Other items	-	-	-	132,914	**132,914**
Total	**641,052**	**492,694**	**179,547**	**133,861**	**1,447,154**

Past-due and impaired exposures

The definitions for impairment and past due are the following:

Impaired exposure – credit exposure is defined as impaired if the bank has objective evidence that the quality of the credit exposure has deteriorated. The main indicators for impairment of a credit exposure are:

- payments more than 30 days past due
- breach of covenants or conditions, unless waived or modified by the bank
- initiation of legal proceedings by the bank
- initiation of bankruptcy proceedings
- any information on the customer's business or changes in the client's market environment that are having or will have a negative impact on the client's payment capacity

Also, in cases of specific individually significant exposures, an individual impairment test is performed. In such cases, only if the test affirms that the exposure is impaired is the exposure classified as such.

Past due exposure – credit exposure is past due if the contractual interest and/or principal payments are past due for at least one day.

The bank views the adequate provisioning of credit risk as a key strategic objective, which is achieved by making credit risk adjustments (allowances for losses and impairment). In this context a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 30,000.

Individually significant credit exposures are assessed individually for impairment (individual specific provisions). Based on signs of deterioration in the quality of the credit exposure, we perform an impairment test, applying the discounted cash flow method. In this context, expected future cash flows from realised collateral items as well as other realisable cash flows are taken into account. The level of loan loss provisions is determined by the difference between the book value of the credit exposure and the net present value of the expected future cash flows.

Lump-sum specific provisions are calculated for individually insignificant credit exposures past due more than 30 days on a portfolio basis at historical default rates; being more than 30 days past due is regarded as objective evidence of the need to make credit risk adjustments. The amount of such provisions is determined on the basis of the number of days that the payment is past due.

For all credit exposures that currently show no signs of impairment, portfolio-based provisions are made, again based on historical loss experience. This applies to both individually significant and individually insignificant credit exposures.

The historical default rates are reviewed at least once per year. The results of this analysis are used to determine the applicable provisioning rates and for backtesting the validity of the previous year's provisioning rates.

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

Changes in loan loss provisions (credit adjustments)

in BGN thousands	Specific provisions	General provisions
Carrying amount as at 1 January 2015	**36,339**	**-**
Additions	25,131	-
Utilisation	(9,858)	-
Releases	(10,982)	-
Transfers	-	-
Unwinding effects	(2,013)	-
Exchange rate adjustments	-	-
Carrying amount as at 31 December 2015	**38,616**	**-**

in BGN thousands	Specific provisions	General provisions
Carrying amount as at 1 January 2014	**36,760**	**-**
Additions	26,136	-
Utilisation	(9,570)	-
Releases	(14,372)	-
Transfers	-	-
Unwinding effects	(2,615)	-
Exchange rate adjustments	-	-
Carrying amount as at 31 December 2014	**36,339**	**-**

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

Past-due and impaired exposures, by industry

31.12.2015 in BGN thousands	Past-due but not impaired exposures	Impaired exposures	Individual specific provisions	Lump-sum specific provisions	Portfolio-based provisions	Charges for specific credit risk adjustments
Trade	2,722	16,420	6,422	1,180	4,664	3,108
Agriculture	2,151	4,026	1,015	537	5,878	2,764
Industry	1,932	8,484	3,161	294	2,641	1,744
Services	1,912	7,488	2,199	253	1,560	1,361
Others	2,611	17,160	4,531	732	3,547	3,159
Total 2015	**11,329**	**53,578**	**17,329**	**2,997**	**18,291**	**12,136**

31.12.2014 in BGN thousands	Past-due but not impaired exposures	Impaired exposures	Individual specific provisions	Lump-sum specific provisions	Portfolio-based provisions	Charges for specific credit risk adjustments
Trade	6,365	17,957	6,913	1,331	3,989	2,671
Agriculture	3,209	2,540	1,627	454	3,895	1,949
Industry	1,539	12,241	3,971	303	2,076	1,828
Services	3,767	8,654	1,811	142	1,331	1,129
Construction	3,558	20,603	4,683	866	2,947	1,572
Total 2014	**18,438**	**61,995**	**19,005**	**3,096**	**14,238**	**9,149**

Loan loss provisions (LLP) for loans and advances to customers were accounted for in the income statement as follows.

	Increase of LLP		Release of LLP		Direct write-offs	Recoveries of write-offs	Total
in BGN thousands	Specific provisions	General provisions	Specific provisions	General provisions			
Total 2015	25,130	-	(10,982)	-	-	(5,956)	8,193
Total 2014	26,136	-	(14,372)	-	16	(6,377)	5,403

Article 453 CRR

Credit risk mitigation techniques

Credit risk is the main risk faced by ProCredit Bank in its activities and the adequate collateralisation of the credit exposures helps to mitigate the 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 its owner, going from the seller to the buyer, both acting at their free will, without any pressure whatsoever and are well aware of the relevant circumstances. As a rule, real estate properties are appraised by applying at least two different methods. For real estate properties whose fair market value is below EUR 150,000, only one method is applied.

For business clients – small and medium enterprises – the collateral assessments are updated as part of the annual monitoring of the business activity and the financial state. This process involves checking the legal aspects concerning the collateral and its current market price. In case 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 - EIF guarantees to cover 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 of 31.12.2015 the remaining balance sheet amount of loans granted under the programme is BGN 21 million.
  - Portfolio Risk Sharing Facility Agreement. In accordance with the Agreement, ProCredit Bank has to provide loans to small and medium enterprises totalling EUR 107 million by the end of 2015. EIF provides guarantees for half of the financed amount for an individual loan in this portfolio. As of 31.12.2015, the remaining balance sheet amount of loans provided under the programme is BGN 186 million.
- 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 exposure is secured by mortgage of immovable property and the conditions under Articles 125 & 126 from the CRR are not met, risk weight of 100% is applied.

The risk exposures which are covered by eligible collateral under the CRR are presented in the following tables.

Credit risk mitigation by exposure classes

31.12.2015 in BGN thousands	**Financial collateral**	**Other eligible collateral**	**Guarantees**	**Credit derivatives**
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	583	-	8,499	-
Retail exposures	7,432	-	52,231	-
Exposures secured by mortgages on immovable property	2,904	214,400	45,860	-
Exposures in default	3	-	222	-
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	**10,922**	**214,400**	**106,812**	**-**

31.12.2014 in BGN thousands	**Financial collateral**	**Other eligible collateral**	**Guarantees**	**Credit derivatives**
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	-	-	5,877	-
Retail exposures	12,018	-	30,129	-
Exposures secured by mortgages on immovable property	3,453	184,817	25,888	-
Exposures in default	-	-	23	-
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	**15,471**	**184,817**	**61,917**	**-**

The total loan portfolio, covered by EIF guarantees, showed solid growth of 49.8% compared to year-end 2014, reaching BGN 208 million at the end of 2015 (2014: BGN 139 million). This in turn resulted in a greater share of credit exposures for which a mitigation effect is achieved by applying EIF guarantees.

The expanded application of other eligible collateral in 2015 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 within the supervisory reporting process. ProCredit Bank relies fully on Tier 1 capital for the fulfilment of the capital requirements set under CRR. Hence the total regulatory capital of the bank is considered when calculating the leverage ratio. The following tables provide detailed information for the calculation of the leverage.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amounts
1	Total assets as per published financial statements	1,536,646
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	104
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)	23,386
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**	1,557,193

LRCom: 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)	1,536,646
2	(Asset amounts deducted in determining Tier 1 capital)	(2,943)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	1,533,703
	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)	104
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)**	104

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Leverage ratio calculation (continued)		
	(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	206,808
18	(Adjustments for conversion to credit equivalent amounts)	(183,422)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	23,386
	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**	146,654
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	1,557,193
	Leverage ratio	
22	**Leverage ratio**	9.42%
	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

LRSpl: 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:	1,536,646
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,536,646
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	167,005
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	-
EU-7	Institutions	102,571
EU-8	Secured by mortgages of immovable properties	417,121
EU-9	Retail exposures	584,368
EU-10	Corporate	91,254
EU-11	Exposures in default	40,807
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	133,520

Article 450 CRR

Remuneration policy

The process of determining the remuneration of the bank personnel is regulated by Rules for Remuneration of the Personnel and Remuneration Policy of Senior Positions as per Article 2 of Ordinance No. 4 of 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 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 remuneration of senior management and members of staff whose actions have a material impact on the risk profile of the institution.

	Fixed remuneration	**Variable remuneration**				**Number of beneficiaries**	**Severance payment**		
31.12.2015 in BGN thousands		Cash	Shares	Share-linked instru-ments	Other types		Amount	Number of bene-ficiaries	Highest award to a single person
Management body	538	-	115	-	-	6	-	-	-
Other risk takers	2,136	-	143	-	27	38	125	7	41

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; signed-on payments.