ProCredit
HOLDING

2015
Annual Report

Key Figures of the Group

Consolidated statement of financial positions (in EUR '000)	Dec 2015	Dec 2014	% Change
Total assets	6,009,469	5,968,363	0.7%
Loans and advances to customers	4,104,939	4,332,241	-5.2%
Allowance for losses on loans and advances to customers	-176,608	-188,471	-6.3%
Net loan portfolio	3,928,332	4,143,770	-5.2%
Deposits from customers	3,792,994	3,992,163	-5.0%
Liabilities to international financial institutions	509,443	544,140	-6.4%
Debt securities	205,188	244,839	-16.2%
Total equity	603,998	555,380	8.8%

Consolidated statement of profit or loss (in EUR '000)			
Operating income	317,104	328,234	-3.4%
Operating expenses	246,109	269,938	-8.8%
Profit before tax	70,994	58,297	21.8%
Profit of the period	61,335	50,217	22.1%

Key ratios			
Cost/income ratio	68.5%	71.5%	-4.1%
Return on average equity	10.5%	9.4%	12.1%
Total capital ratio	12.1%	12.8%	-4.8%

Operational statistics			
Number of staff	6,008	7,794	-22.9%
Number of outlets	428	503	-14.9%

Contents

Combined Management Report for ProCredit Holding AG & Co. KGaA, Frankfurt am Main for the 2015 Financial Year

The Combined Management Report presents the course of business and the present situation of the ProCredit group and ProCredit Holding AG & Co. KGaA for the 2015 financial year. It was prepared in accordance with sections 289 and 315 of the German Commercial Code (Handelsgesetzbuch – HGB) and German Accounting Standard 20 (Deutsche Rechnungslegungsstandard 20 – DRS 20) on 21 March 2016. The Risk Report also contains the notes pursuant to IFRS 7.

This Management Report is divided into the following sections:

- **Fundamental Information about the Group** describes the key aspects of the business model and the strategic objectives of the group.
- **Human Resources Report** describes the approach to recruitment, training and remuneration.
- **Report on the Economic Position of the Group** provides an overview of the business and financial results and covers the following subjects:
  - Macroeconomic and sector-specific environment
  - Course of business operations
  - Financial development, with a description of the group's financial position and financial performance

Photo: ProCredit Bank Bulgaria, branch in Thessaloniki, Greece

- **Risk Report** provides an overview of the group's risk profile and describes risk-mitigating measures taken in response to the current economic environment during the period under review.
- **Report on Expected Developments** presents the business opportunities and discusses the potential risks for the group in 2016 and beyond.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

The ProCredit group is made up of banks that have specialised in small and medium-sized enterprises in transition economies. Our business model consists of the core activities of traditional banking business. We are active in Eastern Europe, South Eastern Europe, South America and Germany. The superordinated company of the group is ProCredit Holding AG & Co. KGaA, based in Frankfurt am Main, hereinafter referred to as ProCredit Holding.

Our corporate strategy and our activities are guided by the objective of making a sustainable contribution to economic, social and environmental development in our countries of operation. ProCredit's business strategy is based on the formation of long-term relationships with our clients and staff and on careful risk management. The group does not engage in speculative lines of business. With our business policies focused on sustainability, we have been able to record profits each year, achieving steady performance even in times of economic volatility.

Through our collaboration with SMEs, we aim to contribute to creating jobs, enhancing capacity for innovation and raising ecological and social awareness. In this regard, we concentrate on enterprises with stable, formalised structures, and attach particular importance to supporting local production, especially in agriculture.

Our SME clients value ProCredit as an equal partner that understands their needs and the unique challenges they face. We offer a broad range of transparent financial services. We promote a savings culture and improve the financial stability of our clients. Lending to private clients is limited, and serves mainly to enable them to acquire and maintain long-lasting assets, as is the case, for example, with energy-efficient home improvement loans.

As a banking group with an ethically oriented corporate mission, we not only attach great importance to ensuring that our institutions are not used as a vehicle for money laundering, terrorist financing or other illegal activities, but equally forcefully we combat fraud risks at all ProCredit banks. To ensure compliance with these standards, a uniform framework is applied at all banks which is sometimes even stricter than the German, European and local regulations. Moreover, our employees are instructed to counteract the risks of money laundering and fraud even before they occur, based on the establishment of long-term client relationships and a culture of open and transparent communication.

The ProCredit group has a Code of Conduct which is binding on all staff members. The Code of Conduct builds upon the fundamental principles of human dignity and emphasises our strong commitment to show mutual respect for each other and act responsibly. It aims to serve the staff as an ethical compass for their behaviour and their decisions both within and outside the company. The Code of Conduct also contains an Exclusion List specifying business practices that are harmful from a social, moral or ecological standpoint or that are not in compliance with usual health and safety regulations, and must therefore not be financed by the ProCredit banks.

The ProCredit group applies an intensive and comprehensive staff selection procedure and runs a structured, group-wide training programme in its own training centres. The aim is to ensure that our staff members meet the high standards we expect of them, expectations which go far beyond mere professional skills, and to assure compliance with our ethical standards. Our local and inter-regional trainings cover not only business management and financial subjects, but also historical, philosophical, ethical and socio-political topics. We offer our staff long-term career prospects based on a transparent, standardised group-wide salary and promotion structure. This also includes regular feedback talks and performance assessments, as well as participation in our multi-level continuing professional development programmes.

The ecological and social sustainability of the economic development we support is a particularly important part of our development policy vision. In this context, environmental protection plays an especially prominent role. The ProCredit group has developed a comprehensive environmental management system. This consists of internal measures aimed at minimising the negative impact of our banks on the environment, such as reducing our own consumption of energy and materials, and our waste production. In addition, as a standard part of our business relationships with our clients, we conduct an analysis of the environmental impact of their activities, with a view to uncovering evidence of environmental damage, noise pollution and socially unacceptable working conditions. Furthermore, we encourage our clients to invest in energy efficiency, renewable energy and environmentally friendly technologies.

Our client-based approach

The customer base of the ProCredit banks includes both business and private clients. We provide our clients with a comprehensive range of banking services in the areas of financing, deposits and payment transactions. The focus on small and medium enterprises is reflected in our relatively high proportion of business clients. At the end of the financial year, they made up 92% of the loan portfolio. In serving private clients, we concentrate on deposit services and payment transactions, with lending playing only a strongly subordinated role. Most of these loans are mortgage and home improvement loans.

From development, risk and efficiency perspectives, we value clients with a solid business model. This includes the organisation of the business as well as the contributions made to its employees and to society as a whole. These businesses play an important role in the establishment of an SME sector and have an important impact on the development and modernisation of economies.

Our relationships with business clients are based on a good understanding of the respective enterprise and its business processes as well as the specific requirements associated with it. The successful long-term business relationships which we strive for with our customers are based on the high-quality individual advice provided by our client advisers. This involves our business client advisers making regular visits to customers at their premises in order to analyse the clients' business situation and risk profile and to provide them with comprehensive advice. We strive to become their "house bank", offering them the full range of financial services from a single source and focusing flexibly and individually on their specific needs in order to build up and maintain long-term business relationships. The significance of such services is obvious when one considers the poor standard of financial services that to some extent are being offered to small and medium enterprises in our countries of operation.

In addition to our e-banking services, we also offer our business and private clients a modern network of branches where they can perform all financial services involving payment transactions and account management. The majority of ProCredit bank branches are equipped with modern 24-hour self-service areas which positively stand out from the competition in terms of how large, functional and progressive they are. A wide range of transactions can be performed here in a secure and efficient manner.

Our values

The ProCredit group is committed to certain principles and values which guide our business operations. These principles are set forth in our Code of Conduct and can be summed up in the following five key qualities:

- **Personal integrity and commitment**
  relates to our personal dealings with clients and colleagues
- **High professional standards**
  relates to our personal responsibility towards our work and towards the company
- **Social responsibility and tolerance**
  relates to business relationships with clients, the prevention of money laundering and respect for the environment
- **Open communication**
  relates to dealing with conflicts and the full, fair and constructive exchange of communication both internally and externally
- **Transparency**
  relates not only to the content, but also the manner in which information is disseminated

The Code of Conduct is closely linked to the daily life of our staff and influences their dealings with clients, colleagues and public authorities. It describes our responsibility towards colleagues, the institution and society, and demands a high degree of conformity on our own set of values.

The Code of Conduct is binding for all employees in the ProCredit group. It does not contain fixed rules and instructions on how to behave in specific circumstances. Instead, it describes the principles which guide the behaviour of our staff members in individual situations. The Code of Conduct is discussed intensively with members of ProCredit staff.

The organisation of the ProCredit group

ProCredit Holding is the superordinated company of the group, responsible for maintaining an adequate level of equity for the group and ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking regulations, and particularly the requirements defined in section 25a of the German Banking Act ("KWG"), are met. At a consolidated level the ProCredit group is supervised by the German financial supervisory authorities (BaFin and Bundesbank).

The Management and selected management-level staff of ProCredit Holding are members of the supervisory boards of the local ProCredit banks, and are thus involved in all strategic business processes. ProCredit Holding plays an important role in determining the group's human resources policies and in the development and delivery of curricula in the ProCredit academies. All managers of ProCredit banks must graduate from these academies. Moreover, ProCredit Holding sets the overall policy guidelines and standards regarding the material areas of banking operations in order to ensure that appropriate organisational structures and processes are in place in the ProCredit banks. These guidelines and standards are supplemented by the exchange and dissemination of best practices at seminars, workshops and training sessions on specific topics that ProCredit Holding holds on a regular basis.

Optimal IT solutions are a central part of implementing the business and risk strategies of the group. Quipu GmbH, a 100% owned subsidiary of ProCredit Holding, develops software solutions especially for the ProCredit group. In close collaboration, the systems used in connection with client operations, treasury functions, reporting and accounting are developed and implemented by Quipu. The IT and software development priorities are set in the Group IT Strategy and approved by the Management of ProCredit Holding.

Furthermore, the ProCredit Bank in Germany supports the group by assuming a central role in the group treasury function and by providing funding opportunities to the ProCredit banks. It also offers a number of the ProCredit banks in Eastern Europe the possibility of co-financing for medium-sized business clients. In Germany, it offers clients online savings facilities and is an interesting partner for German companies with business relationships in our countries of operation. In addition to financing and accounts, the ProCredit Bank in Germany offers international payment transactions at attractive conditions, not only between our countries of operation but also to other countries.

The ProCredit group divides its business operations into regional segments. The banks are split into the following four regions:[1]

- **South Eastern Europe**, accounting for 44.8% of the group's total assets, consisting of seven banks in Balkan countries: Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Romania and Serbia
- **Eastern Europe**, accounting for 12.5% of the group's total assets, with three banks located in countries currently or formerly belonging to the Commonwealth of Independent States (CIS): Georgia, Moldova and Ukraine
- **South America**, accounting for 15.6% of the group's total assets, consisting of three banks in: Bolivia, Colombia and Ecuador[2]
- **Germany**, accounting for 17.2% of the group's total assets, consisting of the ProCredit Bank in Germany, ProCredit Holding, Quipu and the ProCredit Academy in Fürth

Our shareholders

The shareholders of ProCredit Holding, comprising a number of private and public institutions, are equally as interested in the banks' developmental impact as in their commercial success.

ProCredit Holding has the legal form of a partnership limited by shares. The general partner is ProCredit General Partner AG, a small independent company owned by the core shareholders (IPC GmbH, DOEN, KfW, IFC and ProCredit Staff Invest GmbH & Co. KG). The core shareholders have been guiding the activities of the group since its foundation and make a material contribution to the success of the ProCredit group.

The largest single shareholder is IPC GmbH, which holds 18.4% of the shares. IPC GmbH is a consulting firm that has been active in development finance for 35 years, was a key initiator behind the founding of the ProCredit group and continues to have a significant influence on its development. KfW (13.6%), acting on behalf of the German Federal Government and other entities, finances investments and accompanying advisory services in developing countries and emerging economies with the aim of creating sustainable, integrative financial systems. The Dutch DOEN Foundation holds 13.3% of the shares. The DOEN Foundation is financed by the Dutch Postcode, BankGiro and Vrienden lotteries, which aim to promote a green, socially integrative and creative society. IFC,

[1] Assets from discontinued business operations account for 9.9% of the group's assets.

[2] The South America segment also includes the new institution "Administración y Recuperación de Cartera Michoacán S. A" (ARDEC) in Mexico, which is not assigned to a separate segment due to its negligible share (0.2%) of the group's assets. Part of the loan portfolio of the institution to be sold, ProConfianza S.A. in Mexico, was transferred to ARDEC. This institution will manage the reduction of this unsold part of the loan portfolio.

the International Finance Corporation (10.3%) is a member of the World Bank Group and is the world's largest development institution focused exclusively on the private sector. ProCredit Staff Invest GmbH & Co. KG (5.5%), made up of three associated legal entities, makes it possible for employees of the ProCredit group to invest in the company. The remaining shares are held by an American pension fund, development finance institutions and funds which engage in financial services and development projects in emerging economies and developing countries.

HUMAN RESOURCES REPORT

The key to the success of the ProCredit group is our staff, who put our mission statement into practice. Responsible financial intermediation requires staff who are willing and able to establish long-term relationships with our customers and to provide them with efficient service in a friendly manner. A structured approach to staff recruitment, training and remuneration is therefore a central component of the ProCredit group's business model. We have developed group-wide standards for HR management in order to ensure a consistent, transparent and long-term approach.

Staff recruitment and integration

Our approach to recruitment illustrates our commitment to a certain way of doing business. We seek individuals who are honest, down-to-earth and willing to learn. They should enjoy working with clients and colleagues, be open-minded, have a good instinct for business and possess a high degree of integrity. Our staff also need sound analytical abilities, a professional attitude and the capacity to develop good judgment skills. We also value candidates from various educational and professional backgrounds, as we believe in the advantages provided by diversity.

The ProCredit recruitment process is unusually rigorous compared to the norm in the countries in which we work, where sometimes personal connections count more than competence. After passing through the steps of a standard selection procedure, such as a written application, mathematics and logic tests and interviews, successful candidates are invited to attend a two-week "Focus Session". These sessions give us an impression of the social, communication and analytical skills of the applicant, and of the ethical principles on which their behaviour is based. Candidates also have the opportunity to get to know ProCredit as an institution and employer.

Selected candidates then participate in a six-month training course. This programme covers all aspects that we believe are a part of responsible banking. Participants are expected to make – upon their own initiative – a contribution to ProCredit and to the development of a transparent and sustainable financial sector. This six-month course helps young people to make the right career decisions and allows ProCredit to identify potential members of staff.

Training

ProCredit offers part-time continuing professional development to all staff. For our Business Client Advisers (BCAs), we focus on developing comprehensive client advisory skills, which means correctly evaluating the needs of our clients for banking services, assessing credit risk and building long-term customer relationships. For staff specialised in serving private clients, training is concentrated on transaction processing, savings services and related customer advice. In order to ensure high-quality training, the group operates academies in Macedonia, Colombia and Germany, and has developed its own curricula for them. Alongside training on the principles of banking and courses on communication and leadership skills, there are units dedicated to philosophy, anthropology, history and political economics. To date, more than 700 of our employees have graduated from or are currently attending the academies.

Photo: ProCredit Academy, Fürth (Germany)

We place great importance on training our middle management. Courses primarily take place at the regional academies in Macedonia and Colombia, and at the ProCredit Academy in Germany. In the regional academies, we offer intensive training in banking, finance and the humanities, taught in seven two-week blocks over the course of one year.

After graduating from the regional academies, committed employees with potential have the opportunity to attend our international ProCredit Academy in Germany, where we provide a three-year part-time course for our future high-level managers. The course builds upon the material taught at the regional academies and covers all key areas of banking, financial analysis and business development. The curriculum also includes further courses in philosophy, history and political science, along with management and communication courses.

Because English is the working language of the ProCredit group, we offer our staff six-week English courses at our academies. In addition, we regularly offer ethics courses taught by highly qualified colleagues who are able to correlate the philosophical and ethical principles of the last 2,500 years with our unique approach to banking.

Remuneration

We place great value on a transparent salary structure with fixed salaries and consciously refrain from the practice of giving short-term bonuses as a supposed means of incentivising our staff. The long-term professional development opportunities for our staff are addressed in regularly scheduled discussions on performance and mutual expectations. Open and responsible communication is a central component of the ProCredit group's approach to staff management.

The ProCredit group has a standardised salary system in which group-wide principles are established, including salary ratios for certain positions, the maximum ratio between the highest and lowest salary levels, and the training requirements for each position.

Remuneration and promotion within the ProCredit group are primarily linked to performance appraisals. Managers give regular formal feedback to their employees. In addition, every employee has an annual staff conversation with a member of the management team. In these conversations, every employee has the opportunity to discuss possibilities for further career development. Our employees appreciate the transparency of our salary structure as well as the long-term career development prospects.

REPORT ON THE ECONOMIC POSITION

Course of business operations

In 2015, we were able to further implement our business strategy in a successful manner: We continued to focus on small and medium-sized businesses and on the positioning of the ProCredit banks as "house banks" for our business clients.

The ProCredit group further withdrew from very small lending activities. This led to more stringent requirements for our business clients, as these clients differ significantly from the informal businesses and subsistence entrepreneurs who lack solid or viable business potential due to their limited profitability and increasing risk of overindebtedness. The rigorous application of the desired client profile has been accompanied by a significant reduction in the number of clients. We have therefore reorganised our branch network and deployed our workforce more efficiently.

At the same time, our clients have become more demanding in terms of the range of financial services we offer and the professionalism of our client advisers. In order to be able to correctly assess the risk profile of our clients and advise them about our financial services in a competent manner, we have expanded our comprehensive internal training programme to include specialised courses for our business client advisers and staff focusing on private clients.

As the "house bank" for business clients, we are especially keen on expanding customer deposits and banking transactions. Focusing on the needs of our target client group led to an adjustment of our branch network, an increase in the level of automation, and the ongoing optimisation of our internal processes. The redesign of our branch network was largely complete by the end of 2015. This involved equipping our outlets with modern, spacious, 24-hour self-service areas in which our customers are able to perform a wide range of automated transactions. The possibility of carrying out these transactions quickly and easily in our 24/7 Zones or via our e-Banking system has been well received by our clients and has significantly reduced the number of cash transactions.

As part of its strategy of focusing on small and medium businesses, the ProCredit group has withdrawn from the Africa and Central America geographical segments, as well as from Armenia. Consequently, the bank in the Democratic Republic of Congo and the bank in Armenia were sold in 2015. The equity investments in the institutions in El Salvador, Nicaragua and Mexico have been reported as discontinued business operations. They are not included in the following presentation of the development of the credit and deposit volumes. The ProCredit group has increased its presence in South Eastern Europe by opening a branch of ProCredit Bank Bulgaria in Thessaloniki, Greece.

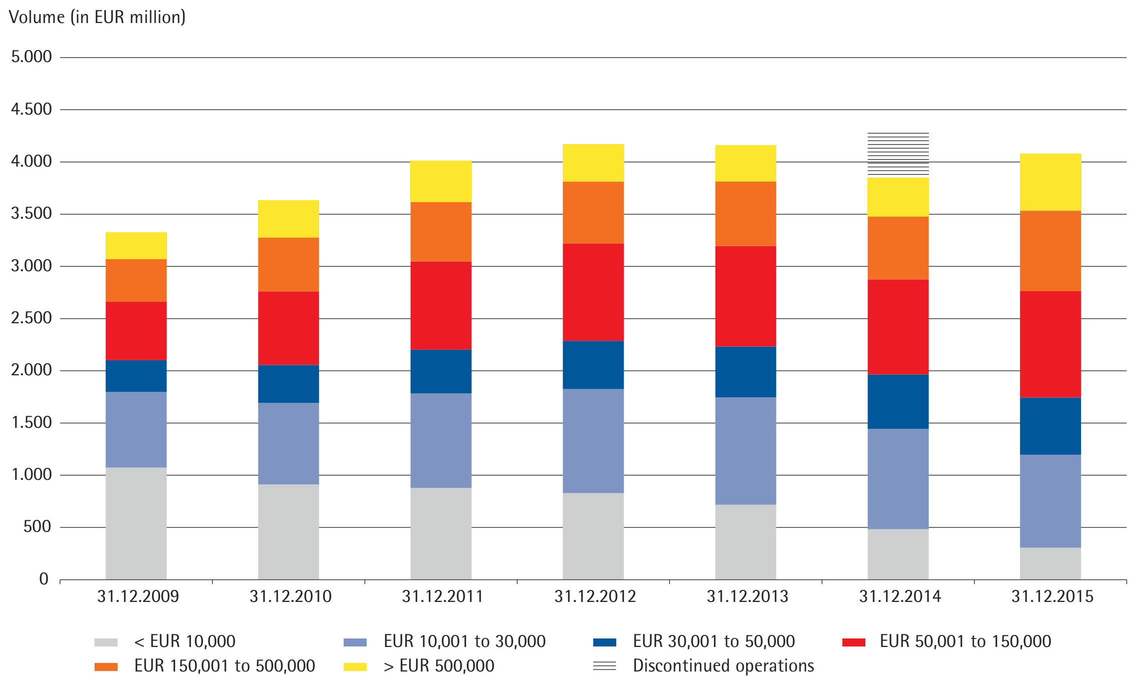
Lending

The ProCredit group's loan volume stood at EUR 4.1 billion at the end of 2015. This means that we achieved growth of 5.6% from continued business operations[3]. All regions of the ProCredit group recorded an increase in loan volume. The South Eastern Europe region recorded the largest absolute growth (EUR 130.3 million), which was mainly attributable to the growth achieved by the ProCredit banks in Bulgaria and Serbia.

Among other things, the group's rigorous focus on SMEs has led the ProCredit banks to withdraw from the segment of loans under EUR 10,000, and in many cases also from the segment of loans under EUR 30,000. In some

[3] For greater comparability, the following figures for 2014 and 2015 refer only to continued business operations.

cases this was achieved by selling the relevant parts of the loan portfolio. The volume of loans for amounts up to EUR 30,000 decreased by 17.2% or EUR 248.8 million during this financial year. At the same time, the volume of loans for amounts over EUR 30,000 grew by 19.3% or EUR 463.4 million. The average total volume of disbursed loans per client thus grew by 27.4%.



Loan portfolio development, by loan volume

In 2015, the group's loan portfolio primarily consisted of instalment loans.

In line with our business model, the proportion of business loans in our total loan volume is high; at the end of the financial year they accounted for 92.4%. At the same time, the disproportionately strong growth in loans to the agricultural sector brought the share of such loans in the total portfolio to 16.8%.

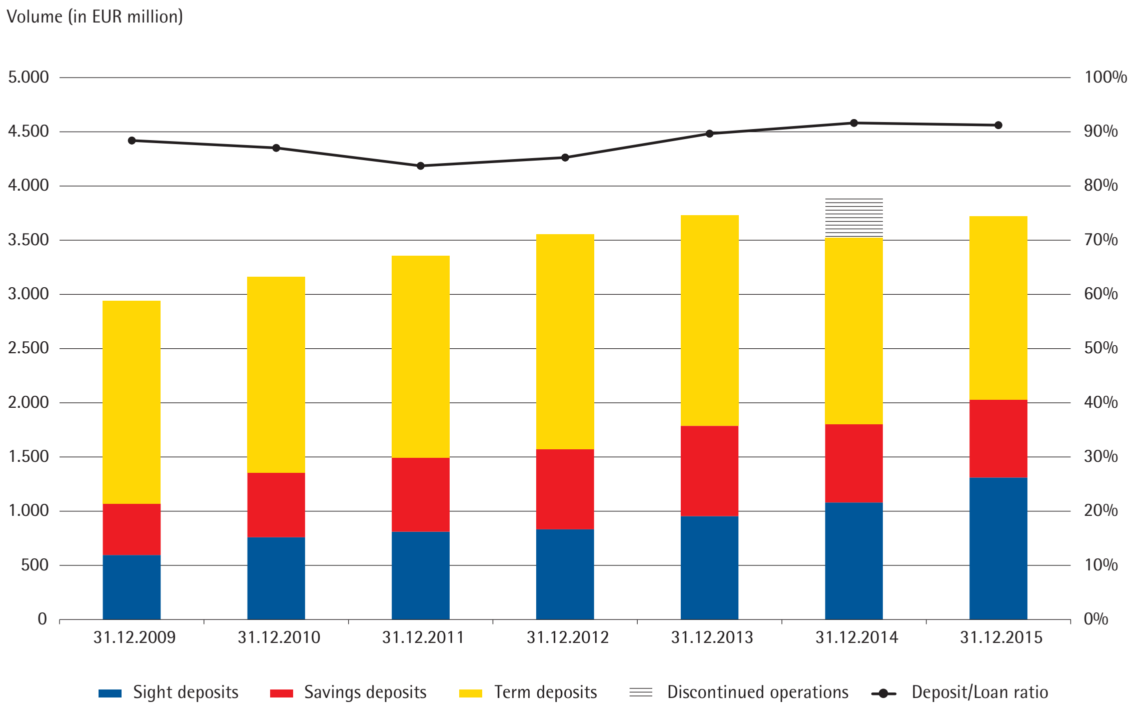
In keeping with our strategic focus business clients, lending to private clients played a subordinate role for the group, accounting for just 7.1% of the total loan portfolio. The largest share (75.9%) of credit exposures to private clients consists of mortgages, home improvement loans and loans for increasing energy efficiency. ProCredit banks do not actively promote consumer loans. With a share of 1.7% of the total portfolio, these loans remained at a low level compared to the previous financial year.

Loan portfolio quality at the ProCredit banks is typically much better than the average in their markets. The high quality of our loan portfolio is due to the detailed knowledge we have about our clients and their business models, as well as to our range of financial services which are tailored to meet individual needs. We improved the already high quality of the loan portfolio, despite the weak macroeconomic environment; the difficult situation in Ukraine; our withdrawal from certain client segments, cities and regions; and the sale of some institutions. At the end of 2015, portfolio quality measured in terms of the percentage of loans in arrears over 30 days (PAR 30) stood at 4.4%, compared to 4.6% in 2014. This resulted in PAR 30 risk coverage of 97.0%.

Deposits and other banking services

Client deposits represent the most important form of funding for our loan portfolio. At the end of 2015, they accounted for 70.2% of total liabilities and equity and were equivalent to 92.4% of the loan portfolio. The volume of customer deposits in continued business operations grew by 5.4% to EUR 3.8 billion in 2015.

As the "house bank" for SMEs, we offer a full range of banking services for our business clients. In this context, we intend to expand our services in the area of payment transactions as well as continue to grow sight deposits from business clients. In 2015, the share of deposits from business clients relative to total customer deposits increased from 29.6% to 36.5%. Likewise, the share of sight deposits in total deposits increased during the financial year, from 29.6% to 35.4%. This development has had an overall positive impact on funding costs.



Customer deposits

All ProCredit banks invested in the automation of their banking services, in order to provide our private and business clients with a broad spectrum of modern, secure and rapid services around the clock. The introduction of spacious, well-equipped 24-hour self-service areas in our branches as well as the expansion of our e-Banking services complements our personalised, professional customer service.

In 2015 we were able to divert a growing proportion of transactions to our e-Banking platform. Use of the platform grew from 66.2% in December 2014 to 81.6% in December 2015. In December 2015 our clients performed 87% of all other transactions using the equipment in the 24/7 Zones in our outlets. Thanks to the use of the 24/7 Zones and POS terminals, the percentage of cash transactions decreased from 22% in December 2014 to 13% in December 2015.

Financial development

The financial development in 2015 was very satisfactory. Despite the somewhat difficult economic conditions, the ProCredit group achieved significant improvements in efficiency and thus in profitability. Comprehensive organisational restructuring enabled the group to achieve a material improvement in its competitiveness. The ProCredit group recorded an after-tax profit of EUR 61.3 million in 2015, an increase of EUR 11.1 million over the previous year. Return on equity rose to 10.5%, compared to 9.4% in the previous year.

Statement of Financial Position and of Profit or Loss			
in EUR million	**31.12.2015**	**31.12.2014**	**Change in %**
Statement of Financial Position			
Gross loan portfolio*	4,104.9	3,889.0	5.6%
Customer deposits*	3,793.0	3,599.1	5.4%

in EUR million	01.01. – 31.12.2015	01.01. – 31.12.2014	Change in %
Statement of Profit or Loss			
Net interest income after allowances*	268.2	280.6	-4.4%
Net fee and commission income*	48.0	48.2	-0.4%
Operating expenses*	246.1	269.9	-8.8%
Profit after tax	61.3	50.2	22.1%

Key figures[4]	31.12.2015	31.12.2014	Change in pp
Ratio of customer deposits to loan portfolio*	92.4%	92.5%	-0.1 pp
Net interest margin*	5.7%	6.3%	-0.6 pp
Cost-income ratio*	68.5%	71.5%	-3.0 pp
% of loans in arrears (PAR30)*	4.4%	4.7%	-0.3 pp
Ratio of allowances to loans in arrears (PAR30)*	97.0%	92.2%	4.8 pp
Return on equity (ROE)	10.5%	9.4%	1.1 pp

** The presentation contains only continuing operations for 2015 as well as for 2014*

Balance sheet and income statement positions as well as other key figures for the ProCredit group

The financial position and financial performance of the group are solid. The group as a whole and each individual institution in the group remained at all times in full compliance with all financial commitments.

[4] The key figures are defined as follows:
- Ratio of customer deposits/gross loan portfolio: Liabilities to customers relative to loans and advances to customers
- Net interest margin: Quotient of net interest income after provisioning and the average total assets from the reporting date for the previous year and the current year
- Cost-income ratio: Operating expenses relative to operating income less provisioning expenses
- Share of past-due loans: Loans and advances to customers, including accrued interest, on which individual instalments are more than 30 days past due as a percentage of the total volume of loans and advances to customers
- PAR 30 risk coverage: Risk provisioning relative to the share of past-due loans (PAR 30)
- Return on equity: Consolidated result attributable to the shareholders of the parent company, divided by the average equity held by the shareholders of the parent company

Assets

The structure of the assets changed very little compared to the previous year. The assets consist of the net customer loan portfolio (65.4%), assets held for liquidity purposes (23.0%), and non-financial assets (4.5%). Deviations from the previous year are largely due to the sale of shares in Congo and Armenia, as well as the available-for-sale assets of the institutions in Central America.

Loans and advances from credit operations decreased by EUR 227.3 million compared to the previous year, which was also largely influenced by the sale or the reclassification of discontinued business operations. It was possible to partly offset this effect with the growth of EUR 215.9 million in the customer loan portfolio of continued business operations. The loan portfolio was positively affected by exchange rate fluctuations, particularly in the dollar rate. Due to the strategic withdrawal from very small lending, the growth of the customer loan portfolio remained at 5.6% in the continuing business areas, which is below the planned figure of 7.7%, despite the strong growth in the desired target segments.

The share of liquid assets in total assets is similar to the previous year. As of year-end 2015, they amounted to EUR 1.4 billion (2014: EUR 1.5 billion). The high degree of liquidity is primarily due to the in some respects very conservative regulatory requirements in the countries in which we operate.

Non-financial assets, which largely comprise fixed assets, decreased due to the discontinuation of certain business operations and the branch network reductions. This decrease was partially offset by additional investments in the introduction of automated services and 24-hour self-service areas. Overall, the value of fixed assets decreased by EUR 27.3 million in 2015.

Liabilities

The structure of liabilities in 2015 showed almost no changes relative to the previous year. The deviations are mainly attributable to the repayment of hybrid capital due to the reduced capital requirements arising from the sale of the shares in Congo and Armenia, as well as from the sale of liabilities classified as available for sale in the institutions in Central America.

The largest position on the liabilities side is customer deposits, accounting for 70.2%. The second-largest position was liabilities to international financial institutions, accounting for 9.4%. Liabilities to banks accounted for 7.3% of total liabilities at the end of 2015, with the remainder consisting of bonds (3.8%) and subordinated debt (2.4%).

At the end of 2015, customer deposits stood at EUR 3.8 billion, down by EUR 199.2 million from the previous period. This decrease is primarily attributable to the sale or reclassification of discontinued business operations. Exchange rate fluctuations had a positive effect on the volume of customer deposits. The growth of customer deposits in the continued business operations came to 5.4%, remaining slightly below the planned growth of 5.7%. Despite the withdrawal from certain regions and client segments, the ratio of customer deposits to the gross loan portfolio was 92.4%, which is slightly above plan and similar to the high level recorded for previous year.

With a volume of EUR 509.4 million, liabilities to international financial institutions, not including subordinated debt, not only represented the second-largest position on the liabilities side, but also made an important contribution to the maturity structure of our liabilities. The share of liabilities to IFIs relative to total liabilities changed very little compared to the previous year. Furthermore, the repayment of subordinated debt which did not fulfil Capital Requirement Regulation (CRR) criteria, combined with the repayment of the hybrid capital, led to a reduction of other liabilities in line with the plan. Liabilities to banks increased by EUR 43.8 million compared to the previous year.

The equity of the ProCredit group increased by EUR 48.6 million, amounting to EUR 604.0 million at the end of the 2015 financial year. The increase in equity was due to retained earnings for the group minus dividend payments of EUR 0.20 per share, as well as to positive effects from the reduction of the currency translation reserve.

As of 31 December 2015, the group's Common Equity Tier 1 capital ratio and core capital ratio stood at 10.2%. The capital ratios of the group and of each ProCredit bank were comfortably above the minimum values set by the regulatory authorities.

	31.12.2015	31.12.2014
Common Equity Tier 1 capital ratio	10.2%	10.1%
Tier 1 capital ratio	10.2%	10.6%
Total capital ratio	**12.1%**	**12.8%**

Capital ratios of the ProCredit group

Earnings

The consolidated result for the ProCredit group was EUR 61.3 million in 2015, which is EUR 11.1 million above the previous year's profit and EUR 8.0 million above planned profits. Return on equity increased from 9.4% to 10.5%. The increase in profit is largely due to a reduction in risk provisions and operating costs, which more than offset the decrease in net interest income.

In 2015, income and expenses of the institutions up for sale were assigned to discontinued business operations. As a consequence, these institutions contributed a combined profit of EUR 8.1 million. It is expected that this amount will essentially remain within the group, as it is based primarily on group-internal revenues. In addition, the exit of these institutions from the group has led to cost savings, especially in terms of financing.

Net interest income decreased by EUR 19.7 million compared to the previous year; it stood at EUR 310.2 million at year-end, which is below the planned result. The decrease in net interest income was primarily the result of lower interest rates worldwide as well as the strategic exit from the very small loan segment, which had carried higher interest rates. Such loans generally had higher interest rates, but entailed higher operating costs due to the increasing risk of default and the greater number of clients in this segment. It was possible to partially offset the reduced net interest margin with a higher share of sight deposits in total customer deposits. Overall, the net interest margin declined by 0.6%.

At EUR 42.0 million, expenses for risk provisioning were lower than both the previous year (EUR 49.3 million) and the planned amount. The improvement in portfolio quality and higher income from previously written-off loans were responsible for the reduction in risk provisioning expenses. As default risk also decreased, at the end of 2015 the ratio of risk provisions to loans over 30 days in arrears (PAR 30) stood at 97.0% and was therefore above the previous year's level. Income from previously written-off loans amounted to EUR 20.5 million; this was a more positive result than expected and was due to good returns from the sale of collateral from defaulted positions, as well as to loan portfolio sales.

Non-interest income came mainly from commission and brokerage services. In 2015, net income from this source amounted to EUR 48.0 million, unchanged from the previous year's figure. The positioning of ProCredit banks as the "house bank" for small and medium-sized enterprises is associated with a reduction in the number of clients, progressive automation of banking services, and transparent and attractive fees for transactions. As a consequence of these developments, earnings from cash transactions fell sharply.

The focus on small and medium-sized businesses has led to a decrease in the size of our branch network and an increase in operating efficiency, which have in turn led to a reduction in personnel and administrative expenses. At EUR 246.1 million, these expenses were EUR 23.8 million less than the previous year, more than compensating for the drop in net interest income.

The decrease in operating expenses is mainly attributable to personnel expenses, which fell by EUR 19.4 million to EUR 114.5 million. By the end of 2015, the number of staff had dropped by 23.0% to 6,008. Personnel expenses, however, only fell by a disproportionate 14.5%, due in part to severance payments to departing staff but mainly to the increase in average staff salaries. The latter reflects in particular the higher qualification requirements now demanded of our staff.

Administrative expenses including depreciation totalled EUR 131.6 million in 2015, which is EUR 4.4 million less than in the previous year. The primary driver of the reduction was lower expenditures for rent, transport, communication and marketing. On the other hand, expenses for IT equipment and maintenance increased due to the well-advanced automation process.

The consolidated result was influenced by several extraordinary items which had a combined impact that was slightly positive. These extraordinary items relate primarily to the sale and/or reclassification of discontinued business operations.

Segment overview

The performance of ProCredit banks is influenced by macroeconomic development and by the economic and financial market policy conditions. These have an impact on the real economies of the regions and therefore on the investment behaviour of our business clients and competitor financial institutions. The following segment overview describes the specific conditions and the development of the financial situation in the individual regions. The brief analysis of the economic and recent competitor trends in the different regions is based on data from the IMF (World Economic Outlook database of October 2015) and the EBRD (Transition Report 2015-2016), unless otherwise stated.

South Eastern Europe

Macroeconomic and sector-specific environment

The Balkans or South Eastern Europe, comprising the ProCredit banks in Albania, Bosnia, Bulgaria, Kosovo, Macedonia, Romania and Serbia, is the region accounting for the greatest share of ProCredit group assets (44.8%). The region enjoyed slightly higher economic growth rates compared to the previous year. Although 2015 was still overshadowed by the tension arising from the Ukraine-Russia conflict, the economic situation did indeed stablise in many countries. The overall economic growth in South Eastern Europe was still modest compared to other emerging markets around the world for various reasons, including domestic political tension, the weak Greek economy and the ongoing stagnating, low demand from the Eurozone.

Overall, the region experienced low inflation in 2015, with some countries even being hit by deflation. The reasons were mainly the low price of oil, deflationary tendencies in the Eurozone and the Russian ban on the import of foodstuffs. Around 40% of the region's exporters deal in primary goods, compared to the global average of just 10%. There were various consequences, ranging from increased consumption to stagflation. In many countries, the current account balance stagnated at the – often negative – level of the previous year. There were no exchange rate fluctuations, as most countries in the region have pegged their currencies to the euro.

Bosnia and Serbia recorded particularly positive turnarounds with respect to growth rates in 2015. This is primarily due to the previous year's low rates due to the flooding. The Macedonian economy continued to show significant growth, estimated at 3.5% in 2015; this was driven by increasing exports, foreign investment and above all by the fiscal expansion embodied in the "Skopje 2014" project. Romania experienced GPD growth of around 3.5%, above all driven by increased domestic demand resulting from the higher minimum wage. Nevertheless, overall investment was restrained. The same applies to Kosovo, where growth is estimated at 3.2% for 2015. Despite positive consumer demand and a rise in exports, growth in Bulgaria stagnated below 2%. Stagnation was likewise an issue for Albania, which had to contend with flooding and a fall in oil production.

In 2015 the financial sectors in these countries were characterised by asset consolidation and market concentration. As in the previous year, disbursements stagnated due to the subdued economic outlook. In contrast, deposits grew in most countries of the region due to the influence of deflationary tendencies.

This led to downward pressure on deposit interest rates, further intensified by the expansionary monetary policy of the European Central Bank, comprising low central bank rates and the expanded asset purchase programme which continues into 2017. As in the previous year, the overall reduction in interest rates for funding was passed on to customers, narrowing the interest margin.

Non-performing loans in the financial sector continue to be at a high level in the region, with figures exceeding 10%[5]. Loan quality is significantly better only in Kosovo, not least because of ProCredit Bank Kosovo's leading position in the market. In the Romanian financial sector, billions in loans were written off over the past two years, thereby reducing the level of non-performing loans from 23% at the end of 2013 to 13% in June 2015. The increased regulatory requirements resulted in a series of closings or forced takeovers of banks in the region.

The competition in the Balkans, apart from local banks, mainly consists of European banking groups such as Raiffeisen, UniCredit and Société Générale. In terms of profitability, these institutions were able to achieve results in 2015 which were similar to those of the ProCredit banks in the region. Although other Western banking groups like Erste Group, Intesa Sanpaolo and Crédit Agricole, also have banks in several countries within this segment, they lag behind in terms of portfolio growth, portfolio quality and profitability. This is primarily evident in the share of non-performing loans. In all countries in the region, the level of non-performing loans at the ProCredit banks is below the average level among banks. ProCredit Bank Serbia even recorded a level of just 3.5% at the end of the first half of 2015; by comparison, the banking sector average was 22.3%.

[5] The use of different definitions for non-performing loans complicates comparisons between countries and financial institutions.

Development of financial position

The South Eastern Europe segment was able to achieve 5.6% loan portfolio growth, outpacing the general macroeconomic trend in the region. At the same time, profit after tax rose by 4.5% to EUR 53.2 million, representing a stable return on equity of 12.8%.

Statement of Financial Position and of Profit or Loss			
in EUR million	**31.12.2015**	**31.12.2014**	**Change in %**
Statement of Financial Position			
Gross loan portfolio	2,455.8	2,325.5	5.6%
Customer deposits	2,393.1	2,285.3	4.7%

in EUR million	**01.01. – 31.12.2015**	**01.01. – 31.12.2014**	**Change in %**
Statement of Profit or Loss			
Net interest income after allowances	155.5	162.6	-4.3%
Net fee and commission income	33.8	34.0	-0.7%
Operating expenses	121.9	135.5	-10.1%
Profit after tax	53.2	51.0	4.5%

Key figures	**31.12.2015**	**31.12.2014**	**Change in pp**
Ratio of customer deposits to loan portfolio	97.4%	98.3%	-0.8 pp
Net interest margin	5.3%	5.8%	-0.5 pp
Cost-income ratio	60.2%	61.5%	-1.3 pp
% of loans in arrears (PAR30)	4.4%	5.0%	-0.6 pp
Ratio of allowances to loans in arrears (PAR30)	100.3%	98.9%	1.3 pp
Return on equity (ROE)	12.8%	12.8%	0.0 pp

Balance sheet and income statement positions as well as other key figures for the South Eastern Europe segment

The gross loan portfolio for this segment increased by EUR 130.3 million in 2015, ending the year at EUR 2.5 billion. Two-thirds of the region's gross loan portfolio is held by the ProCredit banks in Bulgaria, Kosovo and Serbia, which have a correspondingly important influence on the development of the segment as a whole. ProCredit Bank Bulgaria recorded exceptionally strong loan portfolio growth of 14.3%, despite only moderate growth in the economy as a whole. Romania, on the other hand, had to absorb a decrease in loan portfolio due to its withdrawal from lending below EUR 30,000.

Customer deposits totalled EUR 2.4 billion at the end of 2015. The growth of EUR 107.7 million is primarily attributable to the ProCredit banks in Serbia and Bulgaria, which recorded growth rates of 10.8% and 16.3%, respectively. The ratio of customer deposits to the gross loan portfolio stood at 97.4%, which was a similarly high level as the previous year. The ProCredit banks in the region were able to significantly increase the volume of sight deposits. The share of sight deposits in the total volume of customer deposits increased to 43.1% (2014: 35.6%).

The net interest margin declined by 0.5 percentage points in comparison to the previous year. In keeping with the general trend of narrowing interest margins, interest income and interest expenses decreased. However, the drop in lending rates was partially offset by the reduction in deposit rates. ProCredit Bank Serbia was hardest hit by the tightening of the net interest margin.

With regard to portfolio quality, the average ratio of past-due loans (PAR 30) recorded for the ProCredit banks in the segment was 4.4%, a stark contrast to the level prevailing in the market in general. The banks were able to achieve a 0.6 p.p. reduction in this indicator compared to the previous year. The ratio of risk provisions to past-due loans climbed to 100.3% at the end of 2015.

Operating expenses fell considerably in the South Eastern Europe segment, especially in the ProCredit banks in Serbia and Bulgaria. The change in operating expenses is mainly attributable to reduced personnel expenses. Although costs per employee rose, overall personnel expenses decreased by 21.3% due to the reduction in the number of staff. Administrative expenses, including depreciation, also decreased compared to the previous year, primarily due to the reduction of the branch network. Thanks to the lower operating expenses, it was possible to reduce the cost-income ratio for the South Eastern Europe segment by a further 1.3 p.p., down to 60.2%.

Eastern Europe

Macroeconomic and sector-specific environment

In Eastern Europe, the ProCredit group operates in the former CIS countries of Ukraine, Georgia and Moldova. The region accounts for 12.5% of the group's assets. 2015 was shaped by the effects of the Ukraine-Russia conflict, which impacted the economies and financial markets in a multitude of ways and led to a recession in the region. Hardest hit was Ukraine, where GDP shrank by an estimated 10%. Moldova experienced an economic downturn compared to the previous year, with GDP estimated to have decreased by 1%; in Georgia, growth also slowed to less than 2%.

Exports and remittances from abroad collapsed in all three countries, caused by a lack of demand for primary goods from Ukraine, Russia and Greece. The shortage of foreign currency flows in all three countries resulted in a steep devaluation of the domestic currencies by over 20%. Inflation grew significantly in all countries; in Ukraine, it reached more than 50%. As a result, the central banks' foreign currency reserves also receded sharply. Due to the reduced purchasing power of the domestic currencies and the lack of foreign currency flows, there was a decline in imports in all three countries during the year.

The escalating stagflation, coupled with significant currency devaluations, led to upheavals in the financial markets. Around 30 banks were forced to close in Ukraine in 2015. Influenced by the conflict in the eastern part of the country, the number of non-performing loans grew rapidly and profitability shrank, as did the volumes of customer deposits and loans. In Moldova three banks illegally transferred more than EUR 1 billion out of the country, resulting in a scandal which strained the financial market and put the government under massive pressure. Only Georgia's financial market was stable. Although deposits were slightly down, the loan portfolio, profitability and the number of non-performing loans remained at a stable level in 2015. Of particular note in all three countries is the high number of loans in foreign currency – mostly in USD – which has already led to many loans becoming non-performing.

In contrast to South Eastern Europe, the competitive situation in Eastern Europe is dominated by local banks; only in Ukraine is there more than one international banking group, though many of these have to contend with problems caused by the crisis. That is why UniCredit is selling its subsidiary in Ukraine to the Russian Alfa-Bank, and the European Bank for Reconstruction and Development is providing equity support to Raiffeisenbank and BNP-Paribas. Therefore, the competition in the region remains weak, and due to the depreciating domestic currencies and the correspondingly high funding costs, it is mainly concentrating on deposit business.

Development of financial position

Despite the extremely difficult macroeconomic climate, profit after tax in this region rose considerably, by 21.0% to EUR 17.1 million; this resulted in a 2.8 percentage point improvement in return on equity, which increased to 16.1%.

Statement of Financial Position and of Profit or Loss			
in EUR million	31.12.2015	31.12.2014	Change in %
Statement of Financial Position			
Gross loan portfolio*	681.5	642.7	6.0%
Customer deposits*	604.5	543.9	11.1%
in EUR million	01.01. – 31.12.2015	01.01. – 31.12.2014	Change in %
Statement of Profit or Loss			
Net interest income after allowances*	40.9	47.6	-14.0%
Net fee and commission income*	9.4	10.5	-10.9%
Operating expenses*	37.2	47.9	-22.4%
Profit after tax*	17.1	14.1	21.0%

Key figures	31.12.2015	31.12.2014	Change in pp
Ratio of customer deposits to loan portfolio*	88.7%	84.6%	4.1 pp
Net interest margin*	6.6%	7.3%	-0.7 pp
Cost-income ratio*	48.9%	60.9%	-12.0 pp
% of loans in arrears (PAR30)*	5.3%	4.4%	0.9 pp
Ratio of allowances to loans in arrears (PAR30)*	96.9%	92.3%	4.6 pp
Return on equity (ROE)*	16.1%	13.2%	2.8 pp

** The presentation contains only continuing operations for 2015 as well as for 2014*

Balance sheet and income statement positions as well as other key figures for the Eastern Europe segment

At the end of 2015, the Eastern Europe segment's gross loan portfolio amounted to EUR 681.5 million, with the ProCredit banks in Georgia, Ukraine and Moldova accounting for 51.9%, 31.0% and 17.1%, respectively. Despite the difficult macroeconomic environment, the ProCredit banks were able to profit from the weakened competitive environment and managed to achieve an overall increase in the gross loan portfolio. This increase was especially influenced by ProCredit Bank Ukraine and ProCredit Bank Georgia. It was possible to compensate for the withdrawal from the loan category under EUR 30,000 thanks to significant growth in other categories, particularly loans between EUR 250,000 and EUR 1.0 million. In Moldova, however, due to the higher proportion of very small loans in the portfolio, it was not possible to completely make up for exiting the market for loans under EUR 30,000 with growth in loans for larger amounts.

Customer deposits in the Eastern Europe segment grew by 11.1% to a total volume of EUR 604.5 million in 2015. Although customer deposits in ProCredit Bank Georgia decreased, the ProCredit banks in Moldova and Ukraine achieved significant growth. The customer deposit structure remained relatively unchanged with regard to the split between sight, savings and term deposits. The slight reduction in the volume of savings accounts was offset by commensurate growth in sight and term deposits. As customer deposits grew more strongly than the gross loan portfolio, the deposits to loans ratio has increased to 88.7% since last year.

In line with the trend in ProCredit's other geographical segments, the net interest margin also decreased in the Eastern Europe segment. In Moldova the interest margin remained more or less constant, whereas it decreased in Ukraine and Georgia. Increased interest earnings from liquid assets stabilised the development of the interest margin in Moldova.

The proportion loans past due more than 30 days (PAR 30) increased by 0.9 percentage points compared to the previous year. In accordance with general developments in the financial sector, the share of defaulted loans rose at ProCredit Bank Ukraine by 1.6 percentage points and at ProCredit Bank Moldova by 2.4 percentage points. On the other hand, thanks to much more stable market developments, the share of past-due loans at ProCredit Bank Georgia was unchanged. Due to the increased costs for risk provisioning in Moldova and Ukraine, the segment's risk coverage for PAR 30, which stood at 96.9%, was 4.6 percentage points above the previous year's level.

Compared to the previous year, operating expenses decreased by 22.4% in the Eastern Europe segment. Whereas the decrease in personnel expenses was the result of the reduction of the number of staff, along with savings in administrative costs and depreciation, the decrease in administrative expenses was mainly due to the reduction of the branch network and the decrease in non-income-related taxes. The decrease in depreciation expenses can be principally attributed to the high level of depreciation for software for ProCredit Bank Georgia in the previous year.

South America

Macroeconomic and sector-specific environment

The South America segment, which consists of the ProCredit banks in Bolivia, Ecuador, Colombia and Mexico, accounts for 15.6% of the group's assets. The growth rate in the region continued to decrease in 2015. Ecuador, where GDP fell by an estimated 0.6%, could experience a recession. Economic growth in Colombia fell to approximately 2.5%. Despite a slowing trend, in Bolivia growth stood at around 4% and Mexico's growth rate is estimated to have improved slightly, rising to 2.3%. In 2015, developments in the South America region were largely determined by two macroeconomic trends: the appreciation of the USD and the fall in the price of oil, which is one of the region's most important exports. As a result of these developments, the Colombian peso depreciated by over 30% since the start of 2015 and the inflation rate climbed to more than 4%. Bolivia's currency is loosely pegged to the USD and was negatively affected by falling commodity prices. The negative impact on Ecuador was even more significant. The country's foreign trade position deteriorated due to the use of the US dollar as its functional currency. In conjunction with the economy's high degree of dependency on income from oil exports, this led to an economic downturn. In contrast, Mexico was able to stabilise its macroeconomic situation despite the exchange rate fluctuations, falling commodity prices and the unstable political situation. The reasons for this lie in the strong domestic demand, which is partly financed by credit, and in the country's advantageous proximity to the US market.

The financial markets in the region have developed at various rates due to the macroeconomic situation. In the Bolivian financial market, the loan portfolio and deposits increased. As is usual in Bolivia, the share of non-performing loans in the financial system continues to be low and is consistently under 2%. In Colombia, the real interest rate temporarily dipped into the negative range due to inflation, which created a challenge for the banking sector. In Ecuador, the deterioration in the macroeconomic situation led to a shortage of liquidity in the financial sector, reinforced by the political unrest brought about by the new tax laws. However, the situation calmed down again at the end of the year.

The competition in South American countries is determined by well-established local banks. In comparison to South Eastern Europe, the market interest rates and thus the financing costs are higher. This primarily affects the competition for deposits. Nevertheless, prospects for growth are still good for SMEs.

Development of financial position

At the end of the financial year, assets amounted to EUR 1.2 billion. Compared to the previous year, the asset side grew by 4.5%, which is slightly above the general macroeconomic growth trend for the region. Profit after taxes was EUR 3.0 million below the previous year's figure, which resulted in the return on equity falling by 3.0 percentage points to 5.4%.

Statement of Financial Position and of Profit or Loss			
in EUR million	31.12.2015	31.12.2014	Change in %
Statement of Financial Position			
Gross loan portfolio	885.7	850.8	4.1%
Customer deposits	684.5	680.8	0.5%
in EUR million	01.01. – 31.12.2015	01.01. – 31.12.2014	Change in %
Statement of Profit or Loss			
Net interest income after allowances	77.8	81.7	-4.7%
Net fee and commission income	0.7	1.4	-51.8%
Operating expenses	68.9	69.2	-0.4%
Profit after tax	8.0	11.0	-27.6%
Key figures	**31.12.2015**	**31.12.2014**	**Change in pp**
Ratio of customer deposits to loan portfolio	77.3%	80.0%	-2.7 pp
Net interest margin	7.1%	8.5%	-1.3 pp
Cost-income ratio	81.2%	73.2%	8.0 pp
% of loans in arrears (PAR30)	4.2%	2.7%	1.5 pp
Ratio of allowances to loans in arrears (PAR30)	85.3%	107.8%	-22.5 pp
Return on equity (ROE)	5.4%	8.4%	-3.0 pp

Balance sheet and income statement positions as well as other key figures for the South America segment[6]

The South America segment's gross loan portfolio stood at EUR 885.7 million at the end of 2015, which is 4.1% higher than the figure for the previous year. ProCredit Bank Colombia's loan portfolio was negatively influenced by exchange rate fluctuations. In contrast, the other banks in the region profited from the foreign currency effects caused by the appreciation of the US dollar against the euro. As a result of the withdrawal from very small lending and of the sale of corresponding parts of the loan portfolio, no banks in the segment were able to record any real growth when excluding exchange rate effects.

Customer deposits showed moderate growth in 2015, rising by 0.5% to a total of EUR 684.5 million. However, the growth of customer deposits as well as the increase in the gross loan portfolio is also attributable to exchange rate effects. In Ecuador, the withdrawal from certain areas and the associated closure of branches, as well as a new property tax law, also impeded the growth of customer deposits. Currently, customer deposits cover 77.3% of the gross loan portfolio in the South America segment.

Similar to the other segments in the ProCredit group, the South American ProCredit banks also recorded a decline in the net interest margin, falling by 1.3 percentage points in 2015. In all three countries in the segment, lending interest rates decreased, whereas those on the deposits side grew, mainly due to the higher share of long-maturity term deposits.

[6] As described in footnote 2, since 2015 this segment has included the Mexican institution ARDEC.

The share of past-due loans in the total loan portfolio is low in comparison with the other segments. However, there was an increase compared to the previous year. The PAR 30 indicator at the ProCredit banks in Ecuador and Bolivia worsened by 1.3 and 0.4 percentage points, respectively. In contrast, the indicator for ProCredit Bank Colombia improved after the bank wrote off defaulted loans.

Measured in euros, operating expenses in the South America segment fell only slightly in 2015. However, when exchange rate effects are excluded, there was a significant decrease in operating expenses over the course of the year. ProCredit Bank Ecuador was especially successful in reducing its operating expenses. The decrease in operating expenses was primarily due to lower personnel expenses. Under the influence of lower interest earnings, the cost-income ratio for the segment deteriorated by 8.0 percentage points.

Germany

Macroeconomic and sector-specific environment

ProCredit Bank Germany is not very heavily impacted by the macroeconomic and financial market trends in Germany. Last year, Germany developed positively compared to other economies in Europe, with GDP growth of nearly 2%. Due to aggressive central bank policy, the interest margin has narrowed even further, which continues to pose a challenge for the banking sector.

Development of financial position

The development of the Germany segment is primarily based on the business activities of ProCredit Holding and ProCredit Bank Germany.

Statement of Financial Position and of Profit or Loss			
in EUR million	**31.12.2015**	**31.12.2014**	**Change in %**
Statement of Financial Position			
Gross loan portfolio	82.0	54.1	51.6%
Customer deposits	110.9	89.0	24.5%
in EUR million	**01.01. – 31.12.2015**	**01.01. – 31.12.2014**	**Change in %**
Statement of Profit or Loss			
Net interest income after allowances	-2.8	-8.0	65.1%
Net fee and commission income	5.5	5.7	-3.7%
Operating expenses	49.0	48.5	1.2%
Profit after tax	44.2	25.1	75.7%
Key figures	**31.12.2015**	**31.12.2014**	**Change in pp**
Ratio of customer deposits to loan portfolio	135.3%	164.7%	-29.4 pp
Net interest margin	-0.2%	-0.6%	0.4 pp
Cost-income ratio	51.1%	62.4%	-11.3 pp
% of loans in arrears (PAR30)	0.0%	0.0%	0.0 pp
Ratio of allowances to loans in arrears (PAR30)	-	-	-
Return on equity (ROE)	8.2%	4.9%	3.2 pp

Balance sheet and income statement positions as well as other key figures for the Germany segment

The main driver for growth in this segment's assets and liabilities is the ProCredit Bank in Germany, which was able to increase its lending volume in the form of co-financing, project financing and German SME loans by 51.6% to EUR 82.0 million. At the same time, its customer deposits rose by 24.5% to EUR 110.9 million.

The segment's negative net interest income of EUR -2.8 million was an improvement compared to the previous year's figure of EUR -8.0 million. The overall negative figure is explained by the fact that ProCredit Holding's equity investments in its subsidiaries are partly financed by debt instruments. ProCredit Holding reduced its net interest expenses by EUR 3.2 million in 2015. The ProCredit Bank in Germany increased its net interest income by EUR 2.0 million.

Other operating income positions were dominated by gains from dividend payments received from subsidiary banks totalling EUR 56.0 million. Further income came from commission and brokerage services by the ProCredit Bank in Germany, from the IT services performed by Quipu GmbH and from consultancy services provided to the ProCredit banks by ProCredit Holding.

Operating expenses for the segment remained constant for the most part. Administrative expenses in 2015 grew only slightly, by EUR 0.6 million.

Ratings

In 2015, FitchRatings awarded an international rating to ProCredit Holding and the ProCredit banks in Eastern and South Eastern Europe, and a national rating to the ProCredit banks in South America. The ratings are determined in large part by the respective country ceiling. They remained unchanged from the previous year. ProCredit Holding's investment grade rating is BBB.

Institution	2015 Rating	2014 Rating	
ProCredit Holding	BBB	BBB	(international rating)
ProCredit Bank, Albania	B	B	(international rating)
ProCredit Bank, Bosnia	B	B	(international rating)
ProCredit Bank, Bulgaria	BBB-	BBB-	(international rating)
ProCredit Bank, Georgia	BB	BB	(international rating)
ProCredit Bank, Kosovo	B+	B+	(international rating)
ProCredit Bank, Macedonia	BBB-	BBB-	(international rating)
ProCredit Bank, Romania	BBB-	BBB-	(international rating)
ProCredit Bank, Serbia	B+	B+	(international rating)
ProCredit Bank, Ukraine	CCC	CCC	(international rating)
Banco Los Andes PYME ProCredit, Bolivia*	AAA	AAA	(national rating)
Banco ProCredit, Colombia	AA+	AA+	(national rating)
Banco ProCredit, Ecuador**	AAA-	AAA-	(national rating)
Banco ProCredit, El Salvador	AAA	AAA	(national rating)
Banco ProCredit, Nicaragua	AA+	AA+	(national rating)

* *by AESA Ratings*
** *by Bankwatch Ratings S.A.*

Ratings for ProCredit Holding and the individual ProCredit institutions

MANAGEMENT REPORT OF PROCREDIT HOLDING AG & CO. KGAA

The activities of ProCredit Holding AG & Co. KGaA (hereinafter "ProCredit Holding") are deeply intertwined with the development of the group and its entities. Therefore, due to the resulting influence on the operating and financial results of ProCredit Holding, its Management Report has been integrated into the Management Report of the group. With regard to ProCredit Holding's report on significant post-balance sheet events, the risk report and the report on expected developments, we refer to the corresponding sections of the Group Management Report. Please note that, in contrast to the consolidated financial statements for the group, the financial statements for ProCredit Holding have been prepared according to the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

Business Activities of ProCredit Holding AG & Co. KGaA

ProCredit Holding is located in Frankfurt am Main, Germany. The holding company exclusively conducts activities that are associated with the group. Its main duties include:

- strategic management of the group and its subsidiaries
- providing support for the subsidiaries in implementing group strategies for the various business areas and in the area of risk management
- monitoring and supervising the subsidiaries, especially in the areas of HR management, marketing, internal audit, anti-money laundering activities and risk management, for which purpose ProCredit Holding has developed group policies
- providing equity for the subsidiaries and ensuring sufficient capital adequacy at group level
- providing medium- and long-term financing to the subsidiaries
- supporting the subsidiaries in liquidity management, e.g. by providing short-term financing
- performing other support services and providing management staff
- developing training programmes for the staff of the ProCredit banks
- reporting to shareholders and third parties, including supervisory reporting (in particular to BaFin and the Bundesbank)

ProCredit Holding is the "superordinated company" of the ProCredit group for financial supervision purposes. Alongside ensuring appropriate capital endowment of the group, its key responsibilities thus include the group-wide implementation of the requirements specified under section 25a of the German Banking Act (Kreditwesengesetz – KWG) and under the German Federal Financial Supervisory Authority's policy document "Minimum Requirements for Risk Management", commonly referred to as "MaRisk", as well as ensuring the group's compliance with the German Money Laundering Act (Geldwäschegesetz – GWG).

As of year-end 2015, ProCredit Holding had 118 staff members. This includes 41 who are based abroad, mostly the regional academy in Colombia. The majority of the Germany-based employees work in the areas of "Finance, Reporting und Accounting", "Risk Management", "AML & Fraud Prevention", "Compliance" and "Audit".

Development of financial position

ProCredit Holding's close involvement in the activities of the group is reflected in the structure of both the balance sheet and the income statement. Receivables from and shareholdings in the subsidiaries make up over 90% of its assets. Payments from the subsidiaries to ProCredit Holding in the form of dividends, interest and consultancy fees account for the largest part of ProCredit Holding's earnings.

ProCredit Holding provides equity and medium- to long-term funding to the ProCredit banks. The holding company also keeps a central liquidity reserve to cover the short-term liquidity needs of its subsidiaries. Aside from shareholders' equity, ProCredit Holding financed its assets mainly through international financial institutions, medium- to long-term loans and facilities from banks, and the issuance of bonds by way of private placements.

ProCredit Holding's total assets increased by a mere EUR 0.9 million in 2015. The significant deviation from the planned growth is principally due to the pending sale of equity investments in Central America.

There were only minor changes in our equity holdings in subsidiaries compared to the previous year. The reductions caused by the sale of shares in Congo and Armenia as well as write-offs were almost completely balanced out by capital increases. The current level of shares, excluding those available for sale, is in line with our business plan.

Loans to banks in the group grew by EUR 2.9 million in 2015. Overall, loans to subsidiaries exceeded the planned level. This was primarily due to the pending sales of the ProCredit banks in Central America.

The ProCredit group's liabilities are almost unchanged from the previous year. Hybrid capital was repaid according to plan. At the same time, there was an increase in loans from banks, partly due to the higher funding needs up until the sale of all discontinued business operations. The share of liabilities with maturities over five years stood at 47.3% in 2015. Deviations from the business plan on the liabilities side can likewise be attributed to the pending sale of discontinued business operations.

Equity increased by a total of EUR 24.7 million in 2015. This rise was the result of the profit for the year minus dividend payments.

Result of operations

The financial results of ProCredit Holding were primarily determined by its subsidiary banks, the main factors being the dividend payments received, interest payments and fees for consultancy services. The most important expense positions are operating expenses and the negative interest income, which is due to the fact that equity investments are partially financed with external capital.

In 2015 ProCredit Holding's profit for the year increased by EUR 9.8 million in 2015 to EUR 34.9 million and thus was slightly under plan. This was primarily due to the unscheduled write-offs of equity investments as well as the low dividend payments, which were EUR 10.6 million below the previous year's level. This can largely be attributed to the lower dividend payments from ProCredit Bank Bulgaria due to changes in regulatory requirements.

Negative net interest income improved slightly, increasing by EUR 3.2 million. Net interest income also deviated positively from the planned amount. Although interest income was almost unchanged during the year, interest expenses were reduced due to the new liabilities structure.

ProCredit Holding's operating expenses remained constant in 2015.

Compared to the previous year, the changes in equity investments had a positive effect on the profit for the year, brought about by lower write-offs and by the sale of shares in the ProCredit banks in Congo and Armenia.

The Management expects stable development in the coming period, with a slight increase in the profit for the year.

Photo: ProCredit Bank Serbia

RISK REPORT

In accordance with our simple, transparent and sustainable business strategy, our risk strategy is a conservative one. The aim is to ensure the risk-bearing capacity of the group and each individual bank at all times and to achieve steady results, despite volatile external conditions, by following a consistent group-wide approach to managing risks.

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

- **Focus on core business**

The ProCredit institutions focus on the provision of financial services to small and medium businesses as well as to private clients. Accordingly, income is generated primarily in the form of interest income on customer loans and fee income from account operations and payments. All of the banks' other operations are performed mainly in support of the core business. The main risks incurred by ProCredit institutions in the course of their day-to-day operations are customer credit risk and operational risk. All other risks involved in banking operations are avoided or strictly limited, even if this means that the group forgoes income opportunities.

- **High degree of transparency, simplicity and diversification**

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

- **Careful staff selection and intensive training**

Responsible banking is characterised by long-term relationships not only with clients, but also with staff. This is why we select our staff very carefully and have made significant investments in training our employees for many years. Key elements of ProCredit's approach to staff management are a very thorough staff selection process, comprising a six-month intensive training programme for all new applicants, regular training for all existing staff, intensive training for management staff in the ProCredit academies, and the application of a uniform salary system for all staff across the group that is based on fixed salaries and which avoids bonus payments to the greatest extent possible. Our intensive training efforts not only produce a high level of professional competence, but also and above all, they promote an open and transparent communication culture. From a risk perspective, well-trained employees who are accustomed to voicing their opinions openly are an important factor for managing and reducing risk, especially operational risk and fraud risk.

The main mechanisms designed to hedge and mitigate risks, and the processes for monitoring the continuing effectiveness of these mechanisms, are as follows:

– All ProCredit institutions apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and

establish minimum requirements for managing, monitoring and reporting. The policies and standards are based on the “Minimum Requirements for Risk Management” (MaRisk), on relevant publications by local and international regulatory authorities, and on our knowledge of the markets acquired over many years.
- All risks incurred by the group are managed by ensuring that the group and all ProCredit institutions have an adequate level of capital and risk-bearing capacity at all times.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- Early warning indicators and limits are set and monitored for all material risks at the group level and at the level of each individual bank.
- Regular stress tests are performed for all material risks at the group level and at the level of each individual bank for each individual risk category as well as across all risk categories.
- Regular and ad-hoc reporting on the risk profile, including detailed descriptions and commentaries, is carried out at group level and at the level of each individual bank.
- Monitoring and control of risks and possible risk concentrations is carried out using comprehensive analysis tools for all material risks.
- The effectiveness of the chosen measures, limits and methods is continuously monitored and controlled. This also includes backtesting of the models used.
- All new or significantly changed products undergo a thorough analysis before being used for the first time (New Risk Approval process). This ensures that new risks are assessed and all necessary preparations and tests are completed prior to implementation.

The group’s risk strategy and business strategy are updated annually and, after having been thoroughly discussed with the Supervisory Board, are approved by the Management of ProCredit Holding. While the business strategy lists the objectives of the group for all material business activities and regions of operation and presents the measures to be taken to achieve them, the group risk strategy addresses the material risks arising from the implementation of the business strategy and defines the objectives and measures of risk management. The risk strategy is broken down into strategies for all material risks and business activities in the group.

Photo: ProCredit Bank Bulgaria

Organisation of the risk management function

At the group level, overall responsibility for risk management is assumed by the Management of ProCredit Holding, supported by the Group Risk Management Committee (and its subcommittees) and the Group Assets and Liabilities Committee (Group ALCO). The Group Risk Management Committee develops the group-wide framework for risk management, monitors the risk profile of the group and takes decisions on risk mitigation measures if necessary. The Group ALCO is responsible for monitoring the liquidity reserve and liquidity management of the group, co-ordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets. In both committees the members of the Management of ProCredit Holding and the Management Board of the ProCredit Bank in Germany as well as the Manager Finance & Controlling and the Manager HR and IT of ProCredit Holding are represented. As a general rule, the committees meet monthly.

Risk management on the group level is supported by the following functions: Group and PCH Risk Control, Group Credit Risk Management, Group Financial Risk Management, Group Operational Risk Management, Group AML and Fraud Prevention, Group Funding, and Supervisory Reporting and Capital Planning. The responsibilities of these functions include proposing the framework for risk management in the group as well as limits for risk positions to the Group Risk Management Committee, monitoring risk positions and compliance with limits, performing the group's capital planning and monitoring risk-bearing capacity at both bank level and group level. The risk control function required by MaRisk is headed by a member of the Management of ProCredit Holding. Furthermore, the Management of ProCredit Holding is advised and supported by the compliance function, ensuring the implementation of legal regulations and requirements and avoiding the risks associated with non-compliance.

The Management at each individual bank bears responsibility for risk management within their institution. All ProCredit banks have risk management departments, a risk management committee and an ALCO, which generally meet every month, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the respective institution. In addition, the risk departments of all banks report regularly to the different risk functions at ProCredit Holding and the local supervisory board is informed on at least a quarterly basis on all risk-relevant developments.

At the individual bank level, risk positions are analysed regularly, discussed intensively and documented in standardised reports. ProCredit Holding prepares an aggregate risk report for the Group Risk Management Committee and the Supervisory Board. Monitoring of both the individual banks' risk situation and the group's overall risk profile is carried out through a review of these reports and of additional information generated by individual banks and at group level. If necessary, additional topic-specific ad hoc reporting is implemented. The aim is to achieve transparency on all material risks and awareness of potential problems at an early stage.

In all ProCredit banks, adequate processes and procedures for an effective internal control system are in place. The system is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front office functions.

The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus supporting the Management of ProCredit Holding in ensuring implementation of legal regulations and requirements. The committee is thus a forum for evaluating compliance risks, discussing the impacts of changes in legal regulations and prioritising identified compliance risks. Furthermore, this body can issue recommendations on measures which may be required. Each ProCredit bank also has a compliance function, which reports on a regular and ad hoc basis to the Management of the banks, e.g. through the Compliance Committee.

Group Audit is an independent functional area within ProCredit Holding. It provides support in determining the key features of appropriate risk management and an appropriate internal control system. Additionally, each ProCredit bank has an internal audit department, which carries out the auditing procedures established by Group Audit. Once per year, the internal audit departments of the ProCredit banks carry out risk assessments of all of their bank's activities in order to arrive at a risk-based annual audit plan. Each internal audit department reports to an audit committee, which typically meets on a quarterly basis. In addition to providing technical guidance, Group Audit monitors the quality of the audits conducted in each ProCredit bank.

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

Management of individual risks

Credit risk

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to banks	**339,395**	**411,087**
Financial assets at fair value through profit or loss	**891**	**5,045**
Trading assets	891	750
Fixed interest rate securities	0	4,295
Available-for-sale financial assets	**206,970**	**232,439**
Fixed interest rate securities	136,045	174,692
Variable interest rate securities	65,487	56,156
Shares in companies	5,437	1,591
Loans and advances to customers	**3,928,332**	**4,143,770**
Loans and advances to customers	4,104,939	4,332,241
Allowance for losses on loans and advances to customers	-176,608	-188,471
Contingent liabilities and commitments	**174,873**	**159,554**
Guarantees and stand-by letters of credit	109,946	99,710
Documentary and commercial letters of credit	6,353	2,700
Credit commitments (irrevocable loan commitments)	10,084	13,152
Performance bonds	48,491	43,064
Other	0	927

Maximum exposure to credit risk

The ProCredit group defines credit risk as the risk that the party to a transaction fails to meet its contractual obligations, or fails to meet them in full or on time. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. As a consequence of the business model, credit exposures to customers dominate the balance sheets of both the individual banks and the group. Credit risk is the most significant risk facing the ProCredit group, and customer credit exposures account for the largest share of that risk. In the following, we begin by reporting on customer credit risk.

Thanks to the diversification of operations across four regions and 17 countries, and to the experience that the ProCredit institutions have gained in operating in these markets over the past 20 years, the group has extensive expertise with which to limit these risks effectively.

The banks serve a broad spectrum of clients, ranging from "very small" business clients with increasingly formalised structures to more experienced SMEs. Our thorough knowledge of the risks associated with the countries in which we operate and of our clients forms the basis for the policies that stipulate the requirements for risk management in the group. For our lending operations, we apply the following principles:

- intensively analysing the debt capacity of the banks' clients
- carefully documenting credit risk analyses and processes conducted during lending operations, ensuring that the analyses performed can be understood by knowledgeable third parties
- rigorously avoiding overindebtedness among the banks' customers
- building personal and long-term relationships with our clients, maintaining regular contact
- strictly monitoring credit exposure repayment
- implementing customer-oriented, intensified loan management in the event of arrears
- ensuring collateral collection in the event of insolvency

The group's customer credit risk management framework is approved by the Management of ProCredit Holding and defined in the policies and standards. The policies specify, among other things, the responsibilities for managing credit risk in the group and at the level of each individual bank, the principles for the organisation of the lending business, the principles involved in lending operations, and the framework for the valuation of collateral for credit exposures. The standards define in more detail the group's lending operations with business clients and private clients and the range of credit products offered. They also set forth the rules governing restructuring, risk provisioning and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (e.g. regular monitoring of the financial situation, checking for early warning indicators, intensified loan management and problem loan management). The credit risk profile of the group is assessed by the Group Risk Management Committee on a monthly basis, and more comprehensively on a quarterly basis.

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

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

The ProCredit institutions' credit decisions are all taken by a credit committee. The committee members have approval limits that reflect their level of expertise and experience. All decisions on medium credit exposures are taken by credit committees at the banks' head offices and, if they are particularly significant for the respective

Photo: ProCredit Bank Macedonia

bank on account of their size, by the supervisory board; as a general rule, the Group Credit Risk Management department first issues a vote.

Setting appropriate credit limits, deciding which services correspond to the financial needs of clients and determining the proper structure of the credit exposure form an integral part of the decision-making process within the credit committee.

In this context, the following general principles apply: The lower the amount of the credit exposure, the stronger the documentation provided by the client, the shorter the term of the credit exposure, the longer the client's history with the bank and the higher the account turnover of the client with the bank, the lower will be the collateral requirements.

The group credit risk management policies limit the possibility for unsecured credit operations. Depending on the risk profile and the term of the exposure, loans may be issued without being fully collateralised. The threshold for unsecured credit exposures varies according to the stability of the respective economic environment. As a general rule, credit exposures with a higher risk profile are covered with solid collateral, mostly through mortgages.

The total amount of collateral held as security is EUR 3,123.2 million. Cash collateral is held by the banks only for an insignificant percentage of their credit exposures. The valuation of immovable collateral is conducted by external, independent experts. In order to ensure that a reduction in the value of the collateral is detected at an early stage and appropriate measures can be taken, the banks regularly monitor the value of all collateral items. The verification of external appraisals and the regular monitoring activities are carried out by specialist staff members at the banks.

in '000 EUR	31.12.2015	31.12.2014
Mortgages	75.7%	68.1%
Cash collateral	1.0%	3.0%
Financial guarantees	0.7%	3.7%
Other	22.6%	25.3%

Loan collateral

The early detection of increases in credit risk at the level of individual credit exposures is incorporated into all lending-related processes, resulting in rapid assessment of the degree of financial difficulty faced by clients.

Credit exposures with overdue payments are reported daily to the responsible branch manager, the respective bank's head office and in aggregated form to ProCredit Holding. Follow-up measures are then taken in accordance with the policies and standards.

Once a higher risk of default is detected for a credit exposure, it is placed under intensified management. This centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of the client's business activities. At the individual banks, decisions on the most effective measures to reduce the credit default risk for individual credit exposures are taken by the authorised decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure.

One arrears management measure is a proactive redefinition of the repayment plans to align them with the client's actual and expected future payment capacity. The necessity of such a measure is mostly due to a significant change in the client's economic environment which reduces payment capacity. Such restructurings follow a thorough, careful and individual analysis of the client's changed payment capacity in order to ensure that the client can comply with the renegotiated payment plan. The decision to restructure a credit exposure is always taken by a credit committee and aims at full recovery of the credit exposure.

During 2015, slightly more restructurings were undertaken at group level than in the previous year. As of year-end, the combined total volume of such credit exposures which had not already been classed as impaired came to EUR 56.9 million, as against EUR 53.2 million at end-2014. This is the result of an increase in restructurings in Eastern Europe.

in '000 EUR **As at December 31, 2015**	**Loan portfolio**	**Restructured loans**	**Restructured loans as % of loan portfolio**
Germany	81,958	0	0.0%
South Eastern Europe	2,455,817	36,323	1.5%
Eastern Europe	681,475	15,648	2.3%
South America	885,690	4,928	0.6%
Total	**4,104,939**	**56,899**	**1.4%**

in '000 EUR **As at December 31, 2014**	**Loan portfolio**	**Restructured loans**	**Restructured loans as % of loan portfolio**
Germany	54,067	0	0.0%
South Eastern Europe	2,325,497	35,959	1.5%
Eastern Europe	735,655	11,660	1.6%
South America	850,845	4,117	0.5%
Central America	287,123	999	0.3%
Africa	79,053	488	0.6%
Total	**4,332,241**	**53,222**	**1.2%**

Restructured loans

When a credit exposure is classified as a problem credit exposure, recovery officers take over full responsibility for dealings with the client. The handover is based on factors such as insolvency and occurs at the latest when the loan has been arrears for 90 days. Generally speaking, problem credit exposures are classified as such because the bank has significant doubts about the ability of the client to comply with the contractual terms and conditions. If necessary, recovery officers are supported by litigation officers (legal department) and/or specialists in the sale of assets or collateral. Collateral is always liquidated through sales to third parties. Repossessed property is sold at the highest possible price, typically via public auction. The majority of the collateral sold consists of tangible assets such as land or buildings.

in '000 EUR	**31.12.2015**	**31.12.2014**
Real estate	25,225	34,401
Inventory	225	349
Other	451	387
Repossessed property	**25,902**	**35,137**

Repossessed property

As a general principle, the ProCredit institutions do not write off their receivables from clients until they no longer expect to receive any further payments. As a rule, the more days that the client's payments are past due and the more doubtful the recoverability of the collateral, the lower the probability of further payments is. Additionally, the direct and indirect costs of managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure. Bearing these points in mind, the banks generally write off insignificant credit exposures earlier than significant ones. In 2015, net write-offs stood at 0.8% of the gross loan portfolio (2014: 0.9%). Thus, net write-offs in 2015 did not differ substantially from the previous year.

The ProCredit group views the adequate provisioning of credit risk as a key strategic objective, which is achieved by making allowance for losses and impairment. In this context, a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR/USD 30,000.

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

Individually insignificant credit exposures are considered to be showing signs of impairment if they are past due by more than 30 days. In this case, the ProCredit banks calculate lump-sum specific provisions. The basis for calculating the specific provisions is a quantitative analysis of the historical default rates in the individual subsidiaries (migration analysis). The default rate for each institution is calculated based on the number of days that client payments are past due.

in '000 EUR **As at December 31, 2015**	**Loan portfolio**	**Allowance for impairment**	**PAR (> 30 days)**	**PAR as % of loan portfolio**	**Coverage ratio**	**Net write-offs**	**Net write-offs as % of loan portfolio**
Germany	81,958	-788	0	-	-	0	0.0%
South Eastern Europe	2,455,817	-108,925	108,636	4.4%	100.3%	20,785	0.8%
Eastern Europe	681,475	-34,994	36,104	5.3%	96.9%	7,539	1.1%
South America	885,690	-31,901	37,385	4.2%	85.3%	2,995	0.3%
Total	**4,104,939**	**-176,608**	**182,125**	**4.4%**	**97.0%**	**31,319**	**0.8%**

in '000 EUR **As at December 31, 2014**	**Loan portfolio**	**Allowance for impairment**	**PAR (> 30 days)**	**PAR as % of loan portfolio**	**Coverage ratio**	**Net write-offs**	**Net write-offs as % of loan portfolio**
Germany	54,067	-647	0	-	-	0	0.0%
South Eastern Europe	2,325,497	-114,935	116,172	5.0%	98.9%	23,791	1.0%
Eastern Europe	735,655	-30,465	30,725	4.2%	99.2%	4,183	0.6%
South America	850,845	-24,901	23,101	2.7%	107.8%	5,520	0.6%
Central America	287,123	-13,792	26,232	9.1%	52.6%	5,307	1.8%
Africa	79,053	-3,732	4,801	6.1%	77.7%	973	1.2%
Total	**4,332,241**	**-188,471**	**201,031**	**4.6%**	**93.8%**	**39,774**	**0.9%**

Risk provisions in lending

Individually significant credit exposures are individually monitored by the risk management committee of the respective bank. For such credit exposures, the bank performs an impairment test (specific impairment) once objective evidence exists that their quality has deteriorated. The main indicator of this is that the receivable is more than 30 days past due (PAR 30). However, credit exposures can show other signs of impairment as well. Typical examples are:

- 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

If there are signs of a deterioration in the quality of the credit exposure, an impairment test is performed, 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.

When a certain group of clients is adversely affected by external factors and/or extraordinary events, those clients' credit exposures may also be tested for impairment.

in '000 EUR **As at December 31, 2015**	**Business**	**Agricultural**	**Housing improvement**	**Consumer**	**Finance leases**	**Other**	**Total**
Allowance for specific impairment							
Gross outstanding amount	182,425	21,581	3,030	455	315	173	207,978
Allowance for specific impairment	-61,264	-7,765	-759	-191	-184	-86	-70,249
Net outstanding amount	121,161	13,815	2,270	264	131	87	137,729
Lump-sum allowance for specific impairment							
Gross outstanding amount	64,880	19,440	6,155	5,160	243	1,255	97,133
Lump-sum allowance for specific impairment	-33,233	-9,282	-3,717	-2,948	-173	-874	-50,226
Net outstanding amount	31,647	10,158	2,438	2,212	71	381	46,906
Portfolio-based allowance for impairment							
Gross outstanding amount	2,851,802	647,651	212,914	64,787	5,272	17,403	3,799,829
Portfolio-based allowance for impairment	-40,998	-10,228	-3,641	-977	-75	-213	-56,132
Net outstanding amount	2,810,804	637,424	209,272	63,811	5,196	17,190	3,743,697

in '000 EUR **As at December 31, 2014**	**Business**	**Agricultural**	**Housing improvement**	**Consumer**	**Finance leases**	**Other**	**Total**
Allowance for specific impairment							
Gross outstanding amount	227,208	24,627	2,306	345	871	195	255,551
Allowance for specific impairment	-68,302	-7,689	-434	-162	-328	-36	-76,950
Net outstanding amount	158,906	16,939	1,873	183	543	159	178,602
Lump-sum allowance for specific impairment							
Gross outstanding amount	67,828	15,469	4,761	3,699	262	1,588	93,606
Lump-sum allowance for specific impairment	-37,394	-8,893	-3,043	-2,175	-82	-1,033	-52,620
Net outstanding amount	30,434	6,576	1,718	1,523	180	555	40,986
Portfolio-based allowance for impairment							
Gross outstanding amount	3,038,181	632,379	215,426	59,508	12,987	24,602	3,983,083
Portfolio-based allowance for impairment	-45,440	-8,993	-3,180	-819	-173	-297	-58,902
Net outstanding amount	2,992,741	623,386	212,246	58,690	12,814	24,305	3,924,182

Specific, lump-sum specific and portfolio-based allowances for impairment

Photo: ProCredit Bank Ukraine

At group and bank level, the loan portfolio is monitored continuously for possible risk-relevant developments with the aid of "reporting triggers". These include past-due credit exposures (PAR 30 and PAR 90), restructured credit exposures, written-off credit exposures, risk provisions for the loan portfolio and risk concentrations towards individual counterparties. These indicators are analysed in the ProCredit group's Risk Report and discussed by the ProCredit Group Risk Management Committee. In addition, exceptional events which could have an impact on large areas of the loan portfolio (common risk factors) are analysed at group and bank level. If appropriate, these discussions lead to the imposition of limits on risk exposures towards certain groups of clients, e.g. in specific sectors of the economy or geographical regions.

The loan portfolios of the ProCredit institutions are predominantly composed of instalment loans with regular monthly payments of interest and principal. This is why payment delays are, among other things, a reliable indicator of increased credit risk. Consequently, one of the indicators employed by ProCredit to assess the level of credit risk in the group is the portfolio at risk (PAR 30 and PAR 90). This is defined as the outstanding volume of credit exposures with one or more payments of interest or principal past due by more than 30 or 90 days, respectively. When calculating this indicator, the total outstanding exposure towards a client and its related parties is taken into consideration. Deductions for available collateral or de minimis limits are not applied. The indicator is expressed as a percentage of the total gross loan portfolio. The quality of the loan portfolio is monitored based on this and other indicators on an ongoing basis.

At the end of 2015 PAR 30 stood at 4.4%, lower than at the end of 2014 (4.6%). The level of PAR 30 and its evolution over the year are thus below the previous year's level. Therefore, expectations for the quality of the loan portfolio in 2015 were even exceeded. The sale of the institutions in the Democratic Republic of Congo and Armenia during 2015 had no substantial impact on PAR 30. Rather, this development can be partly attributed to our having focused on our core client groups, adjusting the structure of our branch networks accordingly. These changes were accompanied by intensive training measures, in addition to the ongoing professional development programmes. For the most part, these measures have now been completed.

in '000 EUR As at December 31, 2015	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	> 360 days	Total
Loans and advances to customers								
Non-impaired								
Business	2,765,956	85,030	659	0	158	0	0	2,851,802
Agricultural	627,169	20,420	62	0	0	0	0	647,651
Housing improvement	204,231	8,537	146	0	0	0	0	212,914
Consumer	59,359	5,407	1	0	20	0	0	64,787
Finance leases	4,952	320	0	0	0	0	0	5,272
Other	16,891	512	1	0	0	0	0	17,403
Impaired								
Business	78,526	25,378	16,740	6,779	25,577	33,130	61,174	247,304
Agricultural	11,860	1,943	5,037	2,994	6,039	4,332	8,815	41,021
Housing improvement	2,094	1,234	1,261	532	1,208	1,288	1,566	9,184
Consumer	1,395	123	692	320	721	805	1,560	5,615
Finance leases	0	42	26	0	28	40	423	559
Other	303	24	53	21	135	92	799	1,428
Total	**3,772,735**	**148,969**	**24,678**	**10,647**	**33,886**	**39;687**	**74,338**	**4,104,939**

in '000 EUR As at December 31, 2014	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	> 360 days	Total
Loans and advances to customers								
Non-impaired								
Business	2,741,470	296,275	0	66	33	110	227	3,038,181
Agricultural	591,054	41,321	1	0	0	3	0	632,379
Housing improvement	199,887	15,539	0	0	0	0	0	215,426
Consumer	51,399	8,109	0	0	0	0	0	59,508
Finance leases	11,297	1,690	0	0	0	0	0	12,987
Other	23,254	1,348	0	0	0	0	0	24,602
Impaired								
Business	92,863	37,287	19,001	9,837	25,978	37,637	72,431	295,035
Agricultural	11,673	2,399	4,448	2,330	4,568	4,203	10,474	40,096
Housing improvement	1,528	553	992	500	1,009	1,344	1,139	7,067
Consumer	1,032	85	582	278	560	640	868	4,044
Finance leases	434	102	43	58	15	62	418	1,133
Other	584	25	58	32	77	101	907	1,783
Total	**3,726,477**	**404,733**	**25,125**	**13,101**	**32,239**	**44,101**	**86,464**	**4,332,241**

Loan portfolio, by days in arrears

Concentration risk in the customer loan portfolio is effectively limited by a high degree of diversification. This diversification is a consequence of lending to our core client groups (very small, small and medium businesses) in various economic sectors and the distribution of the loan portfolio across 17 institutions.

in '000 EUR **As at December 31, 2015**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Germany	70	823	81,065	81,958
South Eastern Europe	951,392	856,958	647,467	2,455,817
Eastern Europe	210,959	294,677	175,839	681,475
South America	598,964	234,614	52,111	885,690
Total	**1,761,385**	**1,387,073**	**956,482**	**4,104,939**

in '000 EUR **As at December 31, 2014**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Germany	11	966	53,090	54,067
South Eastern Europe	1,073,566	747,821	504,111	2,325,497
Eastern Europe	318,129	298,362	119,165	735,655
South America	635,519	183,068	32,257	850,845
Central America	155,574	93,034	38,515	287,123
Africa	35,332	30,926	12,795	79,053
Total	**2,218,130**	**1,354,178**	**759,933**	**4,332,241**

Portfolio diversification: Loan size, by region

In addition, the ProCredit banks limit the concentration risk of their portfolios by means of the following restrictions: Large credit exposures (those exceeding 10% of the regulatory capital of the respective ProCredit bank) require the approval of the Group Risk Management Committee; no large credit exposure may exceed 25% of the regulatory capital of a bank; and the sum of all large credit exposures of a bank may not exceed 150% of its regulatory capital.

in '000 EUR **As at December 31, 2015**	**Business**	**Agricultural**	**Housing improvement**	**Consumer**	**Finance leases**	**Other**
< 50,000 EUR/USD	1,147,685	334,331	193,090	67,368	3,425	15,487
50,000 – 250,000 EUR/USD	1,116,188	234,598	28,361	3,034	1,547	3,344
>250,000 EUR/USD	835,233	119,743	647	0	859	0
Total	**3,099,106**	**688,672**	**222,098**	**70,402**	**5,830**	**18,831**

in '000 EUR **As at December 31, 2014**	**Business**	**Agricultural**	**Housing improvement**	**Consumer**	**Finance leases**	**Other**
< 50,000 EUR/USD	1,526,285	403,690	197,845	60,960	7,608	21,743
50,000 – 250,000 EUR/USD	1,122,919	195,876	23,916	2,589	4,236	4,641
> 250,000 EUR/USD	684,013	72,909	732	3	2,276	0
Total	**3,333,217**	**672,475**	**222,493**	**63,552**	**14,120**	**26,384**

Portfolio diversification: Business areas, by loan size

The quality of credit operations in all client categories is monitored by credit control units at the individual bank level. They assess the quality of the credit analysis, verify compliance with internal procedures and identify signs of fraudulent activity. The departments employ experienced credit staff who not only conduct on-site visits to customers in order to monitor the lending process but also systematically screen the portfolio.

Continuous training of the staff ensures that credit risk is properly evaluated whenever a loan is issued, and that credit exposures are closely observed throughout their lifetime and appropriate measures are taken in a timely manner. That is why the quality of the ProCredit banks' loan portfolios is significantly higher than the sector average in most countries, even in times when recovering outstanding loan repayments is more difficult.

The group's client credit risk is regularly quantified in the risk-bearing capacity calculation using a credit risk model. Relevant stress scenarios are also used to determine the economic capital needed by the group to cover client credit risk in extremely negative circumstances. The results of these calculations are regularly discussed at Group Risk Management Committee meetings and documented in Risk Reports.

The procedure applied at group level to quantify and manage credit risk is based on a simulation-based loan portfolio model. This approach determines the probability of various degrees of portfolio losses by applying information on the riskiness of individual clients. The probability distribution of the loss amounts is calculated using a Monte Carlo simulation. The client-specific probabilities of default used for this purpose as well as estimates of the proportion that could be recovered if a loss event materialised are determined empirically by applying statistical procedures to individual loss histories. To model the client-specific probabilities of default, the materialised loss events are matched up to individual client characteristics; the recovery percentages are estimated – also based on individual loss and repayment histories – separately for different size categories.

Counterparty risk (including issuer risk)

The ProCredit group defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer is unwilling or unable to fulfil its obligations on time or in full. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of mitigating liquidity risk. There are also structural exposures towards local central banks in the form of mandatory minimum reserves.

The overarching counterparty risk management strategy is to invest our liquid assets safely and as well diversified as possible. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability; risk considerations predominate. For this reason, we only work with carefully selected reliable banks with high credit quality, typically place our money for short terms (up to three months, but typically shorter) and use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. ProCredit banks are prohibited from engaging in speculative trading. As a matter of principle, only highly liquid securities are bought, typically with a maximum maturity of three years at fixed-interest rates. Liquidity in domestic currency is predominantly invested in central bank papers or sovereign bonds in the respective country. EUR or USD, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals internationally rated at least AA-. The impact of market price changes on the group is limited. The reasons are that the volume of securities is rather low, their maturities are short and issuers are carefully selected based on conservative risk criteria.

Typically, our counterparties are central banks, central governments and commercial banks. The main types of exposure are account balances, short-term TDAs, highly liquid securities, and, on a very limited scale, simple derivative instruments for liquidity management and hedging purposes (mostly foreign currency forwards and swaps).

Because of our cautious investment strategy, counterparty risk and issuer risk are generally low for the ProCredit banks and the group. Due to mandatory minimum reserves, a certain concentration exists at group level with regard to exposures towards central banks. Since 2010 the group has insured more than half of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA).

The group's exposure to counterparty and issuer risk decreased slightly compared to end-2014. This is due to the reduced liquidity of the banks at year-end and to the sale of banks in 2015.

in '000 EUR	31.12.2015	in %	31.12.2014	in %
Banking groups	339,395	35.4	411,087	38.5
Central banks	274,257	28.6	342,639	32.0
Mandatory reserve	*314,593*	*11.5*	*370,195*	*14.2*
of which covered by insurance	*-204,079*		*-218,846*	
Other exposures	*163,743*	*17.1*	*191,290*	*17.9*
Securities	345,795	36.0	315,359	29.5
Total	**959,447**	**100.0**	**1,069,085**	**100.0**

Exposures to counterparties and issuers

The exposure to banking groups contains repurchase agreements in the amount of EUR 36 million. For these, collateral items were obtained with a fair value in approximately the same amount. None of them were repledged or sold.

For counterparty risk, the same definitions of "past due" and "impaired" apply in principle as for customer credit risk. Due to the careful selection of the counterparties, none of positions shown was in arrears nor showed any signs of impairment as of 31 December 2015. Accordingly, no allowance for impairment was set aside for them in 2015.

Counterparty and issuer risk is managed with a limit system. ProCredit banks conclude transactions only with counterparties that have previously been carefully analysed and for which a limit has been approved. The total limit towards a non-OECD bank or banking group may not exceed 10% of the ProCredit bank's capital without prior additional approval from Group ALCO or the Group Risk Management Committee. For an OECD bank, the threshold is 25%. The typical maximum maturity of our term deposits is three months; longer maturities must be approved by Group ALCO or the Group Risk Management Committee. Approval is likewise required before any investments in securities, except for central bank papers in the domestic currency of the respective country with a remaining maturity of up to three months.

In order to avoid risk concentrations at group level, there are additional maximum limits towards each banking group and each state group (total exposure towards central bank, government and state-owned entities).

Country risk

The ProCredit group defines country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to country-specific peculiarities. Country risk arises from cross-border transactions and comprises a range of aspects. Many of the elements that make up country risk are already included in other risk management areas, notably credit risk, foreign currency risk, interest rate risk and operational risk. The ProCredit group's country risk management therefore focuses on those aspects which are not otherwise covered. This includes the risk of convertibility, transferability and expropriation as well as regulatory risks, the risk of macroeconomic shocks and security risks.

Country risk is a material risk only for ProCredit Holding and the ProCredit Bank in Germany because only these institutions conduct cross-border transactions with other group banks. Other ProCredit banks are only permitted to enter into cross-border transactions in exceptional cases and with prior approval from the Group Risk Management Committee.

Country risk is managed by setting risk limits based on internal country ratings. These ratings combine various aspects of country risk and are based on country risk ratings published by recognised rating agencies as well as internal information. Furthermore, all ProCredit banks monitor country-specific developments and report on them, both regularly and ad hoc, to ProCredit Holding.

Market risks

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for the ProCredit group are foreign currency and interest rate risk. The ProCredit group manages market risks by aiming to close positions associated with such risks to the greatest extent possible, so that from an overall risk perspective they only play an insignificant role.

In accordance with the group risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes. All ProCredit banks are strictly non-trading book institutions.

Foreign currency risk

We define foreign currency risk as the risk that an institution incurs losses or is negatively affected by exchange rate fluctuations. At the level of individual banks, foreign currency risk can have adverse effects on income (P&L effect) and can lead to a decline in regulatory capital ratios. At group level, foreign currency risk arises from the equity investments made by ProCredit Holding.

Income is impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the FX rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). The total OCP is limited to 10% of the bank's capital, unless deviation from this limit has been approved by the Group ALCO or Group Risk Management Committee. A threshold of 7.5% of a ProCredit bank's capital has been defined as an early warning indicator for the total OCP, and ±5% for each individual currency OCP.

Foreign currency risk can reduce regulatory capital ratios in cases where the capital of a bank is held in a different currency than many of the assets it supports. In that case, domestic currency depreciation can result in a significant deterioration of capital adequacy if the foreign currency assets appreciate (from a local perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims at increasing the share of domestic currency assets in the banks' balance sheets. At least once a year, extensive currency risk stress tests are performed that depict the effects of unfavourable FX developments on the banks' capital adequacy ratios.

Foreign currency risk at group level arises as a result of the equity holdings that ProCredit Holding maintains in its foreign subordinated companies. Most banks keep their equity in the respective domestic currency or in USD. Thus, from a consolidated group perspective, OCPs in the respective domestic currencies and USD exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and risk coverage potential are thus exposed to fluctuations due to changes in the exchange rates of domestic currencies and the USD against the EUR. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in EUR terms. The translation reserve in the equity position of the group decreased from EUR 48.7 million at the end of 2014 to EUR 43.7 million as of December 2015. This was primarily driven by the USD appreciation against the EUR.

The following table shows the consolidated OCPs of the banks in USD. The "other currencies" mainly include the domestic currencies. Since most banks keep their equity in the respective domestic currency, they have significantly more assets than liabilities in this currency and thereby expose the group to foreign currency risk from equity participations.

in '000 EUR **As at December 31, 2015**	**USD**	**Other currencies**
Assets		
Cash and cash equivalents	166,916	346,521
Loans and advances to banks	97,825	80,879
Financial assets at fair value through profit or loss	0	17
Available-for-sale financial assets	16,481	41,815
Loans and advances to customers	686,619	1,551,593
of which: indexed to USD	*17,171*	*0*
Tax assets	358	2,566
Other assets	4,939	30,458
Total assets	**973,138**	**2,053,848**
Open forward position (assets)	**2,973**	**13,110**
Liabilities		
Liabilities to banks	72,013	69,961
Financial liabilities at fair value through profit or loss	0	39
Liabilities to customers	563,719	1,635,267
of which: indexed to USD	*0*	*0*
Liabilities to international financial institutions	155,593	56,040
Debt securities	49,945	0
Tax liabilities	0	1,980
Provisions	4,036	7,988
Other liabilities	4,145	12,821
Subordinated debt	66,403	0
Total liabilities	**1,295,667**	**1,745,788**
Open forward position (liabilities)	**77,764**	**62,631**
Net position	**-17,507**	**220,231**

Open currency position

in '000 EUR **As at December 31, 2014**	**USD**	**Other currencies**
Assets		
Cash and cash equivalents	200,488	337,300
Loans and advances to banks	111,413	66,444
Financial assets at fair value through profit or loss	4,238	59
Available-for-sale financial assets	47,726	41,899
Loans and advances to customers	*1,069,709*	*1,576,782*
of which: indexed to USD	24,251	0
Tax assets	0	2,142
Other assets	12,632	31,749
Total assets	**1,446,206**	**2,056,378**
Open forward position (assets)	**10,298**	**1,649**
Liabilities		
Liabilities to banks	72,668	91,846
Financial liabilities at fair value through profit or loss	0	232
Liabilities to customers	879,898	1,591,654
of which: indexed to USD	*6,739*	*0*
Liabilities to international financial institutions	198,436	40,567
Debt securities	79,223	1,096
Tax liabilities	859	2,904
Provisions	4,525	6,956
Other liabilities	6,734	9,835
Subordinated debt	53,323	698
Hybrid capital	0	0
Total liabilities	**1,295,667**	**1,745,788**
Open forward position (liabilities)	**116,932**	**74,361**
Net position	**43,905**	**237,877**

Open currency position

Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses due to changes in market interest rates and primarily arises from differences between the repricing maturities of assets and liabilities.

In order to manage interest rate risk, many ProCredit banks are increasingly offering their clients variable-rate loans, and are also issuing loans with shorter terms. In this way, the repricing maturities of assets can be better matched to the repricing maturity of liabilities, even when liabilities have shorter maturities than loans. In order to grant variable-rate loans in a transparent manner, banks use a publicly available interest rate as a benchmark when adjusting the interest rates, communicating this clearly to the client at the time of disbursement. Financial instruments to mitigate interest rate risk (hedges) are not available in most domestic currencies.

The group-wide approach used to measure, monitor and limit interest rate risk is based on repricing gap analyses. The assets and liabilities are distributed across time buckets according to the terms of the underlying contracts. Sight deposits and savings accounts are included in the gap analyses according to their expected repricing maturities. These maturities are derived from a group-wide analysis of historical developments.

The economic value impact is a key indicator for managing interest rate risk, and measures the economic value change on all assets and liabilities determined by a sudden unfavourable change in interest rates. For EUR or

Photo: ProCredit Bank Kosovo

USD we assume a parallel shift of the interest rate curve by +/- 200 basis points in line with the BaFin Circular on interest rate risk management dated November 2011. For domestic currencies the magnitude of the shocks is derived using a VaR-type methodology taking into consideration interest rate volatilities over the past seven years.

The economic value impact when simulating a simultaneous detrimental (upward or downward) interest rate shock across all currencies must not exceed 15% of a bank's capital, unless approved by the Group Risk Management Committee; the early warning indicator for each currency is set at 10% (non-netted in each case).

A second key indicator measures the potential impact of interest rate shocks on the expected earnings of the individual banks (P&L effect) over a period of 12 months. This risk measure indicates how the income statement may be influenced by interest rate risk under a short-term perspective and is deemed significant if it exceeds 5% of the bank's capital (early warning indicator). The P&L effect must not exceed 10% of the capital (non-netted in each case).

in '000 EUR	31.12.2015		31.12.2014	
Currency	**12-month interest earnings**	**Interest rate shock basis points**	**12-month interest earnings**	**Interest rate shock basis points**
EUR	6,026	-200	5,430	-200
USD	3,401	-200	4,106	-200
Other*	13,279	-176	7,178	230
Total	**22,706**		**16,714**	

** The interest rate shock for other currencies is the weighted average shock for the local currencies used in the group. It is the interest rate shock that would have the severest adverse impact on the group and is based on the historical development over the past seven years.*

Scenario analyses

The need for economic capital to cover interest rate risk in the group (P&L effect) remained limited in 2015, but grew moderately in comparison to 2014. This is primarily due to a change in the way that the substantial minimum reserve in Serbian dinars is recognised. Following the Serbian National Bank's first change in interest rates since 2006, this minimum reserve is now assessed to be sensitive to interest rates.

Liquidity and funding risk

Liquidity and funding risk is a measure of the ProCredit group's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity risk is limited by the fact that we primarily issue instalment loans which feature monthly repayments of principal and interest and are financed largely with local deposits. Our deposit-taking operations focus on our target group of business clients and savers, with whom we establish strong relationships. The financial crisis in 2008 and 2009 has shown that our retail deposits are a stable and reliable source of funding.

We measure our liquidity risk using a liquidity gap analysis, among other instruments, limiting this risk based on the liquidity indicator defined by the German Liquidity Regulation (Sufficient Liquidity Indicator, SLI), as well as in accordance with the minimum liquidity ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The SLI measures whether institutions have sufficient liquidity for the expected inflows and outflows of funds in the next 30 days. For deposits without contractual maturities we assume an outflow rate of 15%, which is significantly more conservative than the figure applied in the German Liquidity Regulation.

In addition, early warning indicators are defined and monitored. A key indicator is the highly liquid assets (HLA) indicator, which ensures that the banks hold sufficient highly liquid assets at all times to be able to pay out at least 15% of all customer deposits.

To assess our short-term liquidity risk, we also monitor the LCR as defined in CRR, both at the level of each ProCredit Bank and at group level. This ratio shows whether the banks and the group have sufficient liquidity to cover the expected net outflows of funds for the coming 30 days, even in the event of a pre-defined severe economic shock. As of 31 December the LCR was 174% at group level, and thus comfortably above the regulatory requirement of 60%.

In addition, idiosyncratic, market-related and combined stress tests are conducted monthly and ad hoc as part of risk management to make sure that every ProCredit bank keeps sufficient liquid funds to meet its obligations, even in difficult times. Moreover, each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, the ProCredit group also has a liquidity contingency plan and ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose.

The liquidity of the banks and of ProCredit Holding is managed on a daily basis by their respective treasury departments, based on the ALCO-approved cash flow projections which take account of planned business developments and liquidity indicators, and is monitored by risk management and ALCO.

The following table shows the undiscounted cash flows of the financial assets and financial liabilities of the group according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in '000 EUR **As at December 31, 2015**	**Up to 1 month**	**1–3 months**	**4–6 months**	**7–12 months**	**1–5 years**	**More than 5 years**	**Total**
Assets							
Financial instruments							
Cash and cash equivalents	817,571	16,921	0	0	0	0	834,493
Loans and advances to banks	286,861	45,672	336	274	2,179	7,360	342,683
Financial assets at fair value through profit or loss	625	0	0	0	238	31	893
of which derivatives	*625*	*0*	*0*	*0*	*238*	*31*	*893*
Available-for-sale financial assets	11,672	35,855	35,838	37,574	83,557	4,461	208,956
Loans and advances to customers	210,513	316,926	456,006	846,251	2,274,651	590,072	4,694,418
Non-financial instruments							
Current tax assets	158	1,483	1,622	0	0	0	2,158
Other assets	17,777	6,174	1,253	5,466	17,113	85	54,049
Total assets	**1,345,177**	**423,030**	**495,055**	**889,565**	**2,377,738**	**602,008**	**6,719,911**
Liabilities							
Financial instruments							
Liabilities to banks	86,174	9,689	23,570	34,346	177,043	107,390	438,211
Financial liabilities at fair value through profit or loss	2,212	1,025	1,752	2,590	5,035	243	12,857
of which derivatives	*2,212*	*1,025*	*1,752*	*2,590*	*5,035*	*243*	*12,857*
Liabilities to customers	2,264,568	276,436	287,578	511,894	413,353	103,482	3,857,310
Liabilities to international financial institutions	7,910	16,423	57,740	69,869	325,823	68,051	545,816
Debt securities	2,913	1,397	4,267	53,405	113,772	77,798	253,551
Subordinated debt	629	1,377	3,509	3,972	79,754	96,812	186,052
Non-financial instruments							
Other liabilities	14,812	5,323	1,196	1,262	1	672	23,267
Provisions	3,254	623	1,765	3,145	1,883	754	11,424
Current tax liabilities	551	1,256	173	0	0	0	1,980
Total liabilities	**2,383,022**	**313,549**	**381,551**	**680,482**	**1,116,664**	**455,202**	**5,330,469**
Contingent liabilities							
Financial guarantees	54,844	0	0	0	0	0	54,844
Credit commitments (irrevocable loan commitments)	10,084	0	0	0	0	0	10,084
Contractual liquidity surplus	**-1,102,772**	**109,481**	**113,504**	**209,083**	**1,261,074**	**146,807**	

Liquidity gaps according to contractual maturity

The following table shows the distribution of liquidity-relevant positions across certain time buckets. Some positions, especially daily due liabilities to customers, are distributed into the time buckets according to assumptions about inflows and outflows based on their observed historical behaviour in stress situations.

in '000 EUR **As at December 31, 2015**	**Up to 1 month**	**1–3 months**	**4–6 months**	**7–12 months**	**More than 1 year**	**Total**
Assets						
Cash	217,920	0	0	0	0	217,920
Mandatory reserves with central bank	314,593	0	0	0	0	314,593
Other central bank balances (excl. minimum reserve)	163,743	0	0	0	0	163,743
Credit commitments	69,005	0	0	0	0	69,005
Government bonds & marketable securities	197,208	39,497	23,695	10,937	38,156	309,494
Placements with external banks	285,693	45,449	0	150	7,889	339,182
Loans and advances to customers	126,117	267,820	378,953	724,593	2,407,173	3,904,656
Currency derivatives (asset side)	208,622	60,086	1,460	5,000	25,946	301,114
Total assets	**1,582,901**	**412,852**	**404,108**	**740,681**	**2,479,164**	**5,619,706**
Liabilities						
Current liabilities to banks (due daily)	5,410	5,410	0	0	0	10,820
Current liabilities to customers (due daily)	307,832	82,089	123,133	246,266	1,292,895	2,052,215
Contingent liabilities from guarantees	8,239	0	0	0	0	8,239
Credit commitments	78,935	0	0	0	0	78,935
Liabilities to external banks	65,023	15,451	19,419	28,509	251,680	380,082
Liabilities to international financial institutions	4,672	15,141	38,945	66,874	377,127	502,760
Liabilities to customers (term deposits)	191,837	263,268	278,582	495,599	461,956	1,691,242
Debt securities / bonds	1,290	0	1,213	48,241	152,301	203,045
Subordinated debt	0	0	0	0	131,081	131,081
Currency derivatives (liability side)	208,723	60,113	1,240	4,967	25,998	301,041
Total liabilities	**871,961**	**441,472**	**462,532**	**890,456**	**2,693,039**	**5,359,460**
Surplus from previous time bucket	0	710,941	682,321	623,896	474,121	
Expected liquidity surplus	**710,941**	**682,321**	**623,896**	**474,121**	**260,246**	
Sufficient Liquidity Indicator	**1.8**					
Highly Liquid Assets	**31%**					

Liquidity gaps according to expected maturity

A negative value for the expected liquidity surplus quantifies the potential liquidity needs within a certain time period, while a positive value shows the potential excess of liquidity. This calculation includes surplus liquidity from the previous time buckets. As of December 2015 the group sufficient liquidity indicator stood at 1.8 and the HLA ratio at 31%, both indicating that the group had a comfortable liquidity situation.

Throughout the reporting period, all group companies had enough liquidity available at all times to meet all financial obligations in a timely manner. At year-end all banks except for the bank in Nicaragua had a sufficient liquidity indicator of over 1. In Nicaragua the indicator stood at 0.96. The group had adequate liquidity levels at all times during 2015. ProCredit Holding's liquidity reserve for unexpected outflows as of end-December 2015 stood at EUR 76 million and was thus well in excess of the target figure of EUR 55 million.

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at significantly higher costs. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through retail customer deposits, supplemented by long-term credit lines from international financial institutions. We make little use of interbank and financial markets. The funding of the ProCredit group has proven to be resilient even in times of stress. As of end-December 2015 the largest funding source was customer deposits with EUR 3,793.0 million (2014: EUR 3,992.9 million). IFIs are the second largest source of funding, accounting for EUR 509.4 million (2014: EUR 544.1 million).

The ProCredit group manages, measures and limits funding risk through business planning, maturity gap analysis and several indicators. The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed at group level. Group ALCO monitors the progress of all individually significant transactions with external funding providers, especially IFIs. ProCredit Holding and the ProCredit Bank in Germany also offer bridge financing in the event that a funding project is delayed. A key indicator for limiting funding risk is the deposit concentration indicator. This is defined as the share of the ten largest depositors relative to the bank's total deposit base, which should not exceed 15%. Two more indicators additionally restrict the level of funding from the interbank market to a low level.

Funding risk is included in the risk-bearing capacity calculation. Liquidity risk is not taken into account in the risk-bearing capacity calculation because capital cannot be used to mitigate this risk.

Operational risk and fraud risk

In line with CRR, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems and/or external events. This definition includes legal risk. Furthermore, the ProCredit group considers reputational risk to be part of operational risk. Dedicated policies on operational risk management, fraud prevention, information security and outsourcing have been implemented across all group entities; they have been approved by the Management of ProCredit Holding and are reviewed annually. The principles outlined in these documents have been designed to effectively manage the group's operational and fraud risk exposure and that of each bank, and they are in compliance with the requirements for the "standardised approach" for operational risk (as described in more detail in CRR).

The allocation of responsibilities and tasks within ProCredit's operational risk management framework comprises the following levels:

- At **group level** operational risk is overseen by the Management of ProCredit Holding, the Group Risk Management Committee and the Group Committee on Financial Crime Prevention. The Group Operational Risk Management Department at ProCredit Holding is responsible for the development of methodologies in the area of operational risk management and fraud prevention as well as for monitoring the group's operational risk situation and providing support to the banks in the management of operational risks and fraud risks. With regard to fraud prevention, Group Operational Risk Management and Group AML collaborate closely.
- At single **institution level** each bank has an assigned operational risk manager to ensure the effective implementation of the operational and fraud risk management framework within the institution. Operational risk managers work in close co-operation with process owners who are responsible for the day-to-day management of operational and fraud risks in their area of expertise. Analogous to the Group Risk Management Committee, each bank has an (Operational) Risk Management Committee which serves as the decision-making body for operational risk matters. Each bank's management bears overall responsibility for appropriate implementation of the framework in the institution.
- As an independent function, **Internal Audit** ensures adherence to the rules defined for the management of operational risk in each of the ProCredit institutions.

A centralised and decentralised reporting procedure ensures that the Management of ProCredit Holding and the management of each ProCredit bank, as well as other members of the (Operational) Risk Management Committee, receive regular comprehensive reports on operational risks to serve as a basis for their decisions.

The operational risk management process consists of the identification, evaluation/quantification, treatment, monitoring, communication, documentation and follow-up of operational and fraud risks. The main tools utilised to manage these risks are the Risk Event Database, Annual Risk Assessments, Key Risk Indicators and the New Risk Approval (NRA) process.

The RED is a tool developed to ensure that all operational risk events identified in the group are documented, analysed and communicated effectively. It guides all ProCredit institutions through the risk management process, ensuring that adequate attention is given to the implementation of necessary corrective or preventive measures for risk reduction or mitigation. As opposed to the ex-post analysis of risk events from the RED, the Annual Risk Assessments are a systematic way of identifying and evaluating material risks in order to confirm the adequacy of the control environment. Like the RED, Annual Risk Assessments are used throughout the risk management process. These two tools complement each other and provide an overall picture of the operational risk profile of each institution and of the group as a whole.

Key Risk Indicators (KRI) are used as indicators of elevated fraud risk in specific areas of banking operations or specific branch locations that could be used by a potential fraudster. These indicators are analysed regularly and preventive measures are agreed on as necessary. To complete the picture of operational risk management, new products are carefully analysed to identify and manage potential risks before implementation. This is ensured by the New Risk Approval process.

In addition to the above mentioned principles and methods which are applicable to operational risk and fraud risk management, the group employs methods and processes designed to handle specific aspects of operational risk, such as information security and system risk, external risks, legal and compliance risks and outsourcing risk. These are described briefly below:

Information security and system risk: The IT software and hardware support is provided by Quipu GmbH, which is part of the ProCredit group. The group has set standards with respect to IT infrastructure, business continuity and information security. Information security controls are part of existing processes and procedures, and security procedures have been developed to bridge the gaps in identified areas. The banks carry out a comprehensive classification of their information assets and conduct an annual risk assessment on their critical information assets to ensure that the right level of security is assigned based on criticality.

A robust business continuity framework developed in the group allows threats to be understood, critical processes to be identified, and resources for recovery to be allocated depending on the priorities of the processes.

External risks: ProCredit banks obtain local insurance policies against losses arising from natural disasters as a means of risk mitigation. External risks that might disrupt business are addressed in the business continuity plans of each bank. Our staff are trained how to behave in risky situations in order to protect their lives and health, especially in countries with a precarious security situation.

Legal and compliance risks are effectively limited on the one hand by diligent staff in the different head office departments as well as the branches. On the other hand, ProCredit Holding and all of the banks have a specialised department responsible for the identification and implementation of all regulations that apply to the bank. As the regulations in most of the countries in which we operate change relatively often, all of the banks as well as ProCredit Holding must be capable of monitoring these changes and responding to them quickly.

Outsourcing risk: The ProCredit group outsources only few activities. Consequently, the outsourcing risk for the group is low. The Group Outsourcing Policy, which is in line with the provisions of the German Banking Act, ensures appropriate risk assessment and control measures.

The table below provides an overview of gross and net losses due to operational risk events incurred by all ProCredit institutions in 2015.[7]

Key figures for operational risk 2015	
Gross loss, EUR	2,850,418
Current net loss, EUR	1,625,182
Number of loss events	890

Operational risk

Risks arising from money laundering, terrorist financing and other acts punishable by law

Ethical behaviour is an integral part of the values-oriented business model of all ProCredit banks. The prevention of money laundering, terrorist financing and fraud are a key component of our self-perception. ProCredit banks do not tolerate any fraudulent activity or any other questionable behaviour from either their clients or their own employees.

ProCredit banks are in full compliance with all regulatory requirements concerning the prevention of money laundering and terrorist financing. Moreover, the banks adhere to group-wide guidelines on the prevention of money laundering and terrorist financing, which in many respects are stricter than the prevailing legal requirements.

As the ProCredit group is supervised by the German Federal Financial Supervisory Authority (BaFin), we implement the requirements stipulated by the German Money Laundering Act across the group as minimum requirements in all ProCredit banks. As the superordinated company for the ProCredit group, ProCredit Holding is responsible for ensuring group-wide compliance with these requirements.

This responsibility is documented in the form of our Code of Conduct and Exclusion List, which contain the core rules and regulations that all employees of ProCredit banks are obliged to observe. The group-wide guidelines on the prevention of money laundering, terrorist financing and fraudulent activities – the Group AML Policy and the Group Fraud Prevention Policy, together with their subordinate directives – specify how these basic rules are to be implemented in practice.

Besides identifying all contracting parties and clarifying the purpose of the business relationship, at ProCredit banks the collection of client data always also entails identifying the beneficial owner of all funds that are managed in customer accounts. Beneficial owners are natural persons who substantially profit from a business structure, even if they are not personally in evidence during our business relationship with a client. Without exception, all ProCredit banks identify and screen all persons who could prove to be beneficial owners.

By thoroughly knowing our clients, our banks aim to understand every payment. In addition, all ProCredit banks use specialised software to identify payments that give cause for suspicion of money laundering, terrorist financing or fraud.

[7] Status as of: 9 February 2016 (recording date)

Anti-money laundering officers in all ProCredit banks work closely with the responsible law enforcement authorities and report regularly to the Group AML Officer at ProCredit Holding, who in turn is the main contact for the law enforcement authorities in Germany and other countries.

Capital management

At no time may either a ProCredit bank or the group as a whole 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. The indicators for each individual ProCredit bank and the group as a whole include, in addition to local regulatory standards, a CRR capital adequacy calculation, a CRR Tier 1 leverage ratio and a risk-bearing capacity calculation.

The capital management of the group has the following objectives:

- compliance with external capital requirements
- compliance with the internally defined minimum capital adequacy requirements
- support for the group in implementing its plans for continued growth while following its business strategy as a "house bank for small and medium-sized businesses"

The capital management of the ProCredit banks and the group as a whole is governed by group policies, and monitored on a monthly basis by the Group Risk Management Committee.

Risk-bearing capacity

Ensuring that the group as a whole and each individual bank has sufficient risk-bearing capacity at all times is a key element of ProCredit's group-wide risk management and internal capital adequacy assessment process. In the context of the risk-bearing capacity calculation the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is at all times sufficient to match our risk profile. It is an ongoing process that raises group-wide awareness of our capital requirements and exposure to material risks.

The methods we use to calculate the amount of economic capital required to cover the different risks to which the group is exposed are based on statistical models, provided that these are available and appropriate. Macroeconomic stress scenarios, some of them historically observed in individual countries of operation, are applied to the group in its entirety to test its ability to withstand such shocks, both in individual risk areas and in combination. The guiding principle for our risk-bearing capacity calculations is that the group is able to withstand severe shock scenarios without endangering depositors and other providers of funding. In our view, 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 group in dealing with a difficult economic environment. Throughout this period, the group showed strong levels of capital, leaving ample headroom for additional loss absorption had the economic conditions further deteriorated.

The group currently applies both a going concern and a gone concern approach in managing and monitoring its risk-bearing capacity. Both approaches are being further developed on a continual basis. In 2015 we mainly worked on the models used to quantify credit risk and operational risk, and in 2016 we will continue to developing the risk-bearing capacity concept. We are committed to being able to meet our (non-capital) obligations at all times in the event of unexpected losses in the gone concern approach, both in normal and in stress scenarios. The group applies the going concern approach to ensure that if risks materialise business operations can be continued. This implies that, as a regulated financial holding group, we must satisfy the minimum capital requirements set by the supervisory authority at all times.

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

- Customer credit risk
- Counterparty risk (including issuer risk)
- Foreign currency risk
- Interest rate risk
- Operational risk
- Business risk
- Funding risk

The economic capital needed to cover the risks to which the ProCredit group is exposed is compared with the available capital.

The group's risk coverage potential in the gone concern approach, defined as the consolidated group's equity (net of intangibles, minority interests and deferred tax assets) plus ProCredit Holding's subordinated debt, amounted to EUR 664.6 million as of the end of December 2015. In 2014 the Resources Available to Cover Risk (RAtCR) were set at 70% of the risk-taking potential (less a fixed capital buffer), i.e. EUR 455.2 million. For the purpose of defining limits for the individual risk types, only the RAtCR are used. This creates a buffer amounting to 30% of the risk coverage potential. The table below shows the distribution of RAtCR among the different risks and the limit utilisation as of end-December 2015. In the standard scenarios, which under the gone concern approach is calculated with a 99.9% confidence level, the ProCredit group needs only 42.3% of its RAtCR to cover its risk profile.

Risk factor	**Limit** (in %)	**Limit** (in EUR m)	**Limit used** (in EUR m)	**Limit used** (in % of Limits)
Credit risk (clients)	25	162.6	98.6	60.6
Counterparty risk	4	26.0	7.2	27.8
Interest rate risk	**10**	**65.0**	**23.4**	**35.9**
Foreign currency risk	**13**	**84.5**	**27.0**	**31.9**
Operational risk	**10**	**65.0**	**22.0**	**33.8**
Business risk	6	39.0	11.9	30.5
Funding risk	2	13.0	2.5	19.3
Resources Available to Cover Risk		**455.2**	**192.6**	**42.3**

Risk-bearing capacity, gone concern approach

In the going concern approach, the RAtCR are defined as the surplus over regulatory minimum capital plus the expected pre-tax profit for the next twelve months (less the fixed capital buffer). At the end of December 2015, RAtCR amounted to EUR 187.9 million. In the standard scenario, which under the going concern approach is quantified with a 99.9% confidence level, the ProCredit group needs 70.3% of its RAtCR to cover its risks.

In addition, stress tests are performed at least quarterly on the group level to test the group's risk-bearing capacity under shock conditions. This scenario assumes a significant deterioration of worldwide macroeconomic conditions as well as a massive economic downturn in both South Eastern Europe and Central America at the same time. The results of the stress test show that the risks to which the group would be exposed in a severe stress

Photo: ProCredit Bank Georgia

event would not exceed its risk-bearing capacity (66% utilisation of RAtCR in the gone concern approach). Our analysis of the ProCredit group's risk-bearing capacity thus confirms that the group would have an adequate level of capitalisation even under extremely adverse conditions.

The stress tests across all risk categories are supplemented by ad hoc stress tests for the individual risks and event-driven inverse stress tests performed at least once per year.

Regulatory capital adequacy

Whereas the external minimum capital requirements for the ProCredit group are imposed and monitored by the German Federal Financial Supervisory Authority and by the Supervisory College pursuant to section 8a of the German Banking Act, the individual ProCredit banks are subject to the requirements imposed by the local banking supervisory authorities.

Methods for the calculation of capital adequacy vary between countries, but an increasing number of jurisdictions where the ProCredit banks operate base their calculation methods on the recommendations of the Basel Committee on Banking Supervision. Compliance with local supervisory requirements is monitored for each ProCredit institution on the basis of the respective local accounting rules, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation.

During the reporting period, all regulatory capital requirements were met at all times.

The group's regulatory capital requirements and capital ratios are presented below. Since 1 January 2014, the Basel III requirements, implemented in Europe through Capital Requirements Directive IV (CRD IV) and CRR, have been binding for the group.

	31.12.2015		31.12.2014	
in '000 EUR	**Risk-weighted assets**	**Capital requirements**	**Risk-weighted assets**	**Capital requirements**
Credit risk	3,950,318	316,025	3,756,789	300,543
Market risk (currency risk)	505,084	40,407	540,015	43,201
Operational risk	**800,719**	**64,058**	**803,214**	**64,257**
CVA* risk	1,919	154	1,619	130
Total	**5,258,041**	**420,643**	**5,101,636**	**408,131**

** Risk amount due to the credit valuation adjustment (CVA)*

Risk-weighted assets, by risk category and capital requirements

For assessing the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes. Collateral is not included in the risk-weighted asset calculation. Guarantees from MIGA for our mandatory minimum reserves held with local central banks are only recognised as a risk-mitigating factor when determining the capital requirement for credit risk according to the standardised approach. Exposures towards central governments or central banks in non-EU countries, in countries whose supervisory system is not materially equivalent to that of EU countries, or in countries with a rating below the lower-medium grade (i.e. below BBB- in the case of Fitch Ratings) are given a risk-weighting of at least 100% regardless of the underlying currency, as stipulated in CRR. The mandatory minimum reserves are inevitable exposures driven by the group's business strategy, which is based on financing loans in transition economies and developing countries mainly through local customer deposits. The group has therefore chosen to insure part of this exposure against the risk of default and expropriation.

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

The ProCredit group applies the standardised approach to quantify operational risk. Compared to the regulatory capital requirements for operational risk, which amount to EUR 64.1 million, the average annual loss according to data recorded in the Risk Event Database in the last three years amounted to EUR 1.8 million.

Given the small volume of derivatives held by the group, the risk arising from credit valuation adjustment (CVA[8]) is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk.

During 2015, the development of risk-weighted assets largely mirrored the development of on-balance sheet assets. The fact that risk-weighted assets increased by only a small amount year-on-year was primarily due to the sale of shares in Congo and Armenia.

in '000 EUR	31.12.2015	31.12.2014
Common Equity Tier 1 capital	535,396	517,545
Additional Tier 1 capital	0	24,798
Tier 2 capital	103,325	108,380
Total capital	**638,721**	**650,722**
Risk-weighted assets	**5,258,041**	**5,101,636**
Common Equity Tier 1 capital ratio	10.2%	10.1%
Tier 1 capital ratio	10.2%	10.6%
Total capital ratio	**12.1%**	**12.8%**

Capital ratios of the ProCredit group

The Common Equity Tier 1 capital of the ProCredit group is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, deferred tax assets which are conditional on future profitability and do not result from temporary differences, and additional valuation adjustments for fair-valued balance sheet positions.

The Common Equity Tier 1 capital reported as of 31 December 2015 includes interim profits as of 30 September 2015, less foreseeable charges and dividends. The recognition of the interim profits was approved by the supervisory authority. No new Tier 1 capital instruments were issued in 2015.

As the Trust Preferred Securities issued by ProCredit Holding were paid back in full in 2015, the hybrid capital reported in the previous year as additional Tier 1 capital was no longer a component of the capital calculated as of 31 December 2015.

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

The Tier 2 capital consists of long-term subordinated loans which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. This refers to subordinated debt instruments issued in 2014 and 2015 (EUR 79.4 million) and the group's Tier 2 capital instruments recognised under the transitional provisions of the CRR.

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 ratio, 6% for the Tier 1 ratio and 8% for the total capital ratio. With a Common Equity Tier 1 capital ratio of 10.2%, a Tier 1 capital ratio of 10.2% and a total capital ratio of 12.2% as of 31 December 2015, the ProCredit group's ratios clearly exceed the current regulatory requirements.

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. A mandatory minimum ratio has not yet been set; however, the Basel Committee on Banking Supervision is currently testing a minimum ratio of 3%. As of 31 December 2015 the ProCredit group reported a comfortable leverage ratio of 8.6%, which was significantly above the internally defined target of 5%.

in '000 EUR	31.12.2015	31.12.2014
Equity	535,396	542,342
Assets	6,190,769	6,129,301
Leverage ratio	**8.6%**	**8.8%**

Leverage ratio

REPORT ON EXPECTED DEVELOPMENTS, INCLUDING BUSINESS OPPORTUNITIES AND RISKS

Macroeconomic environment and competitive situation

We expect an upturn in the economic situation in 2016, although the business environment will continue to be challenging. This assessment is based on the assumption that both the Eurozone and the USA will experience positive economic growth and that neither the recession in the Russian Federation nor the conflict in Ukraine will escalate further.

In the Balkan region, we expect that 2016 will see improved economic performance in all our countries of operation, with growth rates between 2%-4%. We expect that the Ukrainian economy will start to pick up after the severe 12% fall in GDP in 2015 and it should experience modest growth of about 1%. Moldova was heavily affected by the recession in Russia and low prices for agricultural produce in 2015. For 2016, we anticipate an end to the recession, with minimal economic growth of around 0.5%. Georgia also suffered weaker GDP growth in 2015 than in previous years. We anticipate growth of around 3% in 2016.

In our South American countries of operation, 2015 was characterised by low prices for oil and other raw materials, which negatively impacted trade balances and state revenues. The appreciation of the US dollar also caused a deterioration in Ecuador's export opportunities. We therefore expect a decline of around -2% in Ecuador's economic performance in 2016. In Bolivia and Colombia, however, GDP growth rates of around 3%-3.5% are to be expected.

We also anticipate a further drop in lending rates, which can only partly be offset by reducing funding costs. Our business planning thus assumes further tightening of the interest margin.

In South Eastern Europe our main competitors are international banking groups such as Raiffeisen, Intesa and UniCredit. In the Eastern European countries and also in South America, we are competing with a wide variety of local or regional banks and financial institutions. We feel that our lean structures and high quality of advisory services place us in a good competitive position.

Expected development of the ProCredit group

We see good prospects for stable, profitable growth as a bank specialised in serving small and medium enterprises. To accomplish this, we are relying on our core competence: providing high quality, personalised service to business clients. As the "house bank" of our clients, we attach importance to building long-term relationships with them. Having a business model that largely depends on the quality of the staff, we will continue to invest heavily in staff development. This includes our structured selection process for new staff, as well as our academies and the training offered at the ProCredit banks.

In the future, our regional focus will be on Eastern and South Eastern Europe, as well as South America, and we will also promote the growth of our bank in Germany. We intend to further strengthen our position in these markets, attract new clients and broaden our existing client relationships.

In the South Eastern European region in particular, we see potential for intensifying cross-border co-operation with business clients who also operate internationally. The group's regional presence was further strengthened at the end of 2015 when a branch of ProCredit Bank Bulgaria was opened in the Greek city of Thessaloniki.

We will achieve additional synergies in 2016 from the closer collaboration between the ProCredit banks. Furthermore, co-financing for SMEs with the ProCredit Bank in Germany will be extended to other countries in South Eastern and Eastern Europe. Moreover, by using the ProCredit Bank in Germany as the central clearing house for the group, we will also be able to offer our business clients highly competitive prices for international payment transactions.

Overall, we have ambitious future growth plans of roughly 10% p.a. in our lending operations with business clients in our core markets.

We plan to enlarge the share of deposits from business clients and to increase savings accounts and sight deposits. In this manner, we will pursue our strategy of funding our lending with customer deposits, and of optimising our funding costs.

Further increases in efficiency and a high quality loan portfolio will have a significant influence on the profitable realisation of our business model in 2016. Stringent cost management supported by the shift of standardised transactions and services to e-banking and the 24-hour self-service areas will lay the foundation for efficient growth. We project that in the coming years the quality of our loan portfolio will remain stable or slightly improve, with PAR 30 of 4.1% in 2016. Accordingly, we expect provisioning costs to remain stable or slightly decline.

In 2015, we comprehensively revamped our branch network, the calling card of our banks, placing outlets in prime locations. This greatly increased our visibility in the market. Our branches are equipped with state-of-the-art, customer-friendly 24/7 Zones, which were designed to meet the needs of our small and medium business clients in particular. We do not aim for maximum possible geographical coverage with our branch networks; instead, we are highly focused on locations where we see the greatest potential for our business model, and we undertake to concentrate our strengths there.

We will continue to exploit regional synergies, e.g. by promoting co-operation between our banks in recruitment and in the provision of staff training in regional centres. We anticipate further reductions in personnel expenses in 2016, in part due to the payment of one-time severance payments to departing employees in 2015. The number of employees will again be reduced in 2016, albeit to a lesser extent than in 2015. The reduction of staff is largely due to the further withdrawal from issuing loans for very small amounts. The overall reduction in personnel expenses will be accompanied by an increase in average staff costs, thus reflecting our increasing demands on the quality of staff.

In the area of IT, in the future we will gradually benefit from even more synergies by centralising the ProCredit banks' individual data processing centres in Germany. This project was successfully initiated in 2015 with the consolidation of the processing centres of ProCredit Holding, the ProCredit Bank in Germany and Quipu, the group's own IT-service provider; other banks will follow during 2016 and afterwards.

We intend to continue to steadily improve our cost-income ratio, from 68.5% in 2015 to 65% in 2016 and to 60% in the medium term.

We also plan to achieve a stable return on equity of 10–11% in the medium term.

The group has an adequate core capital base. In order to cover any possible additional capital needs due to planned growth and additional regulatory requirements, we are planning a capital increase.

Photo: ProCredit Bank Bulgaria

Assessment of business opportunities and risks

Management expects stable development of growth rates and profitability for the group in 2016. These expectations are based on generally positive assumptions for the development of the economic environment.

The Risk Management section of this Management Report outlines the group's conservative approach to this topic. Management does not expect any major deviations from planned developments that could jeopardise the capital base or the sustainability of the business model. If there were to be major disruptions in the Eurozone, a dramatic change in US monetary policy or significant exchange rate fluctuations, the consequence would be an increase in past-due loans and a drop in profitability. However, in comparison to competitor banks, the ProCredit group has proven to be very resilient even in the face of major disruptions thanks to the diversified base of assets and liabilities, close relationships with clients, limited exposure to capital markets and closed currency positions.

The key potential risks to the planned financial result of the group are lower-than-planned loan portfolio growth as well as a deterioration in loan portfolio quality. These could result from disappointing developments in the global macroeconomic environment, unforeseen political or macroeconomic events, a very sharp decrease in the portfolio of loans between EUR 10,000 and EUR 30,000, or stronger than anticipated interest rate pressure, particularly in our Eastern European markets.

The quality and motivation of our staff will continue to be the key factor in making a lasting development impact and achieving our business objectives. We plan to continue to work closely with our staff on further improving customer service quality and productivity. There is always the risk that staff recruitment and retention will become more difficult due to intensifying competition for highly qualified staff. However, we aim to counteract this risk by maintaining a corporate culture based on open communication, tolerance, high professional standards and transparency.

Consolidated Financial Statements of the ProCredit Group

Auditor's Report

We have audited the consolidated financial statements prepared by ProCredit Holding AG & Co. KGaA, Frankfurt/Main, comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, together with the joint management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the joint management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the General Partner's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the joint management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the joint management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the joint management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the General Partner's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the joint management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The joint management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 24 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German Version signed by:]

Bernhard
Wirtschaftsprüfer
[German Public Auditor]

Dr. Faßhauer
Wirtschaftsprüfer
[German Public Auditor]

Consolidated Statement of Profit or Loss

in '000 EUR	Note	1.1.–31.12.2015	1.1.–31.12.2014
Interest and similar income		434,120	471,218
Interest and similar expenses		123,923	141,274
Net interest income	(17, 18)	**310,196**	**329,944**
Allowance for losses on loans and advances to customers	(10, 19)	41,951	49,306
Net interest income after allowances		**268,246**	**280,638**
Fee and commission income		64,127	62,844
Fee and commission expenses		16,103	14,617
Net fee and commission income	(20)	**48,024**	**48,227**
Result from foreign exchange transactions	(21)	11,477	10,181
Net result from financial instruments at fair value through profit or loss	(22)	827	2,533
Net result from available-for-sale financial assets	(23)	166	354
Net other operating income	(24)	–11,637	–13,699
Operating income		**317,104**	**328,234**
Personnel expenses	(25)	114,496	133,882
Administrative expenses	(26)	131,613	136,056
Operating expenses		**246,109**	**269,938**
Profit before tax		**70,994**	**58,297**
Income tax expenses	(27)	17,731	19,468
Profit of the period from continuing operations		**53,264**	**38,829**
Profit of the period from discontinued operations	(51)	8,071	11,388
Profit of the period		**61,335**	**50,217**
Profit attributable to equity holders of the parent company		59,575	47,812
Profit attributable to non-controlling interests		1,760	2,404

Consolidated Statement of Other Comprehensive Income

in '000 EUR	Note	1.1.–31.12.2015	1.1.–31.12.2014
Profit of the period		**61,335**	**50,217**
Items that will not be reclassified to profit or loss			
Change in revaluation reserve rom remeasurements of post employment benefits		172	-9
Change in deferred tax from remeasurements of post employment benefits		-34	22
Items that are or may be reclassified to profit or loss			
Change in revaluation reserve from available-for-sale financial assets	(31)	4,021	-402
Change in deferred tax on revaluation reserve from available-for-sale financial assets	(31)	-425	45
Change in translation reserve	(9)	3,891	-3,648
Other comprehensive income of the period, net of tax continuing operations		**7,625**	**-3,992**
Other comprehensive income of the period, net of tax discontinued operations		**5,441**	**17,034**
Total comprehensive income of the period		**74,401**	**63,258**
Comprehensive income attributable to equity holders of the parent company		68,405	66,000
Comprehensive income attributable to non-controlling interests		5,996	-2,742

Consolidated Statement of Financial Position

in '000 EUR	Note	31.12.2015	31.12. 2014
Assets			
Cash and cash equivalents	(28)	834,191	855,126
Loans and advances to banks	(7, 29)	339,395	411,087
Financial assets at fair value through profit or loss	(7, 30)	891	5,045
Available-for-sale financial assets	(7, 10, 31)	206,970	232,439
Loans and advances to customers	(7, 32)	4,104,939	4,332,241
Allowance for losses on loans and advances to customers	(10, 19, 33)	-176,608	-188,471
Property, plant and equipment	(11, 34)	172,211	193,277
Investment properties	(11, 34)	2,176	3,922
Intangible assets	(12, 35)	23,758	30,025
Current tax assets	(14)	3,262	2,506
Deferred tax assets	(14, 37)	6,001	9,667
Other assets	(38)	63,363	81,498
Assets held for sale	(51)	428,919	0
Total assets		**6,009,469**	**5,968,363**
Liabilities			
Liabilities to banks	(7, 39)	394,244	350,398
Financial liabilities at fair value through profit or loss	(7, 30)	2,350	2,574
Liabilities to customers	(7, 40)	3,792,994	3,992,163
Liabilities to international financial institutions	(7, 41)	509,443	544,140
Debt securities	(7, 42)	205,188	244,839
Other liabilities	(43)	27,035	28,976
Provisions	(15, 44)	17,923	17,490
Current tax liabilities	(14)	1,980	4,134
Deferred tax liabilities	(14, 37)	4,251	5,020
Subordinated debt	(7, 45)	131,353	156,165
Hybrid capital		0	67,082
Liabilities related to assets held for sale	(51)	318,709	0
Total liabilities		**5,405,471**	**5,412,982**
Equity			
Subscribed capital	(45)	254,123	254,123
Capital reserve		97,178	96,529
Legal reserve		136	136
Retained earnings		283,908	235,237
Translation reserve		-43,688	-48,721
Revaluation reserve	(9)	4,610	813
Equity attributable to equity holders of the parent company		**596,267**	**538,117**
Non-controlling interests		7,731	17,264
Total equity		**603,998**	**555,380**
Total equity and liabilities		**6,009,469**	**5,968,363**

Consolidated Statement of Changes in Equity

in '000 EUR	Subscribed capital	Capital reserve	Legal reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance at January 1, 2015	**254,123**	**96,529**	**136**	**235,237**	**–48,721**	**813**	**538,117**	**17,264**	**555,380**
Change in reserve					5,033		5,033	4,231	9,264
Revaluation of afs securities						3,597	3,597	2	3,599
Revaluation of actuarial gains and losses						200	200	3	203
Other comprehensive income of the period, net of tax					5,033	3,797	8,830	4,236	13,066
Profit of the period				59,575			59,575	1,760	61,335
Total comprehensive income of the period				59,575	5,033	3,797	68,405	5,996	74,401
Change derived from purchase/sale of shares of subsidiaries				–2,162			–2,162	–12,205	–14,367
Currency translation differences on retained earnings				613			613		613
Distributed dividends				–10,165			–10,165	–1	–10,166
Change in capital reserve		649					649		649
Change of non-controlling interests				811			811	–3,323	–2,512
Balance at December 31, 2015	**254,123**	**97,178**	**136**	**283,908**	**–43,688**	**4,610**	**596,267**	**7,731**	**603,998**

in '000 EUR	Subscribed capital	Capital reserve	Legal reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance at January 1, 2014	**254,123**	**96,529**	**136**	**197,939**	**–67,212**	**1,116**	**482,632**	**20,105**	**502,736**
Change in reserve					18,491		18,491	–5,109	13,383
Revaluation of afs securities						–317	–317	–36	–353
Revaluation of actuarial gains and losses						13	13	–1	12
Other comprehensive income of the period, net of tax					18,491	–304	18,188	–5,146	13,042
Profit of the period				47,812			47,812	2,404	50,217
Total comprehensive income of the period				47,812	18,491	–304	66,000	–2,742	63,258
Change derived from purchase/sale of shares of subsidiaries				748			748	0	748
Currency translation differences on retained earnings				1,219			1,219	0	1,219
Distributed dividends				–10,168			–10,168	–33	–10,201
Change of non-controlling interests				–2,314			–2,314	–66	–2,380
Balance at December 31, 2014	**254,123**	**96,529**	**136**	**235,237**	**–48,721**	**813**	**538,117**	**17,264**	**555,380**

Consolidated Statement of Cash Flows

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Net profit after tax	61,335	50,217
Income tax expenses	17,731	22,435
Income tax from discontinued operations	3,234	–62
Profit before tax	**82,300**	**72,589**
Non-cash items included in the profit of the period and transition to the cash flow from operating activities		
Allowance for losses on loans and advances to customers	41,951	55,059
Measurement gains / losses from financial assets / liabilities designated at fair value through profit or loss	–1,504	–2,356
Depreciation	30,421	34,731
Unrealised gains / losses from currency revaluation	3,308	1,475
Addition to / release of provisions	9,325	9,074
Gains / losses from disposal of property, plant and equipment	2,172	397
Interest and dividends	–310,196	–386,538
Other non-cash items	–15,793	–303
Cash flow from discontinued operations	605	0
Subtotal	–157,412	–215,872
Increase / decrease of assets and liabilities from operating activities after non-cash items		
Loans and advances to banks	–32,333	–42,519
Financial assets at fair value through profit or loss	5,659	3,440
Financial assets available for sale	24,024	87,973
Loans and advances to customers	–290,103	–289,192
Other assets	–8,076	–2,724
Liabilities to banks	54,609	22,869
Financial liabilities at fair value through profit or loss	–216	2,538
Liabilities to customers	211,643	286,212
Other liabilities	7,209	637
Interest received	431,029	534,648
Interest paid	–126,532	–154,578
Income tax paid	–20,902	–20,087
Operating cash flow from discontinued operations	18,539	–6,427
Cash flow from operating activities	**117,137**	**206,919**
Purchase of / proceeds from:		
Property, plant and equipment	–48,309	–33,744
Subsidiaries	–15,079	10,665
Securities	–36	174
Investing cash flow from discontinued operations	–4,150	–7,217
Cash flow from investing activities	**–67,574**	**–30,122**
Purchase of / proceeds from:		
Dividends paid	–10,166	–10,170
Acquisition of interest in subsidiaries from non-controlling interest	–6,854	–3,941
Long-term borrowings	–71,123	–109,284
Financing cash flow from discontinued operations	11,405	65
Cash flow from financing activities	**–76,738**	**–123,330**
Cash and cash equivalents at end of previous year	**874,166**	**816,842**
Cash flow from operating activities	117,137	206,919
Cash flow from investing activities	–67,574	–30,122
Cash flow from financing activities	–76,738	–123,330
Effects of exchange rate changes	2,134	3,857
Cash and cash equivalents at end of period	**849,124**	**874,166**

Notes to the Consolidated Financial Statements

A. Basis of Preparation

B. Summary of Significant Accounting Policies

C. Notes to the Statement of Profit or Loss

D. Notes to the Statement of Financial Position

E. Additional Notes

Notes to the Consolidated Financial Statements

A. Basis of Preparation

(1) Compliance with International Financial Reporting Standards

The ProCredit group ("the group") prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the European Union.

The Consolidated Financial Statements comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes to the Consolidated Financial Statements. The information required by IFRS 7 on the nature and extent of risks arising from financial instruments and their management is presented in the Risk Report section of the Management Report.

The principle accounting policies have been consistently applied to all the years presented, unless otherwise stated. All amounts are presented in thousands of euros, unless otherwise stated. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (EUR, %, etc.).

The fiscal year of the ProCredit group – of the holding company as well as of all consolidated subsidiaries – is the calendar year. Reporting and valuation are made on a going concern assumption.

(2) Compliance with German law

ProCredit Holding AG & Co. KGaA ("ProCredit Holding"), Frankfurt am Main, is a financial holding according to section 10a 3 German Banking Act (KWG). As the parent company of subsidiaries of which a majority are banks or financial institutions (ProCredit group), ProCredit Holding is required to prepare the group's Consolidated Financial Statements.

The ProCredit group's Consolidated Financial Statements have been prepared in accordance with IFRS, as adopted by the EU, and the additional requirements established under section 340i HGB in conjunction with section 315a 1 HGB. The Consolidated Financial Statements according to IFRS were prepared in accordance with section 315a 3 HGB in conjunction with section 315a 1 HGB on a voluntary basis. A management report was prepared according to section § 340i HGB in conjunction with section 315 HGB.

ProCredit Holding is not a capital market-oriented parent company.

These Consolidated Financial Statements of the group for the fiscal year 2015 were approved for issue by the Management Board of the ProCredit General Partner AG, Frankfurt am Main, as the representative of ProCredit Holding on 21 March 2016.

(3) Consolidation

The Consolidated Financial Statements comprise the financial statements of ProCredit Holding and its subsidiaries as of 31 December 2015. Subsidiaries are all companies which are controlled by the group, i.e. for which the group can determine the financial and operating policies. For the ProCredit group, control over a subsidiary is achieved when ProCredit Holding is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date on which control ceases. An overview of the principal subsidiaries is given in Note 51). The group has no associates or joint ventures.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

(4) Accounting developments

(a) Standards, amendments and interpretations effective on or after 1 January 2015

- IFRIC 21 "Levies" has a minor impact on the financial statements of the group. The interpretations are applicable for annual periods beginning on or after 17 June 2014.

- Annual Improvements to IFRSs 2011-2013 are applicable on or after 1 January 2015. The improvements have no impact on the group's financial statements.

(b) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations are issued by the IASB and will have an impact on the group's financial statements. These were not applied in preparing these Consolidated Financial Statements:

- Annual Improvements to IFRSs 2010-2012 Cycle will have a minor impact on the financial statements of the group. The improvements are applicable for annual periods beginning on or after 1 February 2015.

- Amendments to IAS 1: "Disclosure Initiative" will have a minor impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

- Annual Improvements to IFRSs 2012-2014 Cycle will have a minor impact on the financial statements of the group. The improvements are applicable for annual periods beginning on or after 1 January 2016.

- IFRS 15 "Revenue from Contracts with Customers" will have a minor impact on the financial statements. IFRS 15 will be effective for annual periods beginning on or after 1 January 2018.

- IFRS 9 "Financial Instruments" (2014) will have an impact on the recognition and measurement of financial instruments. The overall impact of this standard is currently being investigated. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018.

- IFRS 16 "Leases" will have an impact on the recognition, measurement, presentation and disclosure of leases. The standard is applicable for annual periods beginning on or after 1 January 2019.

The following standards, amendments or interpretations were issued by the IASB but will not have an impact on the group's financial statements:

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions", Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations", Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation", Amendments to IAS 16 and IAS 41"Bearer plants", IFRS 14 "Regulatory Deferral Accounts", Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception", Amendments to IAS 27 "Equity Method in Separate Financial Statements".

There was no early adoption of any standards, amendments and interpretations not yet effective.

B. Summary of Significant Accounting Policies

(5) Segment reporting

ProCredit divides its operations into segments in geographical terms. Each of these segments exhibits individual risk and return characteristics. Based on the location of the principal operations of the entities, the segments are: Germany, Eastern Europe, South Eastern Europe and South America. The insitutions in the former segments Central America and Africa have already been sold or are planned to be sold in the coming months. The respective assets, liabilities and profit of the period are shown as discontinued operations.

(6) Use of assumptions and estimates

The group's financial reporting and its financial result are influenced by assumptions, estimates, and management judgements which necessarily have to be made in the course of preparation of the Consolidated Financial Statements.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances.

Management judgements for certain items are especially critical for the group's results and financial situation due to their materiality in amount. This applies to the following positions:

(a) Impairment of credit exposures

To determine the rates to be applied for portfolio-based loan loss provisioning, the group performed an evaluation of the quality of the loan portfolio, taking into account historical loss experiences for each institution. This analysis reflects the average losses during a period which contains economic growth and favourable economic environments as well as the economic downturn during the financial crisis in many of our countries of operation. Therefore management considers this methodology to be appropriate for the assessment of expected losses. Further information on the group's accounting policy on loan loss provisioning can be found in note (10)).

(b) Valuation of financial instruments for equity shares with put/call or put options

According to IAS 32, a contract that contains the obligation to purchase one's own equity instruments for cash gives rise to a financial liability for the present value of the redemption amount. For put options with a put price related to the subsidiary's equity at the time of exercise, the redemption amount is calculated based on the expected book value or fair value of the equity shares. In accordance with the anticipated acquisition method, all risks and rewards connected with these transactions are considered as being already transferred to ProCredit Holding. The difference between the book value of the equity shares and the related liabilities was reflected as goodwill in accordance with IAS 27 (2008) for all transactions before 2008. Thereafter the difference is recognised as equity transaction. For put options in which the put prices are defined as the fair value of the equity share at the time of exercising the put, the redemption amount is calculated as a discounted cash flow. The respective cash flows have been estimated on the basis of the latest business plans. Discounting rates have been determined to reflect the perceived risk profile of each individual investment. Significant management judgement is involved in estimating business plans and in determining the discount rates. Adjustments from the subsequent measurement of the liability are recognised in the Statement of Profit or Loss.

(c) Goodwill impairment testing

Goodwill on the acquisition of subsidiaries is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. In performing goodwill impairment testing, a standard discounted cash flow model is used where each subsidiary is defined as an individual cash-generating unit. Significant management judgement is involved in estimating future cash flows and in determining the discount rate assigned to each cash-generating unit. The cash flow projection is based on the latest five-year business planning as approved by the Supervisory Board of the respective entity and therefore necessarily and appropriately reflects management's view of future business prospects. Estimated future cash flows are extrapolated in perpetuity due to the long-term perspective of the equity investments, using management's best estimate for determining future net growth rates based on currently observable data and economic projections. The estimated future cash flows are discounted at specific equity discount rates which reflect the risk profile of the individual entity. The discount factors are derived from a group pricing model and are between 10.0% and 15.2% (2014: between 10.0% and 17.9%). Goodwill is tested by comparing the respective net present value of future cash flows from a subsidiary (value in use) with the carrying value of its net assets plus goodwill. The group's accounting policy for goodwill is described in note (12).

(d) Measurement of deferred tax asset

The group recognises deferred tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilised (for the group's accounting policy for income taxes see note (14)). The profit projection is based on the latest business planning as of December 2015 approved by the Supervisory Board of the respective entity and therefore reflects management's view of future business prospects. The tax planning period of the group is five years. For details on the recognised amounts see notes (27) and (37).

(7) Financial instruments

The group classifies its financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and other financial liabilities measured at amortised costs. The group holds no held-to-maturity instruments. Management determines the classification of financial assets and liabilities at the time of initial recognition.

(a) Financial assets and financial liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss consist solely of fair values arising from derivative financial instruments used for hedging for risk management purposes, but not as hedging arrangements under the terms of hedge accounting as defined by IAS 39. Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under "Financial assets at fair value through profit or loss". Derivatives with a negative fair value are carried as financial liabilities and are reported under "Financial liabilities at fair value through profit or loss".

Financial instruments at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Consolidated Statement of Profit or Loss. Purchases and sales of financial instruments at fair value through profit or loss are recognised on the trade date – the date on which the group commits to purchase or sell the instrument. Subsequently, they are carried at fair value. Gains and losses arising from changes in their fair value are immediately recognised in the Statement of Profit or Loss of the period.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit and loss are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances to banks as well as loans and advances to customers fall under the category "Loans and receivables". They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognised at fair value including transaction costs; subsequently they are measured at amortised cost using the effective interest method. Amortised premiums and discounts are accounted for over the respective terms in the Consolidated Statement of Profit or Loss under "net interest income". At each balance sheet date and whenever there is evidence of potential impairment, the group assesses the value of its loans and receivables. As a consequence, their carrying amount may be reduced through the use of an allowance account (see note (10) for the accounting policy for impairment of credit exposures, as well as (19), and (33)). If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the Consolidated Statement of Profit or Loss. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment.

Loans are recognised when the principal is advanced to the borrowers. Loans and receivables are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. In addition, when loans and receivables are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset.

(c) Available-for-sale financial assets
Available-for-sale assets are those intended to be held for an indefinite amount of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

At initial recognition, available-for-sale financial assets are recorded at fair value. Subsequently they are carried at fair value. In exceptional cases, in which fair value information cannot otherwise be measured reliably, they are measured at cost. The fair values reported are either observable market prices in active markets or values calculated with a valuation technique based on currently observable market data. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the position "Revaluation reserve from available-for-sale financial assets", until the financial asset is derecognised or impaired (for details on impairment, see note (10)). At this time, the cumulative gain or loss previously recognised in equity in other comprehensive income is recognised in profit or loss as "Net result from available-for-sale financial assets". Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the Consolidated Statement of Profit or Loss. Dividends on available-for-sale equity instruments are recognised in the Consolidated Statement of Profit or Loss when the entity's right to receive the payment is established.

Purchases and sales of available-for-sale financial assets are recorded on the trade date. The available-for-sale financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.

(d) Other financial liabilities at amortised cost
Other financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated Statement of Profit or Loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

(8) Measurement basis
On initial recognition financial instruments are measured at fair value. In principle, this is the transaction price at the time they are acquired. Depending on their respective category, financial instruments are recognised in the statement of financial position subsequently either at (amortised) cost or fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date.

The ProCredit group applies the IFRS fair value hierarchy, with a three-level categorisation of the inputs used in valuation techniques to measure fair value.

Level 1 Inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Inputs
Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value of similar instruments and discounted cash flow analysis using observable market parameters. Each subsidiary applies individual observable interest and exchange rates, predominantly from local central banks.

Level 3 Inputs
Unobservable inputs for the asset or liability. If observable market rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates are determined taking into consideration the cost of funds depending on currencies and maturities plus a risk margin. Internal rates are regularly compared to those applied for third party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

(9) Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency with which the entity operates in its primary economic environment ("the functional currency").

The Consolidated Financial Statements of the group are presented in euros, which is ProCredit Holding's functional currency and the presentation currency of the group.

(b) Transactions and balances
Foreign currency assets and liabilities are translated into the functional currency using the closing exchange rates, and items of income and expenses are translated at the monthly average rate of exchange when these approximate actual rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss (result from foreign exchange transactions).

Monetary items denominated in foreign currency are translated with the period end closing rate. Translation differences on monetary items are recognised in the Consolidated Statement of Profit or Loss.

Non-monetary items measured at historical cost denominated in foreign currency are translated with the historical exchange rate as of the date of the transaction.

(c) Group companies
The financial statements of all group entities (none of which use the currency of a hyper-inflationary economy) whose functional currency is not the euro are translated into the presentation currency as follows:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates of the period; and
- all resulting exchange differences of the group equity investments are recognised as "translation reserve" in the consolidated statement of other comprehensive income and are reclassified from equity to profit or loss on disposal.

(10) Allowance for losses on loans and advances and impairment of available-for-sale financial assets

(a) Assets carried at amortised cost – loans and advances
- Impairment of loans and advances

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that impairment of a credit exposure or a portfolio of credit exposures has occurred which influences the future cash flow of the financial asset(s), the respective losses are immediately recognised. Depending on the size of the credit exposure, such losses are either calculated on an individual credit exposure basis or are collectively assessed for a portfolio of credit exposures. Collective assessment is undertaken for groups of homogeneous loans that are not considered individually significant; and groups of assets that are individually significant but that were not found to be individually impaired. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. The group does not recognise losses from expected future events.

- Individually assessed loans and advances

Credit exposures are considered individually significant if they have a certain size, partly depending on the individual bank. As a group-wide rule, all credit exposures over EUR/ USD 30,000 are individually assessed to determine whether any signs of impairment exist that could lead to an impairment loss, i.e. any factors which might influence the customer's ability to fulfil his contractual payment obligations towards the bank:
- delinquencies in contractual payments of interest or principal, in particular being more that 30 days in arrears;
- breach of contractual covenants or conditions;
- initiation of bankruptcy proceedings or financial reorganisation;
- initiation of court procedures by the bank;
- all or part of the off-balance sheet exposure of a client shows signs of impairment;
- "Medium" credit exposures in the highest risk class;
- any specific information on the customer's business that is expected to have a negative impact on the future cash flow;
- changes in the customer's market environment that are expected to have a negative impact on the future cash flow.

When determining the allowance for impairment, the aggregate exposure to the customer and the claimable amount of collateral held are taken into account.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows discounted at the financial asset's original effective interest rate (specific impairment). If a credit exposure has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The calculation of the present value of the estimated future cash flow of a collateralised financial asset reflects the cash flow that may result from foreclosure less costs for obtaining and selling the collateral.

- Collectively assessed loans and advances

For the purpose of the evaluation of impairment of individually insignificant credit exposures, the credit exposures are grouped on the basis of similar credit risk characteristics, i.e. according to the number of days they are in arrears. Arrears of more than 30 days are considered to be a sign of impairment.

The collective assessment of impairment for individually insignificant credit exposures (allowance for individually insignificant impaired loans) and for unimpaired credit exposures (allowance for collectively assessed loans) is based on a quantitative analysis of default rates for loan portfolios with similar risk characteristics in the individual subsidiaries (migration analysis). After a qualitative analysis of this statistical data, the holding company's management prescribed appropriate rates to the banks of the ProCredit group as the basis for their portfolio-based impairment allowances. Once a year, these rates are subject to backtesting.

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

Reversal of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Consolidated Statement of Profit or Loss.

Writing off loans and advances

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the Consolidated Statement of Profit or Loss as part of the allowance for impairment losses on loans and advances.

Restructured credit exposures

Restructured credit exposures which would otherwise be past due or impaired and which are considered to be individually significant are assessed on an individual basis. The amount of the loss is measured as the difference between the restructured loan's carrying amount and the present value of its estimated future cash flows discounted at the loan's original effective interest rate (specific impairment). Restructured loans which would otherwise be past due or impaired and which are individually insignificant are collectively assessed for impairment. The same applies to individually significant loans, where on an individual basis it has been determined that no impairment loss would occur.

Assets acquired in exchange for loans (repossessed property)

Repossessed properties are non-financial assets acquired in exchange for loans as part of an orderly realisation and are reported as "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan at the date of exchange. Repossessed properties are held for sale and no depreciation is charged for the respective assets. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the Consolidated Statement of Profit or Loss in "Net other operating income". Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognised in "Net other operating income", together with any realised gains or losses on disposal.

(b) Assets classified as available-for-sale
The group assesses at each balance sheet date whether there is objective evidence of impairment for financial assets classified as available-for-sale. A significant or prolonged decline in fair value below its carrying value is considered as objective evidence for impairment.

If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Statement of Profit or Loss.

Impairment losses recognised in the Consolidated Statement of Profit or Loss on equity instruments are not reversed through the Consolidated Statement of Profit or Loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Consolidated Statement of Profit or Loss.

(11) Property, plant and equipment and Investment property

Property, plant and equipment and investment property are stated at historical cost less scheduled depreciation and impairment losses, as decided by the management. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are considered separately if they have different useful lives or provide benefits to the enterprise in a different pattern.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the depreciable amount of the asset over its useful life, as follows:

Buildings	15 – 40 years
Leasehold improvements	shorter of rental contract life or useful life
Computers	2 – 5 years
Furniture	5 – 10 years
Motor vehicles	3 – 5 years
Other fixed assets	2 – 7 years

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

In addition, all assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The impairment is recognised within "Other administrative expenses".

Real estate used by third parties is classified as investment property. Rental income from investment property and gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Net other operating income" in the Consolidated Statement of Profit or Loss.

(12) Intangible assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Impairment losses in the current period are charged to "Net other operating income" in the consolidated Statement of Profit or Loss. Slight changes in ownership interest without changes of control are accounted for as equity transactions with owners and do not result in additional goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold and are recognised in the Consolidated Statement of Profit or Loss.

(b) Software
Acquired or developed computer software is capitalised on the basis of the costs incurred to acquire or develop and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has an expected useful lifetime of 5 to 10 years and is tested for impairment if there are indications that impairment may have occurred. Computer software is carried at cost less accumulated amortisation less impairment losses.

(13) Leases

(a) ProCredit is the lessee

Operating lease

Operating leases are all lease agreements in which a significant portion of the risks and rewards of ownership are retained by the lessor. The total payments made under operating leases are charged to the Consolidated Statement of Profit or Loss under "Administrative expenses" on a straight-line basis over the period of the lease. The leasing objects are recognised by the lessor.

(b) ProCredit is the lessor

Finance leases

When assets are held subject to a finance lease, the present value of the minimum lease payments is recognised as a receivable from customers under "Loans and advances to customers". Payments received under leases are divided into an amortisation component which is not recognised in the Statement of Profit or Loss and an income component. The income component is recognised under "Interest and similar income". Premiums received are recognised over the term of the lease using the effective interest rate method under "Interest and similar income".

Operating leases

Some properties are rented out and are classified as investment properties. Leasing income is recognised in Consolidated Statement of Profit or Loss on a straight-line basis over the lease term.

(14) Income tax

(a) Current income tax

Income tax payable on profits is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense in the period in which taxable profits arise.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements prepared in conformity with IFRS. Deferred tax assets and liabilities are determined using local tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The tax planning period is five years.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the profit (before tax) for the period according to IFRS, nor the taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Changes of deferred taxes related to fair value re-measurement of available-for-sale financial instruments are charged to the Consolidated Statement of Other Comprehensive Income. The presentation in the Consolidated Statement of Other Comprehensive Income is made on a gross basis. At the time of sale, the respective deferred taxes are recognised in the Consolidated Statement of Profit or Loss together with the deferred gain or loss.

(15) Provisions

Provisions are recognised if

- there is a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in a settlement is determined by considering the class of obligations as a whole.

Provisions for which the timing of the outflow of resources is known are measured at the present value of the expenditures, if the outflow will be not earlier than in one year's time. The increase in the present value of the obligation due to the passage of time is recognised as an interest expense.

Contingent liabilities, which mainly consist of certain guarantees and letters of credit issued for customers, are possible obligations that arise from past events. As their occurrence, or non-occurrence, depends on uncertain future events not wholly within the control of the group, they are not recognised in the financial statements but are disclosed in the notes to the financial statements (see note (50)).

(16) Post-employment benefits

The group contributes to its employees' post-employment plans as prescribed by the local legislation on pensioning of the countries in which the subsidiaries are located.

In the case of defined contribution plans, the group pays contributions to privately or publicly administered pension insurance plans on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

In the case of defined benefit plans, the liability recognised in the statement of financial position is the present value of the defined post-employment benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit plans arise from plans that are unfunded. As a rule, the obligation is calculated annually by independent actuaries. The present value of the obligation is determined by discounting the estimated future cash outflows (e.g. taking into account mortality tables and salary increases) using interest rates of high-quality government bonds that are denominated in the currency in which the obligation will be paid, and that have terms to maturity approximating to the terms of the related pension liability, where applicable, or comparable similar interest rates which were estimated by the ProCredit banks.

(17) Interest income and expenses

For loans where there is objective evidence that an impairment loss has been incurred, the accrual of interest income is terminated not later than 90 days after the last payment. Payments received in respect of written-off loans are not recognised in net interest income.

Once a financial asset has been written down as a result of an impairment loss, the increase in the net present value over time (unwinding) is recognised as interest income.

C. Notes to the Statement of Profit or Loss

(18) Net interest income

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Interest and similar income from		
Cash and cash equivalents	8,612	5,096
Loans and advances to banks	2,414	1,909
Available-for-sale assets	2,142	3,303
Loans and advances to customers	412,648	451,462
Unwinding	7,215	8,056
Early closure of TDA's	1,087	1,393
Interest and similar income	**434,120**	**471,218**
Interest and similar expenses on		
Liabilities to banks	11,976	13,325
Liabilities to customers	73,023	80,762
Liabilities to international financial institutions	17,119	19,925
Subordinated debt	9,546	11,350
Debt securities and hybrid capital	12,102	15,568
Option agreements	157	344
Interest and similar expenses	**123,923**	**141,274**
Net interest income	**310,196**	**329,944**

(19) Allowance for impairment losses on loans and advances

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Increase of impairment charge	213,724	234,217
Release of impairment charge	-155,863	-168,957
Recovery of written-off loans	-20,475	-16,367
Direct write-offs	4,564	413
Allowance for losses on loans and advances to customers	**41,951**	**49,306**

The total increase of impairment charge comprises the following entries:

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Specific impairment	76,382	77,984
Allowance for individually insignificant impaired loans	82,139	92,544
Allowance for collectively assessed loans	55,203	63,690
Increase of impairment charge	**213,724**	**234,217**

There is no risk provisioning on loans and advances to banks, as historically no defaults have been recorded and there is currently no objective evidence of impairment.

(20) Net fee and commission income

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Fee and commission income from		
Payment services	29,268	29,625
Debit/credit cards	11,592	12,797
Account maintenance fee	11,071	9,984
Letters of credit and guarantees	5,250	3,557
Other fee and commission income	6,946	6,881
Fee and commission income	**64,127**	**62,844**
Fee and commission expenses on		
Payment services	5,196	4,793
Debit/credit cards	7,518	6,366
Account maintenance fee	1,644	1,788
Letters of credit and guarantees	739	725
Other fee and commission expenses	1,006	946
Fee and commission expenses	**16,103**	**14,617**
Net fee and commission income	**48,024**	**48,227**

(21) Result from foreign exchange transactions

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Currency exchange	15,018	11,513
Net gains and losses from FX revaluation	-3,540	-1,332
Result from foreign exchange transactions	**11,477**	**10,181**

"Result from foreign exchange transactions" refers primarily to the results of foreign currency exchange with and for customers. The group does not engage in foreign currency trading on its own account. In addition, this position includes the unrealised foreign currency revaluation effects. The group does not apply hedge accounting as defined by IAS 39.

(22) Net result from financial instruments at fair value through profit or loss

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Net result from fair value changes of financial instruments at fair value through profit or loss:		
Derivative financial instruments	333	637
Financial instruments designated at fair value through profit or loss	1,500	2,356
Net interest income from financial instruments at fair value through profit or loss:		
Derivative financial instruments	-1,130	-718
Financial instruments designated at fair value through profit or loss	124	258
Net result from financial instruments at fair value through profit or loss	**827**	**2,533**

(23) Net results from available-for-sale financial assets

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Net result from disposal	-32	174
Dividend income	210	180
Impairment	-12	0
Net result from available-for-sale financial assets	**166**	**354**

(24) Net other operating income

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Decrease of liabilites from put option agreements	402	5,975
Income from previous years	356	612
Reversal of Provisions	1,649	1,589
Income from reimbursement of expenses	1,089	854
Reversal of impairment of repossessed property	400	142
Surplus from sale of repossessed property	1,123	758
Surplus from sale of property, plant and equipment	2,563	1,567
Income from deconsolidation of subsidiaries	10,472	2,512
Income from litigation settlements	416	333
Others	5,276	4,510
Other operating income	**23,747**	**18,852**

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Expenses for deposit insurance	13,230	11,787
Increase of liabilites from put option agreements	203	175
Expenses to be reimbursed	529	703
Loss from disposal of property, plant and equipment	4,703	2,430
Impairment of repossessed property	3,712	3,804
Expenses from deconsolidation of subsidiaries	4,649	7,177
Impairment of goodwill	2,263	1,537
Expenses from litigation settlements	1,348	1,012
Expenses for provisions for off-balance sheet items	826	531
Tax expenses from previous years	119	99
Others	3,801	3,296
Other operating expenses	**35,383**	**32,550**
Net other operating income	**-11,637**	**-13,699**

(25) Personnel expenses

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Salary expenses	91,658	106,360
Social security expenses	11,082	14,068
Post-employment benefits plans (Defined contribution plans)	4,036	4,997
Post-employment benefits plans (Defined benefit plans)	1,375	1,115
Other employee benefits	6,345	7,342
Personnel expenses	**114,496**	**133,882**

(26) Administrative expenses

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Depreciation fixed and intangible assets incl. impairment	28,798	29,256
Operating lease expenses	20,146	22,823
Non-profit tax	12,369	13,687
IT expenses	9,354	7,813
Communication	5,737	6,125
Transport	7,778	8,812
Repairs and maintenance	4,657	5,174
Office supplies	2,893	2,924
Security services	6,043	5,320
Marketing, advertising and representation	5,589	7,075
Utility and electricity expenses	5,311	4,958
Legal and audit fees	5,415	4,074
Consulting services	5,385	3,774
Insurances	3,513	3,110
Recruitment and other personnel-related expenses	1,937	2,878
Other administrative expenses	6,688	8,254
Administrative expenses	**131,613**	**136,056**

Of the total administrative expenses, EUR 9,445 thousand (2014: EUR 12,917 thousand) were incurred for staff training.

Total fees incurred for the services provided by the group auditor were as follows:

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Audit fees	426	393
Tax advice	0	12
Other confirmatory services	102	95
Other services	4	0
Group auditor expenses	**531**	**500**

(27) Income tax expenses

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Current tax	17,749	19,349
Deferred tax	-18	119
Income tax expenses	**17,731**	**19,468**

In calculating both the current taxes on income and earnings and the deferred income tax, the respective country-specific tax rates are applied. The average income tax rate for the reporting period was 12.6% (2014: 18.0%), calculated by dividing the total tax burden by the unconsolidated profits.

D. Notes to the Statement of Financial Position

(28) Cash and cash equivalents

in '000 EUR	31.12.2015	31.12.2014
Cash in hand	217,920	215,767
Balances at central banks excluding mandatory reserves	163,743	191,290
Money market instruments	137,934	77,875
Mandatory reserve deposits	314,593	370,195
Cash and cash equivalents	**834,191**	**855,126**
Cash from discontinuing operations	68,450	0
Loans and advances to banks with a maturity up to 3 months	332,305	390,427
Minimum reserve, which does not qualify as cash for the statement of cash flows	-385,822	-371,387
Cash and cash equivalents for the statement of cash flows	**849,124**	**874,166**

(29) Loans and advances to banks

in '000 EUR	31.12.2015	31.12.2014
up to three month	332,305	390,427
up to one year	201	20,661
more than one year	6,889	0
Loans and advances to banks	**339,395**	**411,087**

(30) Financial assets and liabilities at fair value through profit or loss

in '000 EUR	31.12.2015	31.12.2014
Positive market values from derivative financial instruments	891	750
Financial assets designated at fair value through profit or loss	0	4,295
Financial assets at fair value through profit or loss	**891**	**5,045**
Negative market values from derivative financial instruments	2,350	2,574
Financial liabilities at fair value through profit or loss	**2,350**	**2,574**

Financial instruments at fair value through profit or loss consists solely of fair values arising from derivative financial instruments. The following tables provide an overview:

in '000 EUR **As at December 31, 2015**	**Contractual amount**	**Fair value**	
		Assets	**Liabilities**
Fair value from derivatives			
a) Foreign exchange derivatives			
Swaps	151,909	861	2,279
Forwards	2,995	0	0
b) Interest rate derivatives			
Interest rate swaps	7,977	31	72
Total derivatives with third parties	**162,881**	**891**	**2,350**

in '000 EUR **As at December 31, 2014**	**Contractual amount**	**Fair value**	
		Assets	**Liabilities**
Fair value from derivatives			
a) Foreign exchange derivatives			
Swaps	141,495	750	2,565
Forwards	201	0	0
b) Interest rate derivatives			
Interest rate swaps	387	0	9
Total derivatives with third parties	**142,083**	**750**	**2,574**

(31) Available-for-sale financial assets

in '000 EUR	31.12.2015	31.12.2014
Fixed interest rate securities	136,045	174,692
Variable interest rate securities	65,487	56,156
Company shares	5,437	1,591
Available-for-sale financial assets	**206,970**	**232,439**

Changes in the revaluation reserve for available-for-sale financial assets are as follows:

in '000 EUR	2015	2014
Revaluation reserve from available-for-sale financial assets		
As at January 1	153	507
Changes in fair value	4,070	-572
Amount recognised in income statement	-32	174
Impairment	-12	0
Deferred taxes	-428	45
From discontinued operations	-3	0
As at December 31	**3,749**	**153**

(32) Loans and advances to customers

in '000 EUR **As at December 31, 2015**	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	**3,099,106**	**-135,495**	**2,963,612**	**75.4%**	**123,402**	**44.9%**
loan size up to 50.000 EUR/USD	1,147,685	-58,027	1,089,657	27.7%	104,675	38.1%
loan size 50.000 to 250.000 EUR/USD	1,116,188	-43,958	1,072,230	27.3%	16,628	6.1%
loan size more than 250.000 EUR/USD	835,233	-33,510	801,724	20.4%	2,099	0.8%
Agricultural loans	**688,672**	**-27,275**	**661,397**	**16.8%**	**45,787**	**16.7%**
loan size up to 50.000 EUR/USD	334,331	-16,108	318,223	8.1%	42,061	15.3%
loan size 50.000 to 250.000 EUR/USD	234,598	-7,703	226,895	5.8%	3,408	1.2%
loan size more than 250.000 EUR/USD	119,743	-3,464	116,278	3.0%	318	0.1%
Housing improvement loans	**222,098**	**-8,117**	**213,981**	**5.4%**	**30,684**	**11.2%**
loan size up to 50.000 EUR/USD	193,090	-7,263	185,826	4.7%	30,198	11.0%
loan size 50.000 to 250.000 EUR/USD	28,361	-819	27,542	0.7%	483	0.2%
loan size more than 250.000 EUR/USD	647	-35	612	0.0%	3	0.0%
Consumer loans*	**70,402**	**-4,115**	**66,287**	**1.7%**	**65,674**	**23.9%**
loan size up to 50.000 EUR/USD	67,368	-3,980	63,389	1.6%	65,594	23.9%
loan size 50.000 to 250.000 EUR/USD	3,034	-136	2,898	0.1%	80	0.0%
loan size more than 250.000 EUR/USD	0	0	0	0.0%	0	0.0%
Finance leases	**5,830**	**-432**	**5,398**	**0.1%**	**771**	**0.3%**
loan size up to 50.000 EUR/USD	3,425	-190	3,234	0.1%	698	0.3%
loan size 50.000 to 250.000 EUR/USD	1,547	-137	1,410	0.0%	69	0.0%
loan size more than 250.000 EUR/USD	859	-104	754	0.0%	4	0.0%
Other loans	**15,018**	**-1,173**	**13,845**	**0.4%**	**8,471**	**3.1%**
loan size up to 50.000 EUR/USD	11,674	-1,123	10,551	0.3%	8,401	3.1%
loan size 50.000 to 250.000 EUR/USD	3,344	-50	3,294	0.1%	70	0.0%
loan size more than 250.000 EUR/USD	0	0	0	0.0%	0	0.0%
Other advances to customers**	**3,813**	**0**	**3,813**	**0.1%**	**0**	**0.0%**
Total	**4,104,939**	**-176,608**	**3,928,332**	**100.0%**	**274,789**	**100.0%**

* *"Consumer loans" also include overdrafts to private individuals*

** *"Other advances to customers" contain mainly account maintenance fees*

in '000 EUR As at December 31, 2014	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	**3,333,217**	**-151,136**	**3,182,081**	**76.8%**	**201,164**	**51.4%**
loan size up to 50.000 EUR/USD	1,526,285	-69,078	1,457,207	35.2%	181,345	46.3%
loan size 50.000 to 250.000 EUR/USD	1,122,919	-45,255	1,077,664	26.0%	17,838	4.6%
loan size more than 250.000 EUR/USD	684,013	-36,803	647,211	15.6%	1,981	0.5%
Agricultural loans	**672,475**	**-25,574**	**646,900**	**15.6%**	**65,481**	**16.7%**
loan size up to 50.000 EUR/USD	403,690	-16,392	387,297	9.3%	62,102	15.9%
loan size 50.000 to 250.000 EUR/USD	195,876	-5,752	190,124	4.6%	3,152	0.8%
loan size more than 250.000 EUR/USD	72,909	-3,430	69,479	1.7%	227	0.1%
Housing improvement loans	**222,493**	**-6,657**	**215,836**	**5.2%**	**37,980**	**9.7%**
loan size up to 50.000 EUR/USD	197,845	-6,122	191,723	4.6%	37,563	9.6%
loan size 50.000 to 250.000 EUR/USD	23,916	-525	23,391	0.6%	413	0.1%
loan size more than 250.000 EUR/USD	732	-10	722	0.0%	4	0.0%
Consumer loans*	**63,552**	**-3,156**	**60,396**	**1.5%**	**74,889**	**19.1%**
loan size up to 50.000 EUR/USD	60,960	-3,054	57,907	1.4%	74,474	19.0%
loan size 50.000 to 250.000 EUR/USD	2,589	-103	2,486	0.1%	401	0.1%
loan size more than 250.000 EUR/USD	3	0	3	0.0%	14	0.0%
Finance leases	**14,120**	**-582**	**13,537**	**0.3%**	**1,143**	**0.3%**
loan size up to 50.000 EUR/USD	7,608	-207	7,400	0.2%	1,033	0.3%
loan size 50.000 to 250.000 EUR/USD	4,236	-261	3,975	0.1%	102	0.0%
loan size more than 250.000 EUR/USD	2,276	-114	2,162	0.1%	8	0.0%
Other loans	**22,373**	**-1,366**	**21,008**	**0.5%**	**10,950**	**2.8%**
loan size up to 50.000 EUR/USD	17,732	-1,290	16,442	0.4%	10,850	2.8%
loan size 50.000 to 250.000 EUR/USD	4,641	-76	4,566	0.1%	100	0.0%
loan size more than 250.000 EUR/USD	0	0	0	0.0%	0	0.0%
Other advances to customers**	**4,011**	**0**	**4,011**	**0.1%**	**0**	**0.0%**
Total	**4,332,241**	**-188,471**	**4,143,770**	**100.0%**	**391,607**	**100.0%**

* *"Consumer loans" also include overdrafts to private individuals*
** *"Other advances to customers" contain mainly account maintenance fees*

The size categories refer to the initial loan amount.

(33) Allowance for losses on loans and advances

in '000 EUR	31.12.2015	31.12.2014
Specific impairment	70,249	76,950
Allowance for individually insignificant impaired loans	50,226	52,620
Allowance for collectively assessed loans	56,132	58,902
Allowance for losses on loans and advances to customers	**176,608**	**188,471**

The following table shows the development of allowances for impairment losses for loans and advances to customers over time:

in '000 EUR	2015	2014
As at January 1	188,471	188,475
Increase of impairment charge	213,724	251,344
Usage of allowance	-48,876	-56,251
Release of impairment charge	-155,863	-179,807
Unwinding effects	-7,215	-9,022
Exchange rate adjustments	-259	-7,030
From discontinued operations	-13,375	763
As at December 31	**176,608**	**188,471**

In 2015 no allowances for impairment losses for loans and advances to banks were set aside, as there was no objective evidence of impairment.

(34) Property, plant and equipment and Investment property

in '000 EUR	Land and buildings	Leasehold improvements	Assets under construction	Furnitures and fixtures	IT and other equipment	Total PPE	Investment properties (at cost)
Total acquisition costs at January 1, 2015	144,437	40,704	4,814	32,746	146,878	369,578	4,743
Additions	3,165	7,409	7,892	4,719	24,291	47,477	509
Disposals	-2,286	-7,723	-39	-4,571	-12,558	-27,177	-391
Sale of subsidiaries/ Discontinued operations	-26,144	-12,505	-1,543	-7,065	-27,082	-74,339	-2,359
Transfers	1,770	555	-2,498	-473	308	-339	339
Exchange rate adjustments	-1,937	377	-100	-1,062	1,919	-804	-335
Total acquisition costs at December 31, 2015	**119,005**	**28,816**	**8,526**	**24,294**	**133,755**	**314,396**	**2,508**
Accumulated depreciation January 1, 2015	-19,130	-28,441	0	-22,871	-105,859	-176,301	-821
Depreciation	-3,124	-3,443	0	-2,512	-14,029	-23,108	-65
Disposals	538	6,013	0	3,630	9,741	19,922	7
Sale of subsidiaries/ Discontinued operations	3,948	8,618	0	6,416	18,744	37,726	525
Appreciation	0	0	0	0	0	0	0
Transfers	32	-26	0	26	0	32	-32
Exchange rate adjustments	193	-104	0	699	-1,244	-457	56
Accumulated depreciation at December 31, 2015	**-17,542**	**-17,383**	**0**	**-14,612**	**-92,648**	**-142,185**	**-332**
Net book value at December 31, 2015	**101,463**	**11,433**	**8,526**	**9,682**	**41,107**	**172,211**	**2,176**

in '000 EUR	Land and buildings	Leasehold improvements	Assets under construction	Furnitures and fixtures	IT and other equipment	Total PPE	Investment properties (at cost)
Total acquisition costs at January 1, 2014	140,838	44,684	9,303	35,079	153,458	383,363	4,706
Additions	8,385	3,558	5,423	3,031	14,799	35,196	863
Disposals	-1,577	-3,731	-3,721	-2,647	-15,093	-26,769	-544
Sale of subsidiaries	-5,478	-4,811	-5,218	-2,212	-8,829	-26,548	0
Transfers	148	275	-426	6	-3	0	0
Exchange rate adjustments	2,121	728	-548	-512	2,546	4,335	-281
Total acquisition costs at December 31, 2014	**144,437**	**40,704**	**4,814**	**32,746**	**146,878**	**369,578**	**4,743**
Accumulated depreciation January 1, 2014	-15,882	-30,534	-169	-24,042	-108,561	-179,188	-747
Depreciation	-3,886	-4,023	0	-2,964	-15,944	-26,816	-148
Disposals	369	2,526	100	2,380	13,794	19,169	20
Sale of subsidiaries	359	4,151	0	1,332	6,681	12,523	0
Appreciation	0	0	0	0	48	48	0
Transfers	0	1	0	0	-1	0	0
Exchange rate adjustments	-90	-563	69	423	-1,876	-2,037	53
Accumulated depreciation at December 31, 2014	**-19,130**	**-28,441**	**0**	**-22,871**	**-105,859**	**-176,301**	**-821**
Net book value at December 31, 2014	**125,308**	**12,263**	**4,814**	**9,875**	**41,018**	**193,277**	**3,922**

(35) Intangible assets

Intangible assets consist predominantly of goodwill and software. Only a small amount is related to trademarks. The development of intangible assets is shown in the following tables.

(a) Goodwill

in '000 EUR	31.12.2015 from business combinations	31.12.2015 from option agreements	31.12.2014 from business combinationss	31.12.2014 from option agreements
Goodwill				
Eastern Europe	2,332	0	1,639	1,220
South Eastern Europe	7,008	0	7,050	314
South America	2,211	0	3,980	271
Africa	0	0	214	0
Total	**11,550**	**0**	**12,884**	**1,804**

The goodwill from option agreements is shown as goodwill from business combinations due to the exercise of put options or impairment. The development of goodwill within the reporting period is as follows:

in '000 EUR	2015	2014
Goodwill		
Net book value at January 1	14,688	16,642
Additions	0	0
Impairment	-2,794	-1,537
Exchange rate adjustments	-344	-417
Net book value at December 31	**11,550**	**14,688**

In 2015, impairment loss resulted from ProCredit banks in Armenia (EUR 317 thousand), Colombia (EUR 226 thousand), Congo (EUR 214 thousand), El Salvador (EUR 1,643 thousand), and Nicaragua (EUR 393 thousand).

Option agreements

ProCredit Holding signed put/call or put option agreements on the purchase of shares of subsidiaries from non-controlling interests. The existing option agreements are as follows:

ProCredit Holding signed a put option agreement which gives the Inter-American Development Bank (IDB), Washington D.C., USA, the right to sell all of its shares in Banco ProCredit Colombia to ProCredit Holding. The put option can be exercised during a certain strike period; the purchase price depends on the total amount of equity held at the time of exercise.

ProCredit Holding signed a put/call option to purchase KfW's shares in ProCredit Bank Moldova or give KfW the right to sell its shares to ProCredit Holding. The option can be exercised during a certain strike period; the purchase price depends on the total amount of equity held at the time of exercise.

In 2015, put options were exercised on shares in ProCredit Bank Armenia, ProConfianza Mexico and ProCredit Bank Ukraine (see also note 51)).

The following table provides an overview of the existing options:

Option agreements	counterparty	share	starting point option period
ProCredit Bank S.A., Colombia	IDB	7.0%	effective
ProCredit Bank S.A., Moldova	KfW	14.1%	31.12.2016

The calculation of the anticipated strike price is based on the original amount paid, the future equity and/or the future fair value, depending on the respective put agreement. The present value of future obligations is discounted at a rate of 3.8% (2014: 4.5%), which is appropriate to the level of risk involved.

The put agreements result in a total liability of EUR 4.1 million as of 31 December 2015 (previous year: EUR 11.8 million), that is largely offset by the reduction in the reserve for shares held by other shareholders of EUR 4.0 million (previous year: EUR 11.2 million).

(b) Software

in '000 EUR	2015	2014
Software		
Total acquisition costs at January 1	56,197	51,885
Additions	6,946	7,912
Disposals	-1,208	-2,497
Sale of subsidiaries/ Discontinued operations	-9,018	-2,064
Exchange rate adjustments	276	961
Total acquisition costs at December 31	**53,194**	**56,197**
Accumulated depreciation January 1	-40,862	-34,810
Depreciation	-7,738	-9,216
Disposals	706	2,137
Sale of subsidiaries/ Discontinued operations	7,031	1,908
Exchange rate adjustments	-124	-880
Accumulated amortisation at December 31	**-40,988**	**-40,862**
Net book value at December 31	**12,206**	**15,335**

(36) Leasing

Finance lease receivables

	31.12.2015			31.12.2014		
in '000 EUR	Gross investment	Unearned finance income	Net investment	Gross investment	Unearned finance income	Net investment
Finance lease receivables						
no later than one year	3,739	86	3,653	6,498	840	5,657
later than one year and no later than five years	2,289	111	2,178	8,722	879	7,842
later than five years	0	0	0	80	4	77
Total	**6,027**	**197**	**5,830**	**15,300**	**1,723**	**13,577**

The finance lease receivables stem from the leasing company in Serbia, which is mainly engaged in the leasing of equipment to small and medium enterprises. The leasing company is a wholly-owned subsidiary of ProCredit Bank Serbia.

in '000 EUR	31.12.2015	31.12.2014
Allowance for uncollectable leasing receivables	-432	-549
Total	**-432**	**-549**

Operating lease commitments

in '000 EUR	31.12.2015	31.12.2014
Operating lease commitments		
no later than one year	10,677	14,885
later than one year and no later than five years	25,497	35,988
later than five years	14,985	16,420
Total	**51,159**	**67,292**

Operating lease commitments result primarily from non-cancellable rental agreements for properties; the amounts in the above table are calculated based on current rental agreements. The total amount of expenses recognised in connection with such leases in 2015 is EUR 20,146 thousand (2014: EUR 22,823 thousand).

Operating lease receivables

in '000 EUR	31.12.2015	31.12.2014
Operating lease receivables		
no later than one year	107	153
later than one year and no later than five years	57	503
later than five years	0	0
Total	**164**	**656**

All operating lease receivables result from investment properties.

(37) Income taxes

Changes in net deferred income taxes and the underlying business transactions are as follows:

in '000 EUR	2015	2014
As at 1 January	4,646	8,464
Available-for-sale financial assets:		
fair value remeasurement	-388	87
transfer to net profit	-71	-28
Charges to income statement	18	-730
Exchange rate adjustments	612	-1,144
Sale of subsidiaries	-1,831	-2,003
As at 31 December	**2,986**	**4,646**

The two tables below provide information about the underlying business transactions for deferred income tax assets and liabilities:

in '000 EUR	31.12.2015	31.12.2014
Accelerated tax depreciation	212	799
Allowance for losses on loans and advances to customers	820	425
Derivatives	0	-352
Revaluation reserve	-441	-51
Tax loss carried forward	4,434	7,557
Other provisions	174	1,026
Other temporary differences	803	262
Deferred tax assets	**6,001**	**9,667**

in '000 EUR	31.12.2015	31.12.2014
Accelerated tax depreciation	635	901
Allowance for losses on loans and advances to customers	5,367	3,951
Derivatives	18	-189
Revaluation reserve	41	180
Other provisions	-738	898
Other temporary differences	-1,071	-721
Deferred tax liabilities	**4,251**	**5,020**

The two following tables show the transactions to which the profit and loss from deferred taxes is related:

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Accelerated tax depreciation	133	870
Allowance for losses on loans and advances to customers	2,182	1,276
Derivatives	142	424
Tax loss carried forward	1,235	1,242
Other provisions	269	362
Other temporary differences	966	1,724
Deferred tax expenses	**4,927**	**5,898**

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Accelerated tax depreciation	29	468
Allowance for losses on loans and advances to customers	2,611	2,377
Derivatives	420	2
Tax loss carried forward	652	523
Other provisions	120	406
Other temporary differences	1,114	1,393
Deferred tax income	**4,945**	**5,168**

The transition of taxes between the Consolidated Financial Statements according to IFRS and local financial statements is shown in the following table:

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Profit before tax	70,994	73,919
Tax expected	13,520	14,139
Tax effects of items which are not deductable:		
non-taxable income	-15,862	-10,465
non-tax deductable expenses	4,221	8,734
no tax asset built according to management decision	1,566	0
tax effect on consolidation	14,286	9,923
Tax effects from changes in tax rate	0	40
Income tax expenses	**17,731**	**22,372**
Exchange rate differences	624	1,144
Changes in deferred tax assets	-1,834	-1,848
Changes in deferred tax liabilities	769	34
Changes in comprehensive income	459	-60
Current income tax expenses	**17,749**	**21,642**

(38) Other assets

in '000 EUR	31.12.2015	31.12.2014
Repossessed properties	25,902	35,137
Accounts receivable	11,999	18,794
Prepayments	13,059	15,006
Guarantees	1,874	722
Other inventory items	1,570	1,959
Others	8,960	9,879
Other assets	**63,363**	**81,498**

Repossessed properties are sold as soon as practicable. The total amount for repossessed property subdivided into segments is as follows:

in '000 EUR	31.12.2015	31.12.2014
Eastern Europe	3,938	4,335
South Eastern Europe	19,817	21,461
Central America	0	8,335
South America	2,146	1,006
Repossessed properties	**25,902**	**35,137**

(39) Liabilities to banks

in '000 EUR	31.12.2015	31.12.2014
up to three month	90,921	99,252
up to one year	50,535	49,492
more than one year	252,788	201,653
Liabilities to banks	**394,244**	**350,398**

(40) Liabilities to customers

in '000 EUR	31.12.2015	31.12.2014
Current accounts	1,343,675	1,256,012
private individuals	*619,196*	*631,486*
legal entities	*724,479*	*624,527*
Savings accounts	611,609	858,656
private individuals	*564,739*	*804,350*
legal entities	*46,870*	*54,306*
Term deposit accounts	1,837,709	1,877,495
private individuals	*1,206,374*	*1,254,023*
legal entities	*631,335*	*623,471*
Liabilities to customers	**3,792,994**	**3,992,163**

(41) Liabilities to international financial institutions

in '000 EUR	due in 2016	in 2017	in 2018	in 2019	after 2019	noncash-relevant	31.12.2015	31.12.2014
Liabilities with fixed interest rates	61,449	42,411	32,137	24,587	39,351	-1,139	198,796	189,490
Liabilities with variable interest rates	78,023	63,425	67,123	38,797	59,655	-479	306,543	342,819
Liabilities from put/call options	878	3,226	0	0	0	0	4,104	11,830
Liabilities to international financial institutions	**140,351**	**109,062**	**99,259**	**63,383**	**99,006**	**-1,618**	**509,443**	**544,140**

(42) Debt securities

in '000 EUR	due in 2016	in 2017	in 2018	in 2019	after 2019	noncash-relevant	31.12.2015	31.12.2014
Debt securities with fixed interest rates	41,909	21,032	7,000	0	70,000	-2,745	137,196	158,178
Debt securities with variable interest rates	11,348	17,828	9,498	0	30,000	-682	67,992	86,661
Debt securities	**53,257**	**38,859**	**16,498**	**0**	**100,000**	**-3,427**	**205,188**	**244,839**

In 2015, debt securities totalling EUR 74,758 thousand were repaid and new securities totalling EUR 48,300 thousand were issued. The securities issued by ProCredit Holding are traded on the unregulated market ("Freiverkehr"). Thus, the company is not capital market-oriented as defined by the German Commercial Code (HGB).

(43) Other liabilities

in '000 EUR	31.12.2015	31.12.2014
Deferred income	2,351	5,827
Liabilities for goods and services	10,080	8,100
Liabilities to employees	1,542	2,564
Liabilities from social insurance contributions	954	1,250
Donations, grants for investments	1,195	836
Non-income tax liabilities	3,018	3,565
Others	7,894	6,833
Other liabilities	**27,035**	**28,976**

(44) Provisions

in '000 EUR	31.12.2015	31.12.2014
Provisions for		
Post-employment benefits	4,624	4,335
Imminent losses from off-balance sheet items	1,172	1,007
Imminent losses from pending transactions	1,749	2,141
Untaken vacation	2,268	3,019
Unbilled services*	5,590	0
Other provisions	2,520	6,987
Total	**17,923**	**17,490**

**Previous years "Provisions for unbilled services" were shown as "Other provisions".*

The development of the provisions is as follows:

in '000 EUR	2015	2014
As at January 1	17,490	15,353
Additions	10,903	11,476
Releases	-1,649	-2,215
Used	-8,534	-7,492
Exchange rate adjustments	812	827
Unwinding	70	78
Sale of subsidiaries	-1,170	-536
As at December 31	**17,923**	**17,490**

For the provisions for imminent losses from off-balance sheet items and for untaken vacation the outflow of economic benefits is expected during the next one or two years.

Provisions for imminent losses from pending transactions are mainly composed of provisions established for legal cases with former employees. They represent best estimates of the amounts with which the legal cases will be settled in future periods. The majority of the legal cases are expected to be settled within a one-year period and the maximum expected settlement time is three years. For the settlements expected to be made after one year, an average interest rate of 8.9% (2014: 10.9%) was used for the discounting of expected cash flows.

In some countries, local regulations require benefits to be paid when employment relationships come to an end (defined benefit plans). Their value is determined in accordance with IAS 19, and is calculated using actuarial mathematical methods. The obligation to make these payments exists solely because of local requirements; apart from these obligations, there are no retirement plans or any other benefits after the termination of contracts. Therefore no further pension provisions had to be set aside and no plan assets had to be taken into account (see note (16)).

The following table shows the development of provisions for post-employment benefits:

in '000 EUR	2015	2014
Net book value at January 1	4,335	4,361
Current service cost	1,666	1,558
Interest cost	77	78
Actuarial gains or losses from:		
Changes in demographic assumptions	-169	-151
Changes in financial assumptions	-96	53
Benefits paid	-1,170	-1,873
Sale of subsidiaries	-191	-179
Exchange rate adjustments	172	489
Net book value at December 31	**4,624**	**4,335**

Provisions for post-employment benefits are calculated using discount rates that are derived from interest rates on government bonds in the respective countries and actuarial assumptions as determined by local actuaries. The majority of provisions for post-employment benefits result from the ProCredit banks in Bolivia and Ecuador and discount rates of 4.4% (Bolivia) and 6.3% (Ecuador) are applied. A sensitivity analysis is performed without any material impact.

(45) Subordinated debt

in '000 EUR	due in 2016	in 2017	in 2018	in 2019	after 2019	noncash-relevant	31.12.2015	31.12.2014
Liabilities with fixed interest rates	979	0	0	22,963	20,000	-1,171	42,771	72,847
Liabilities with variable interest rates	464	0	0	13,722	74,396	0	88,583	83,318
Subordinated Debt	**1,443**	**0**	**0**	**36,685**	**94,396**	-1,171	**131,353**	**156,165**

(46) Equity capital

	31.12.2015			31.12.2014		
Shareholder	**Size of stake**	**Number of shares**	**Amount EUR**	**Size of stake**	**Number of shares**	**Amount EUR**
IPC - Internationale Projekt Consult GmbH Frankfurt am Main, Germany	18.41%	9,358,816	46,794,080	18.41%	9,358,816	46,794,080
KfW Frankfurt am Main, Germany	13.62%	6,921,734	34,608,670	13.62%	6,921,734	34,608,670
Stichting DOEN Amsterdam, The Netherlands	13.32%	6,770,602	33,853,010	13.32%	6,770,602	33,853,010
IFC - International Finance Corporation Washington D.C., USA	10.30%	5,234,996	26,174,980	10.30%	5,234,996	26,174,980
TIAA-CREF - Teachers Insurance and Annuity Association New York, USA	9.95%	5,056,468	25,282,340	9.95%	5,056,468	25,282,340
BIO - Belgian Investment Company for Developing Countries Brussels, Belgium	5.66%	2,877,980	14,389,900	5.66%	2,877,980	14,389,900
FMO - Netherlands Development Finance Company The Hague, The Netherlands	5.29%	2,691,115	13,455,575	5.29%	2,691,115	13,455,575
Omidyar-Tufts Microfinance Fund Boston, USA	5.19%	2,635,827	13,179,135	5.19%	2,635,827	13,179,135
ProCredit Staff Invest 1 GmbH & Co. KG Frankfurt am Main, Germany	3.02%	1,537,257	7,686,285	3.02%	1,537,257	7,686,285
responsAbility Global Microfinance Fund (GMF) Luxembourg, Luxembourg	2.95%	1,500,068	7,500,340	2.95%	1,500,068	7,500,340
Proparco - Groupe Agence Française de Développement Paris, France	2.60%	1,321,190	6,605,950	2.60%	1,321,190	6,605,950
FUNDASAL - Fundación Salvadoreña de Desarrollo y Vivienda Mínima San Salvador, El Salvador	1.92%	975,576	4,877,880	1.92%	975,576	4,877,880
ProCredit Staff Invest 2 GmbH & Co. KG Frankfurt am Main, Germany	1.83%	929,035	4,645,175	1.83%	929,035	4,645,175
MV II New York, USA	1.61%	818,026	4,090,130	1.61%	818,026	4,090,130
responsAbility Participations AG Zurich, Switzerland	1.16%	588,344	2,941,720	1.16%	588,344	2,941,720
responsAbility Microfinance Leaders (SICAV) Luxembourg, Luxembourg	0.90%	455,117	2,275,585	0.90%	455,117	2,275,585
ProCredit Staff Invest 3 GmbH & Co. KG Frankfurt am Main, Germany	0.68%	343,708	1,718,540	0.68%	343,708	1,718,540
Gawa Microfinance Fund (SICAR) Luxembourg, Luxembourg	0.53%	268,200	1,341,000	0.53%	268,200	1,341,000
Ohana Holdings LLC Santa Barbara, USA	0.50%	251,989	1,259,945	0.50%	251,989	1,259,945
Micro Vest +Plus, LP Delaware, USA	0.40%	204,507	1,022,535	0.40%	204,507	1,022,535
responsAbility BOP Investments (SICAR) Luxembourg, Luxembourg	0.17%	84,009	420,045	0.17%	84,009	420,045
Total	**100.0%**	**50,824,564**	**254,122,820**	**100.0%**	**50,824,564**	**254,122,820**

All issued shares are voting shares. The par value per share is EUR 5.00. The management intends to propose to the Shareholders' Meeting the distribution of a dividend of EUR 0.40 per share.

	31.12.2015	31.12.2014
Dividend per share* (in EUR)	0.40	0.20
Total dividend payment* (in '000 EUR)	20,330	10,165
Witholding tax* (in '000 EUR)	4,792	2,396

** proposed (2015)*

E. Additional Notes

(47) Segment reporting

in '000 EUR **31 December 2015**	**Total assets excl. taxes**	**Total liabilities excl. taxes**	**Contingent liabilities and commitments**
Germany	1,294,642	737,760	21,393
Eastern Europe	937,606	828,574	81,009
South Eastern Europe	3,358,108	2,932,087	426,028
South America	1,168,784	1,015,307	31,033
Discontinued Operations	740,894	652,354	0
Consolidation	-1,500,012	-767,036	0
Total	**6,000,022**	**5,399,047**	**559,464**

in '000 EUR **31 December 2014**	**Total assets excl. taxes**	**Total liabilities excl. taxes**	**Contingent liabilities and commitments**
Germany	1,335,165	812,918	13,174
Eastern Europe	977,485	855,294	50,624
South Eastern Europe	3,256,164	2,855,834	370,419
Central America	365,088	324,018	31,971
South America	1,118,821	977,081	25,736
Africa	174,798	152,853	6,713
Consolidation	-1,271,332	-574,171	0
Total	**5,956,190**	**5,403,827**	**498,635**

The group divides its operations into segments according to geographical regions. In general, business activities in all countries of operations are carried out with local customers, so that the respective items are allocated to the country in which the subsidiary is based. The operating income of the parent company is derived mainly from within the group. With the exception of the relationship between the German segment and the subsidiaries, there are no significant income or expense items arising from business dealings between segments. All income and expense items between the segments are disclosed separately in the following table. These are primarily interest income and expenses derived from loans extended by the parent company to the subsidiaries. The interest rates are related to the actual market rates according to the risk assessment of the individual country. Additionally, inter-segment transactions include the provision of centralised services from ProCredit Holding, IT services, staff training and dividends transferred from the subsidiaries to ProCredit Holding. In some countries in which the group operates, local banking authorities may temporarily restrict the transfer of cash dividends.

in '000 EUR **1.1.–31.12.2015**	**Germany**	**Eastern Europe**	**South Eastern Europe**	**South America**	**Consolidation**	**Group**
Interest and similar income	26,542	101,139	216,329	113,147	–23,037	434,120
of which inter-segment	*22,841*	*27*	*151*	*19*		
Interest and similar expenses	29,189	41,512	41,733	31,317	–19,827	123,923
of which inter-segment	*5,843*	*3,911*	*7,268*	*2,805*		
Net interest income	**–2,646**	**59,627**	**174,596**	**81,830**	**–3,210**	**310,196**
Allowance for losses on loans and advances to customers	141	18,704	19,095	4,010	0	41,951
of which inter-segment	*0*	*0*	*0*	*0*		
Net interest income after allowances	**–2,788**	**40,923**	**155,501**	**77,819**	**–3,210**	**268,246**
Fee and commission income	6,710	12,633	47,435	4,409	–7,060	64,127
of which inter-segment	*5,852*	*0*	*1,208*	*0*		
Fee and commission expenses	1,242	3,273	13,665	3,753	–5,830	16,103
of which inter-segment	*64*	*776*	*4,395*	*595*		
Net fee and commission income	**5,468**	**9,360**	**33,770**	**656**	**–1,230**	**48,024**
Result from foreign exchange transactions	–795	6,025	6,061	407	–221	11,477
Net result from financial instruments at fair value through profit or loss	–870	1,772	–76	0	0	827
Net result from available-for-sale financial assets	–5,458	173	–1	7	5,446	166
of which inter-segment	*–5,446*	*0*	*0*	*0*		
Net other operating income	100,272	–884	–12,101	1,927	–100,850	–11,637
of which inter-segment	*93,642*	*40*	*1,388*	*5,780*		
Operating income	**95,829**	**57,369**	**183,155**	**80,816**	**–100,065**	**317,104**
Personnel expenses	21,756	14,473	51,998	26,269	0	114,496
Administrative expenses	27,266	22,733	69,856	42,652	–30,894	131,613
of which inter-segment	*5,522*	*4,811*	*10,515*	*10,047*		
Operating expenses	**49,022**	**37,206**	**121,854**	**68,921**	**–30,894**	**246,109**
Profit before tax	**46,807**	**20,163**	**61,301**	**11,895**	**–69,171**	**70,994**
Income tax expenses	2,657	3,088	8,052	3,933	0	17,731
Profit of the period from continuing operations	**44,150**	**17,075**	**53,248**	**7,962**	**–69,171**	**53,264**
Profit of the period from discontinued operations*						8,071
Profit of the period	**44,150**	**17,075**	**53,248**	**7,962**	**–69,171**	**61,335**
Profit attributable to equity holders of the parent company						*59,575*
Profit attributable to non-controlling interests						*1,760*

** ProCredit Bank Armenia, ProCredit Bank Congo, Banco ProCredit El Salvador, ProConfianza Mexico, and Banco ProCredit Nicaragua are shown as discontinued operations*

in '000 EUR **1.1.–31.12.2014**	**Germany**	**Eastern Europe**	**South Eastern Europe**	**South America**	**Consolidation**	**Group**
Interest and similar income	28,724	97,555	252,168	120,275	–27,504	471,218
of which inter-segment	*27,013*	*32*	*438*	*22*		
Interest and similar expenses	36,296	36,412	64,258	28,628	–24,320	141,274
of which inter-segment	*9,901*	*4,556*	*7,990*	*1,873*		
Net interest income	**–7,572**	**61,143**	**187,909**	**91,648**	**–3,184**	**329,944**
Allowance for losses on loans and advances to customers	414	13,559	25,347	9,987	0	49,306
of which inter-segment	*0*	*0*	*0*	*0*		
Net interest income after allowances	**–7,986**	**47,584**	**162,562**	**81,661**	**–3,184**	**280,638**
Fee and commission income	6,309	13,617	46,213	3,963	–7,258	62,844
of which inter-segment	*6,248*	*37*	*972*	*1*		
Fee and commission expenses	629	3,115	12,192	2,601	–3,920	14,617
of which inter-segment	*26*	*451*	*3,049*	*394*		
Net fee and commission income	**5,680**	**10,502**	**34,021**	**1,361**	**–3,338**	**48,227**
Result from foreign exchange transactions	–1,325	4,669	6,121	511	205	10,181
Net result from financial instruments at fair value through profit or loss	–521	3,349	–295	0	0	2,533
Net result from available-for-sale financial assets	–14,417	130	257	–33	14,417	354
of which inter-segment	*–14,417*	*0*	*0*	*0*		
Net other operating income	90,898	–1,118	–7,809	1,007	–96,677	–13,699
of which inter-segment	*89,982*	*11*	*1,543*	*5,141*		
Operating income	**72,331**	**65,117**	**194,857**	**84,507**	**–88,576**	**328,234**
Personnel expenses	21,888	21,489	61,964	28,542	0	133,882
Administrative expenses	26,571	26,452	73,552	40,637	–31,156	136,056
of which inter-segment	*6,982*	*5,106*	*10,051*	*9,017*		
Operating expenses	**48,458**	**47,940**	**135,516**	**69,179**	**–31,156**	**269,938**
Profit before tax	**23,872**	**17,177**	**59,341**	**15,328**	**–57,419**	**58,297**
Income tax expenses	3,690	3,060	8,381	4,337	0	19,468
Profit of the period from continuing operations	**20,180**	**14,117**	**50,960**	**10,991**	**–57,419**	**38,829**
Profit of the period from discontinued operations*						11,388
Profit of the period	**20,180**	**14,117**	**50,960**	**10,991**	**–57,419**	**50,217**
Profit attributable to equity holders of the parent company						*47,812*
Profit attributable to non-controlling interests						*2,404*

** ProCredit Bank Armenia, ProCredit Bank Congo, Banco ProCredit El Salvador, ProConfianza Mexico, Banco ProCredit Nicaragua, Banco ProCredit Mozambique, ProCredit Savings and Loans Company Ghana, and Banco ProCredit Honduras are shown as discontinued operations*

(48) Fair value of financial instruments

in '000 EUR 31.12.2015	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AFV/LaR/AfS	834,191	834,191	217,920	616,271	0
Loans and advances to banks	LaR	339,395	339,412	0	339,412	0
Financial assets at fair value through profit or loss	AFV	891	891	0	891	0
Available-for-sale financial assets	AfS	206,970	206,970	134,823	71,282	864
Loans and advances to customers	LaR	3,928,332	3,980,859	0	0	3,980,859
Total		**5,309,778**	**5,362,322**	**352,743**	**1,027,857**	**3,981,722**
Financial liabilities						
Liabilities to banks	AC	394,244	405,672	0	88,539	317,132
Financial liabilities at fair value through profit or loss	AFV	2,350	2,350	0	2,350	0
Liabilities to customers	AC	3,792,994	3,793,195	0	2,188,680	1,604,515
Liabilities to international financial institutions	AC	509,443	506,221	0	10,653	495,568
Debt securities	AC	205,188	220,878	50,144	0	170,733
Subordinated debt	AC	131,353	125,685	0	0	125,685
Total		**5,035,573**	**5,054,001**	**50,144**	**2,290,222**	**2,713,634**
Contingent liabilities						
Contingent liabilities and commitments	n/a	0	1,172	0	0	1,172

Categories: AFV - At Fair value; LaR - Loans and Receivables; AfS - Available-for-sale; AC - Amortised cost

in '000 EUR 31.12.2014	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	AFV/LaR/AfS	855,126	855,126	225,969	629,157	0
Loans and advances to banks	LaR	411,087	415,505	0	386,087	29,418
Financial assets at fair value through profit or loss	AFV	5,045	5,045	0	5,045	0
Available-for-sale financial assets	AfS	232,439	232,439	157,895	74,022	522
Loans and advances to customers	LaR	4,143,770	4,135,899	0	0	4,135,899
Total		**5,647,468**	**5,644,014**	**383,864**	**1,094,312**	**4,165,839**
Financial liabilities						
Liabilities to banks	AC	350,398	360,982	0	23,377	337,605
Financial liabilities at fair value through profit or loss	AFV	2,574	2,574	0	2,574	0
Liabilities to customers	AC	3,992,163	3,976,038	0	2,226,829	1,749,210
Liabilities to international financial institutions	AC	544,140	531,755	0	0	531,755
Debt securities	AC	244,839	261,242	18,391	0	242,852
Subordinated debt	AC	156,165	156,890	0	0	156,890
Hybrid capital	AC	67,082	67,082	0	0	67,082
Total		**5,357,361**	**5,356,564**	**18,391**	**2,252,780**	**3,085,394**
Contingent liabilities						
Contingent liabilities and commitments	n/a	0	805	0	0	805

Categories: AFV - At Fair value; LaR - Loans and Receivables; AfS - Available-for-sale; AC - Amortised cost

ProCredit's fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value determination is carried out as described in note 8). For short-term financial instruments carried at amortised costs, the carrying value represents a reasonable estimate of fair value. The ProCredit group has no fair value financial instruments with Level 3 inputs, with the exception of an insignificant amount of available-for-sale shares.

The fair values of contingent liabilities represent potential credit losses and are based on ProCredit group provisioning rates for off-balance exposures.

(49) Pledged and Transferred assets

in '000 EUR	31.12.2015			31.12.2014		
	Pledged assets that can be repleded or sold	thereof repurchase agreements	related liability	Pledged assets that can be repleded or sold	thereof repurchase agreements	related liability
Loans and advances to banks	5,685	0	1,264	1,000	0	74
Financial assets at fair value through profit or loss	0	0	0	1,736	0	1,562
Available-for-sale financial assets	1,001	0	1,001	0	0	0
Loans and advances to customers	90,265	0	89,949	106,640	0	85,438
Total	**96,950**	**0**	**92,213**	**109,376**	**0**	**87,074**

The majority of the pledged assets item consists of assets which were pledged on a portfolio basis against funds which ProCredit banks obtained at market rates. The pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of the pledges are the same as the maturities of the respective related liabilities. Repurchase agreements represent transferred assets that are not derecognised.

(50) Contingent liabilities and commitments

in '000 EUR	31.12.2015	31.12.2014
Credit commitments with immediate right of cancellation	384,591	339,081
Guarantees and stand-by letters of credit	109,946	99,710
Performance bonds	48,491	43,064
Credit commitments (irrevocable loan commitments)	10,084	13,152
Documentary and commercial letters of credit	6,353	2,700
Others	0	927
Contingent liabilities and commitments	**559,464**	**498,635**

The above table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees. The group expects that a significant portion of guarantees and commitments will expire without being drawn upon.

In addition, ProCredit Holding has signed a guarantee framework to secure the liabilities of ProCredit Holding subsidiaries to a third party, the European Investment Bank. The guarantee covers a maximum of EUR 175,000 thousand (2014: EUR 175,000 thousand) in obligations from loans for its subsidiaries. Of this sum, EUR 159,816 thousand (2014: EUR 139,964 thousand) had been drawn by its subsidiaries at the time these financial statements were prepared and these were reported as contingent liabilities.

(51) Principal subsidiaries

In 2015, ProCredit Bank Armenia and ProCredit Bank Congo were sold and one new entity, Administración y Recuperación de Cartera Michoacán, was established in Mexico. ProCredit Banks in El Salvador, Mexico and Nicaragua were classified as discountinued operations held for sale. ProCredit Capital Funding LLC and ProCredit Capital Funding Trust were removed from the scope of consolidation due to the unwinding of the hybrid capital structure.

In accordance with section 26a 1 KWG, principal subsidiaries included in these Consolidated Financial Statements are as follows:

#	Name of institution	Company purpose	Principal place of business	Turnover in '000 EUR	Profit before tax in '000 EUR	Income tax expenses in '000 EUR	Staff No.	Proportion of ownership interest 31.12.2015	31.12.2014
	EU member states								
1	ProCredit Bank (Bulgaria) E.A.D.	Credit institution with banking licence	Bulgaria	42,815	16,396	1,729	473	100.0	100.0
2	ProCredit Bank AG	Credit institution with banking licence	Germany	6,660	7	0	61	100.0	100.0
3	ProCredit Academy GmbH*	Training academy	Germany	3,192	0	0	30	100.0	100.0
4	Quipu GmbH	IT consulting and software company	Germany	16,873	-157	205	165	100.0	100.0
5	PC Finance II B.V.	Special purpose vehicle	The Netherlands	-591	0	0	0	n/a	n/a
6	ProCredit Bank S.A.	Credit institution with banking licence	Romania	26,328	2,380	492	332	100.0	100.0
	Non-EU member states								
7	ProCredit Bank sh.a	Credit institution with banking licence	Albania	13,584	1,482	359	274	100.0	100.0
8	ProCredit Bank CJSC	Credit institution with banking licence	Armenia	6,506	537	211	0	0.0	79.5
9	Banco Pyme Los Andes ProCredit S.A.	Credit institution with banking licence	Bolivia	47,923	10,841	2,546	605	100.0	100.0
10	ProCredit Bank d.d.	Credit institution with banking licence	Bosnia and Herzegovina	10,674	-3,085	-170	234	100.0	100.0
11	Banco ProCredit Columbia S.A.	Credit institution with banking licence	Colombia	4,128	-3,716	0	134	93.0	93.0
12	ProCredit Bank Congo S.A.R.L.	Credit institution with banking licence	DR Congo	21,546	4,070	2,117	0	0.0	61.0
13	Banco ProCredit S.A.	Credit institution with banking licence	Ecuador	27,514	4,903	1,201	400	100.0	100.0
14	Fideicomiso Primera Titularización de Catera Comercial Pymes ProCredit	Special purpose vehicle	Ecuador	3,842	0	0	0	n/a	n/a
15	Banco ProCredit S.A.	Credit institution with banking licence	El Salvador	14,570	-225	444	374	99.9	99.9
16	ProCredit Bank JSC	Credit institution with banking licence	Georgia	35,872	13,500	1,966	548	100.0	100.0
17	ProCredit Bank Sh.a	Credit institution with banking licence	Kosovo	47,881	20,583	2,213	535	100.0	100.0
18	ProCredit Bank A.D.	Credit institution with banking licence	Macedonia	16,491	4,752	425	231	100.0	100.0
19	ProCredit Regional Academy* Eastern Europe	Training academy	Macedonia	1,262	247	0	23	100.0	100.0
20	ProConfianza S.A. de C.V., SOFOM, E.N.R.	Credit institution without banking licence	Mexico	2,048	67	-133	39	99.2	90.8
21	Administración y Recuperación de Cartera Michoacán S. A. DE C. V., SOFOM, E. N. R	Special purpose vehicle	Mexico	-69	-549	0	14	100.0	0.0
22	ProCredit Bank S.A.	Credit institution with banking licence	Moldova	13,710	2,242	-213	194	82.1	82.1
23	Banco ProCredit S.A.	Credit institution with banking licence	Nicaragua	14,630	1,393	595	331	94.7	94.7
24	ProCredit Bank a.d.	Credit institution with banking licence	Serbia	42,538	18,419	2,986	556	100.0	100.0
25	ProCredit Bank JSC	Credit institution with banking licence	Ukraine	26,491	4,421	1,334	304	72.2	45.7
26	ProCredit Capital Funding LLC	Financial enterprise	USA	0	0	0	0	0.0	100.0
27	ProCredit Capital Funding Trust	Financial enterprise	USA	0	0	0	0	0.0	100.0

** not considered in the regulatory scope of consolidation*

Turnover is defined as operating income before loan loss provisions and administrative expenses. The amounts shown are reported for each country without eliminating transactions between group companies, i.e. based on the respective annual financial statements for each subsidiary. The number of staff is presented as of year-end 2015.

In 2015, the ProCredit group received public funding in the amount of EUR 124 thousand.

(a) Acquisition of interest in a subsidiary

In 2015, ProCredit Holding acquired an additional 20.5% of the issued shares of ProCredit Bank Armenia, 8.5% of the issued shares of ProConfianza Mexico, and 15.2% of the issued shares of ProCredit Bank Ukraine. These transactions are associated with the exercise of put options on the relevant shares. The effects of changes in ownership interests are summarised as follows:

in '000 EUR	Armenia	Mexico	Ukraine
Carrying amount of non-controlling interests acquired	3,488	394	2,247
Consideration paid to non-controlling interests	3,849	514	2,699
Excess of consideration paid recognised in parent's equity	**–361**	**–120**	**–452**

Furthermore, ProCredit Holding increased its stake in ProCredit Bank Ukraine by a further 11.3% through a capital increase.

(b) Establishment of a subsidiary

ProCredit Holding established Administración y Recuperación de Cartera Michoacán S. A. DE C. V., SOFOM, E. N. R., Morelia, Mexico. This new entity assumed ownership of part of the loan portfolio of ProConfianza Mexico. ProConfianza Mexico was sold in Janaury 2016 (see also note 56)).

(c) Disposal of interest in a subsidiary

In 2015, ProCredit Holding sold all of its shares in ProCredit Bank Armenia and in ProCredit Bank Congo. Furthermore, ProCredit Holding intends to sell all of its shares in Banco ProCredit El Salvador, ProConfianza Mexico, and Banco ProCredit Nicaragua. The disposal group is classified as held for sale at the lower of its carrying amount and fair value less cost to sell. The fair value measurement for the assets and liabilities held for sale is based on currently negotiated selling prices. The net results on disposal are recognised as net other operating income. The assets, liabilities, and profit of the period of the discontinued operations are presented as follows:

in '000 EUR	sold		held for sale		
Assets	**Armenia**	**Congo**	**El Salvador**	**Mexico**	**Nicaragua**
Cash and cash equivalents	15,257	38,314	47,992	2	20,456
Loans and advances to banks	1,726	26,668	806	650	881
Financial assets at fair value through profit or loss	3	0	0	0	0
Available-for-sale financial assets	1,824	0	5,695	0	232
Loans and advances to customers	83,132	118,297	210,169	11,307	104,582
Allowance for losses on loans and advances to customers	-3,159	-4,519	-4,959	-417	-2,380
Property, plant and equipment	1,114	18,750	8,384	102	10,039
Investment properties	0	0	0	0	1,111
Intangible assets	841	114	1,194	0	333
Current tax assets	351	29	0	94	347
Deferred tax assets	0	262	0	3,012	0
Other assets	2,137	13,758	6,772	86	2,428
Assets disposed / held for sale	**103,226**	**211,673**	**276,052**	**14,838**	**138,029**

in '000 EUR	sold		held for sale		
Liabilities	**Armenia**	**Congo**	**El Salvador**	**Mexico**	**Nicaragua**
Liabilities to banks	7,608	215	0	0	13,278
Financial liabilities at fair value through profit or loss	7	0	0	0	0
Liabilities to customers	46,534	158,251	163,132	0	92,318
Liabilities to international financial institutions	23,770	22,534	21,989	42	0
Debt securities	0	0	18,423	0	0
Other liabilities	187	4,219	2,782	230	797
Provisions	164	456	193	38	355
Current tax liabilities	0	685	0	0	0
Deferred tax liabilities	264	0	-197	0	1,287
Subordinated debt	7,056	0	4,043	0	0
Liabilities disposed / related to assets held for sale	**85,589**	**186,360**	**210,364**	**310**	**108,034**
Net assets disposed	**17,637**	**25,313**			

in '000 EUR	sold		held for sale		
	Armenia	Congo	El Salvador	Mexico	Nicaragua
Proportion of non-controlling interests	0.0%	39.0%	0.1%	0.7%	5.3%
Non-controlling interests	0	9,872			
Time of sale	Dec. 15	Sep. 15	pending	Jan. 16	pending
Consideration received	14,539	23,952		see note 56)	
Net assets disposed without non-controlling interests	17,637	15,441			
Reclassification of translation reserve	-1,404	2,064			
Reclassification of capital reserves	-148	-103			
Result on disposal	**-4,649**	**10,472**			

The result of discontinued operations is as follows:

in '000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
Results of discontinued operations		
Income	81,668	101,205
Expenses	70,363	87,053
Profit before tax	**11,305**	**14,153**
Income tax expenses	3,234	2,765
Profit of the period	**8,071**	**11,388**
Profit attributable to equity holders of the parent company	7,266	10,424
Profit attributable to non-controlling interests	805	963

(52) Subsidiaries with material non-controlling interests

Summarised financial information is provided below for subsidiaries that have non-controlling interests that are material (larger than 10%) to the group. After consideration of ownership interests covered by put options, only ProCredit Bank Ukraine meets these criteria and is presented below:

	ProCredit Bank Ukraine	
in '000 EUR	31.12.2015	31.12.2014
Proportion of non-controlling interests	**27.8**	**54.4**
Total assets	297,882	229,746
Total liabilities	277,050	211,572
Net assets	**20,831**	**18,174**
Book value of non-controlling interests	5,800	9,877
Turnover	26,491	28,563
Profit of the period	3,087	2,540
Other comprehensive income of the period, net of tax	1,324	-11,537
Total comprehensive income of the period	**4,411**	**-8,997**
Profit attributable to non-controlling interests	859	1,380
Total comprehensive income attributable to non-controlling interests	1,228	-4,890
Cash flow from operating activities	37,753	14,919
Cash flow from investing activities	-4,144	-1,032
Cash flow from financing activities	10,201	-3,869
Net increase in cash and cash equivalents	**43,810**	**10,019**

(53) Related party transactions

The group's related parties include the parent company (ProCredit Holding), fellow subsidiaries, key management personnel (also from ProCredit General Partner AG), close family members of key management personnel and entities which are controlled or significantly influenced by key management personnel or their close family members.

All transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third party counterparts.

in '000 EUR	Holding company with its subsidiaries 1.1.–31.12.2015	Holding company with its subsidiaries 1.1.–31.12.2014	With key management personnel and their close family members 1.1.–31.12.2015	With key management personnel and their close family members 1.1.–31.12.2014
Income	24,014	27,783	4	117
Expenses	2,271	2,584	2,462	2,498
Net income	**21,743**	**25,199**	**–2,458**	**–2,381**
Assets				
Loans and advances to banks	235,202	242,586	0	0
Loans and advances to customers	3,227	3,226	3	0
Other Assets	912	614	80	117
Liabilities				
Liabilities to banks	1,228	1,486	0	0
Liabilities to customers	171	275	575	818
Subordinated loans	0	67,082	0	0
Other liabilities	160	247	0	166
Off-balance sheet positions				
Credit lines	110,363	121,250	0	0

(54) Management compensation

During the reporting period, total compensation paid to the management of ProCredit General Partner AG as the representative of the ProCredit Holding amounted to:

in '000 EUR	1.1.-31.12.2015	1.1.-31.12.2014
Short-term benefits	927	717
Post employment benefits	114	107
Total	**1,041**	**824**

Each member of the Supervisory Board receives a compensation of EUR 10 thousand.

(55) Number of employees

	2015		2014	
	Average	At year end	Average	At year end
Germany	353	345	381	380
Eastern Europe	1,156	1,046	1,943	1,481
South Eastern Europe	3,051	2,691	3,957	3,421
South America	2,056	1,926	2,552	2,157
Africa	0	0	394	355
Total	**6,616**	**6,008**	**9,227**	**7,794**

(56) Events after the reporting period

In January 2016, ProCredit Holding sold the majority of its participation in ProConfianza Mexico. The expected result from deconsolidation is as follows:

in '000 EUR	Mexico
Proportion of non-controlling interests	0.8%
Non-controlling interests	32
Time of sale	Jan. 16
Consideration received	3,646
Net assets disposed without non-controlling interests	4,165
Reclassification of translation reserve	–1,537
Reclassification of capital reserves	–712
Result on disposal	**–2,768**

Address and general information

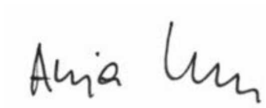
ProCredit Holding AG & Co. KGaA is a partnership limited by shares and is incorporated and domiciled in Germany. The postal address of its registered office is as follows:
Rohmerplatz 33 - 37, 60486 Frankfurt, Germany.

Frankfurt, 21 March 2016

ProCredit Holding AG & Co. KGaA
represented by:
ProCredit General Partner AG

Board of Management

Helen Alexander



Dr. Anja Lepp

Dr. Antje Gerhold

Dr. Gabriel Schor

Borislav Kostadinov

carbon neutral
natureOffice.com | DE-140-188484
print production

In the production of this report, 293 kg of CO_2 was generated during printing and transport. These emissions were made climate neutral by ProCredit Holding AG & Co. KGaA through the purchase of certificates from recognised climate protection projects under transaction ID code DE-140-188484; www.natureoffice.com.

RECYCLED
Paper made from recycled material
FSC® C003425
FSC
www.fsc.org

FSC certified: This document is made from 100% recycled material.

ProCredit

HOLDING

ProCredit Holding AG & Co. KGaA
Rohmerplatz 33-37
60486 Frankfurt am Main, Germany
Tel. +49-(0)69 - 95 14 37-0
Fax +49-(0)69 - 95 14 37-168
www.procredit-holding.com