ProCredit Bank

Part of the ProCredit Group

FINANCIAL STATEMENTS FOR THE YEAR 2015

ProCredit Bank SA

KPMG Audit SRL
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Independent Auditors' Report
(free translation[1])

To the shareholders of
ProCredit Bank S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of ProCredit Bank S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (referred to as "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements,

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1 TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code
RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

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whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of ProCredit Bank S.A. present fairly, in all material respects, the financial position of the Bank as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for the report on financial statements and the report on conformity or for the opinion we have formed.

Report on conformity of the Administrators' Report with the financial statements

In accordance with the Order of the National Bank of Romania no 27/2010 and related amendments, article no. 16 point (1) e) of the accounting regulations conforming with International Financial Reporting Standards, applicable to credit institutions, we have read the Administrators' Report attached to the financial statements and presented from page 1 to 10. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version	Refer to the original signed Romanian version

Furtuna Cezar-Gabriel

registered with the Chamber of Financial Auditors of Romania under no 1526/20.11.2003	registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 27 April 2016

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ProCredit Bank

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Statement of profit or loss

in LEI	Note	1.1-31.12. 2015	1.1-31.12. 2014
Interest and similar income		132,452,928	148,446,941
Interest and similar expenses		-31,803,656	-45,664,334
Net interest income	(20, 26)	**100,649,272**	**102,782,607**
Allowance for impairment losses on loans and advances		-16,094,941	-14,490,375
Net interest income after allowances	(9, 27)	**84,554,331**	**88,292,231**
Fee and commission income		18,856,514	19,712,900
Fee and commission expenses		-6,271,530	-5,313,893
Net fee and commission income	(21, 28)	**12,584,984**	**14,399,007**
Net result from foreign exchange transactions	(29)	5,164,270	5,713,324
Net result from available-for-sale financial assets	(30)	21,349	14,579
Net other operating income/expense	(31)	-5,501,027	-1,755,424
Operating Income		**96,823,908**	**106,663,716**
Personnel expenses	(32)	-41,216,900	-46,381,006
Administrative expenses	(32)	-27,105,516	-28,486,979
Operating lease expenses		-10,631,765	-11,505,610
Depreciation and amortisation	(39, 40)	-7,291,058	-10,042,335
Operating expenses		**-86,245,238**	**-96,415,931**
Operating result		**10,578,670**	**10,247,785**
Income tax (expenses)/ income	(14, 33)	-2,188,655	-847,516
Profit/Loss for the year		**8,390,015**	**9,400,269**

Statement of Other Comprehensive Income

in LEI	Note	1.1-31.12. 2015	1.1-31.12. 2014
Profit for the year		**8,390,015**	**9,400,269**
Items that may be reclassified subsequently to profit or loss			
Change in revaluation reserve from available-for-sale financial assets		73,553	31,468
Change in deferred tax on revaluation reserve from available for sale assets		-11,768	-5,035
Other comprehensive income for the year, net of tax		**61,784**	**26,433**
Total comprehensive income for the year		**8,451,799**	**9,426,702**

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 53.

The financial statements were reviewed and authorized for issue by the Board of Administration on 27 April 2016 and were signed on its behalf by:

Mariana Dimitrova Petkova
Deputy General Manager

Marius Emil Slemco
Head of Finance Department

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ProCredit Bank

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Statement of Financial Position

in LEI		As at 31 December	
Assets	Note	**2015**	**2014**
Cash and cash equivalents	(7, 34)	213,902,304	211,287,346
Loans and advances to banks	(8, 35)	58,852,673	111,420,146
Available-for-sale financial assets	(9, 36)	40,845,734	47,425,268
Loans and advances to customers	(8, 37)	1,146,591,114	1,200,699,294
Allowance for losses on loans and advances to customers	(9, 38)	-63,559,880	-78,816,210
Property, plant and equipment	(11, 14, 40)	19,124,008	13,638,684
Intangible assets	(10, 39)	6,018,420	3,647,249
Deferred tax assets	(14, 42)	4,664,719	6,865,143
Other assets	(43)	19,016,067	13,868,093
Out of which: Current tax assets		*3,304,712*	*3,189,427*
Total assets		**1,445,455,158**	**1,530,035,013**
Liabilities			
Liabilities to banks	(15, 44)	139,586,959	150,583,815
Liabilities to customers	(15, 45)	903,805,097	977,314,297
Liabilities to international financial institutions	(46)	204,804,619	214,425,709
Other liabilities	(48)	6,297,126	5,583,146
Provisions	(16, 47)	423,178	411,813
Subordinated debt	(18, 49)	39,595,984	39,225,837
Total liabilities		**1,294,512,964**	**1,387,544,617**
Equity			
Share capital	(19, 50)	159,681,721	159,681,721
Share premium		1,273,775	1,273,775
Legal reserve		3,039,032	2,510,099
Accumulated loss		-13,019,544	-20,880,626
Revaluation reserve from available-for-sale financial instruments		-32,790	-94,574
Total equity		**150,942,194**	**142,490,395**
Total equity and liabilities		**1,445,455,158**	**1,530,035,012**

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 55.

The financial statements were reviewed and authorized for issue by the Board of Administration on 27 April 2016 and were signed on its behalf by:

Mariana Dimitrova Petkova
Deputy General Manager

Marius Emil Slemco
Head of Finance Department

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Statement of Changes in Equity

in LEI	Attributable to equity holders of the Bank					
	Share capital	**Share premium**	**Legal reserve**	**Accumulated loss**	**Revaluation reserve AFS**	**Total**
Balance at January 1, 2015	**159,681,721**	**1,273,775**	**2,510,099**	**-20,880,626**	**-94,574**	**142,490,395**
Profit of the year 2015	-	-	-	8,390,015	-	8,390,015
Revaluation of afs securities	-	-	-	-	61,784	61,784
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income of the year 2015	**-**	**-**	**-**	**8,390,015**	**61,784**	**8,451,799**
Distributed dividends from profit 2014	-	-	-	-	-	-
Transfer to legal reserve	-	-	528,933	-528,933	-	-
Share Capital increase	-	-	-	-	-	-
Transactions with shareholders recorded directly in equity	**-**	**-**	**528,933**	**-528,933**	**-**	**-**
Balance at December 31, 2015	**159,681,721**	**1,273,775**	**3,039,032**	**-13,019,544**	**-32,790**	**150,942,194**
Balance at January 1, 2014	**159,681,721**	**1,273,775**	**1,997,710**	**-29,768,506**	**-121,007**	**133,063,693**
Profit of the year 2014	-	-	-	9,400,269	-	9,400,269
Revaluation of afs securities	-	-	-	-	26,433	26,433
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income of the year 2014	**-**	**-**	**-**	**9,400,269**	**26,433**	**9,426,701**
Distributed dividends from profit 2013	-	-	-	-	-	-
Transfer to legal reserve	-	-	512,389	-512,389	-	-
Share Capital increase	-	-	-	-	-	-
Transactions with shareholders recorded directly in equity	**-**	**-**	**512,389**	**-512,389**	**-**	**-**
Balance at December 31, 2014	**159,681,721**	**1,273,775**	**2,510,099**	**-20,880,626**	**-94,574**	**142,490,395**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 55.

Mariana Dimitrova Petkova
Deputy General Manager

Marius Emil Slemco
Head of Finance Department

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Cash Flow Statement

in LEI	Nota	1.1.-31.12.2015	1.1.-31.12.2014
Net profit after tax		**8,390,015**	**9,400,269**
Cash flows from operating activities			
Adjustments for:			
Allowance for impairment losses on loans and advances		24,586,110	17,552,680
Depreciation and amortisation		7,291,058	10,042,335
Other provisions		11,365	61,260
Net result from fixed assets		1,170,160	32,943
Dividends Income		-21,349	-14,579
Net income from recoveries from write-off loans		-8,488,605	-3,067,251
Other (including FX)		-3,053,385	-2,657,081
Income tax expense/revenue		2,188,655	847,516
Operating profit before changes in operating assets and liabilities		**32,074,023**	**32,198,093**
Change in minimum compulsory reserve		28,463,228	48,138,486
Change in loans and advances to customers		22,754,346	-122,327,142
Change in other assets		-5,147,974	-5,567,215
Change in deposit from banks		-10,385,250	104,513,500
Change in deposits from customers		-71,313,458	77,756,687
Change in other liabilities		39,564,310	-92,872,922
Net cash used in operating activities		**36,009,225**	**41,839,487**
Cash flows from investing activities			
Dividends received		21,349	14,579
Purchase of property, plant and equipment / intagible assets		-16,803,498	-9,888,460
Proceeds from sale of property, plant and equipment		485,786	458,937
Net cash used in investing activities		**-16,296,362**	**-9,414,944**
Proceeds from borrowings		136,223,755	133,656,040
Repayment of borrowing		-184,005,437	-81,212,251
Cash flow from financing activities		**-47,781,682**	**52,443,789**
Net increase in cash and cash equivalents			
Cash and cash equivalents at 31 December previous year		216,924,400	132,056,069
Net increase/(decrease) in cash and cash equivalents		-28,068,819	84,868,332
Cash and cash equivalents at 31 December	(34)	**188,855,581**	**216,924,400**
Cash flows from operating activities include:			
Interest received		134,548,515	148,484,564
Interest paid		-34,952,288	-47,646,713
Fees and commissions received		18,856,514	19,712,900
Fees and commissions paid		-6,271,530	-5,313,893
		112,181,211	**115,236,858**

Mariana Dimitrova Petkova
Deputy General Manager

Marius Emil Slemco
Head of Finance Department

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Notes to the Financial Statements

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Notes to the Financial Statements

A. Basis of Preparation

1) Compliance with International Financial Reporting Standards as endorsed by the European Union

ProCredit Bank S.A ("the Bank" or "ProCredit") prepares its financial statements according to International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). EU-endorsed IFRS may differ from the IFRS as published by the International Accounting Standards Board (IASB) if the EU does not adopt certain new or amended IFRS.

These financial statements of the Bank for the fiscal year 2015 were reviewed and authorized for issue by the Board of Administration on 27 April 2016 and were signed on its behalf by Mariana Dimitrova Petkova as Deputy General Manager and by Marius Emil Slemco as Head of Finance Department.

These financial statements have been prepared on the going concern assumption.

2) Use of estimates and judgements

The Bank's financial reporting and its financial result are influenced by accounting policies, assumptions, estimates, and management judgement which necessarily have to be made in the course of preparation of the 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. Revisions to estimates are recognized prospectively.

Accounting policies and management's judgments for certain items are especially critical for the Bank'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 bank-wide rates to be applied for collective loan loss provisioning, the Bank performed an evaluation of the quality of the loan portfolio, taking into account historical loss experiences. This migration analysis is based on statistical data from 2007 up to and including 2015 and therefore it reflects both, average losses during a period of constant growth and favourable economic environments as well as average losses during a period of global recession.

To determine total allowances for impairment of financial assets that are evaluated individually for impairment the Bank uses best estimates of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Further information on the Bank's accounting policy on loan loss provisioning can be found in note (9) and note (53)

(b) Recognition and valuation of deferred tax assets

The Bank 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 Bank's accounting policy on income taxes see note (14)). The profit projection is based on the latest business planning as approved by the Board of Administration of the Bank and therefore necessarily and appropriately reflects management's view of future business prospects. The tax planning period of the bank is three years. For details of the recognised amounts see notes (33) and (42).

(c) Functional and presentation currency

These financial statements are prepared in Romanian Lei ("LEI"), which is the Bank's functional currency.

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All amounts are presented in LEI, unless otherwise stated. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (LEI, EUR, %, etc).

The fiscal year of the Bank is the calendar year.

(d) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(e) Litigation

In the ordinary course of business, the Bank is routinely defendant in, or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In view of the inherent difficulty of predicting the outcome of such matters, the Bank cannot state what the eventual outcome of such matters will be.

(f) Determination of fair values

Determination of fair value for both financial instruments carried at fair value in the financial statements and financial instruments carried at amortized cost and for which the fair value is disclosed encompasses significant judgements and uncertainties related to the current market conditions. For more information on determination of fair values, please refer to note 25.

3) Accounting developments

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements.

Standards adopted by the European Union

(a) Amendments to IAS 1 "Presentation of Financial Statements" (Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)

Definition of materiality was modified for clarifying its applicability to the whole of the financial statement and to each disclosure requirement in an IFRS. Furthermore, the guidance on the order of the notes (including the accounting policies) have been amended, to: remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements and clarify that entities have flexibility about where they disclose accounting policies in the financial statements.
The Bank expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Bank.

(b) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

The amendments introduce a rebuttable presumption for the use of revenue-based amortisation method for tangible assets and introduce restrictions on the applicability of this method for intangible assets.
It is expected that the Amendments, when initially applied, will not have material impact on the Bank's financial statements as the Bank does not apply revenue-based methods of amortisation/depreciation.

(c) *Annual amendments to IFRS (2010 – 2012 and 2012 – 2014 cycles, most applicable to annual periods starting with 1 February 2015 or 1 January 2016)*The amendments introduce modifications of the standards. The amendments likely to impact the Bank's activity are presented below:

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- IFRS 8 – Operating segments: the amendments introduce requirements to disclose the judgements made in disclosing aggregated operating segments;
- IFRS 13 – fair value measurement: the amendments clarify that the short-term payables and receivables with no stated interest may be disclosed in the fair value note at their invoiced amounts if the effect of discounting is immaterial;
- IAS 16 and IAS 38 – clarify restatement of accumulated depreciation/amortisation at the revaluation date;
- IAS 24 – extend the definition of related parties;
- IAS 40 – Investment property: the amendments clarify criteria for separation between investment property according to IAS 40 or a business combination according to IFRS 3;
- IFRS 7 – Financial instruments: disclosures the amendments clarify continuing involvement in a transferred asset.
- IAS 27 - The amendments allow an entity to assess its subsidiaries, associates and joint ventures in the financial statements using the equity method. The Bank considers that this amendments will not have a material effect on the financial statements.

Standards that have not been adopted by the European Union

(a) IFRS 9 Financial Instruments (effective date: annual periods starting from January 1, 2018)

This standard replaces the provisions of IAS 39 „Financial instruments: recognition and evaluation" regarding the classification and assessment of financial assets.
Financial assets shall be classified by using one of two evaluation methods: at amortized cost and at fair value. A financial asset can be evaluated at amortized cost provided that the two following conditions are observed: assets must be held within the business model of the company, the objective being the management based on contractual return and cash flows at the dates specified according to the contractual terms must be represented only by principal and interest. Subsequent profit or loss from the value adjustments of assets measured at fair value are reflected in the income statement, excepting investments in capital instruments not held for trading, for which the standard allows the fair value measurement upon
initial recognition, the subsequent value modifications being recognized under the comprehensive income.
Incurred loss model from IAS 39 is replaced by expected loss model. Also, disclosure requirements are substantial.
The Bank is currently assessing the potential effects that the application of IFRS 9 may have on financial statements.

(b) IFRS 15 – Revenue from Contracts with Customers (Effective for annual periods beginning on or after January 2017, 1)

Issued on May 28, 2014 the standard replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC – 31. The standard is applicable to contracts with customers, other than insurance, financial instruments, leasing.
This standard prescribes a single model for the analysis of customer contracts and two approaches for revenue recognition - at a specific moment in time or during the contract, depending on the time of fulfilling the obligation under the contract.

The Bank does not believe that these amendments will have a significant effect on the individual financial statements as most contracts with customers are subject to other standards.

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

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B. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4) Measurement basis

These financial statements have been prepared under the amortised cost convention, unless IFRS require recognition at fair value. Financial instruments measured at fair value for accounting purposes on an on-going basis include all instruments at fair value through profit or loss and financial instruments classified as available-for-sale. The measurement techniques applied to the balance sheet positions are specified in the accounting policies listed below.

5) Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The bank holds no held-to-maturity instruments and no instruments carried at fair value through profit and loss. Management determines the classification of financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank 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. At each balance sheet date and whenever there is evidence of potential impairment, the Bank assesses the amount of allowance for impairment of its loans and receivables. Their carrying amount may be reduced as a consequence through the use of an allowance account (see note 9) on the accounting policy for impairment of credit exposures, and notes (27), (38), and (53) for details regarding impairment of credit exposures. If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the income statement. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been calculated at 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 when the Bank has transferred substantially all risks and rewards of ownership.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as: (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

At initial recognition, available-for-sale financial assets are recorded at fair value including transaction costs. Subsequently they are carried at fair value. The fair values reported are either observable market prices in active markets or values calculated with a valuation technique based on currently observable market data. For very short-term financial assets it is assumed that the fair value is best reflected by the transaction price itself. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity in 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 (9)). At this time, the cumulative gain or loss previously recognised in equity in other comprehensive income is recognised in profit or loss as "gains and losses from available-for-sale financial assets". Interest is 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 income statement. Dividends on available-for-sale equity instruments are recognised in the income statement 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 when the bank has transferred substantially all risks and rewards of ownership.

6) Foreign currency translation

(a) *Functional and presentation currency*

Items included in these financial statements presented in LEI, which is the functional currency of the Bank.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement (trading result).

Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Conversion differences related to changes in the amortised cost are recognised in profit or loss, while other changes in the carrying amount are recognised in equity.

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

The reporting exchange rates and average rates for the period used in the balance sheet and the income statement are listed in section (66) of these notes.

7) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents inludes cash, cash balances in ATM, balances with less than three months' maturity from the date of acquisition when eligible for discounting with central banks, other money market instruments that are highly liquid and readily convertible to known amounts of cash with insignificant risk of changes in value, and bills of exchange and other bills eligible for discounting with central banks.

Generally, all cash and cash equivalent items are recognised at their nominal value. Treasury bills and other money market instruments that qualify as cash equivalents are classified as available-for-sale financial assets and measured at fair value.

For the purposes of the statement of cash flows, cash and cash equivalents include cash balances on hand, unrestricted balances held at central bank, and cash balances in ATM, current accounts with banks and placements with other banks with less than 90 days original maturity and are used by the Bank in the management of its short-term commitments.

8) Loans and advances to banks/customers

The amounts reported under receivables from customers consist mainly of loans and advances issued.

In addition to overnight and term deposits, the amounts reported under receivables from banks include current account balances.

All loans and receivables from banks as well as loans and receivables from customers fall under the category "loans and receivables" and are carried at amortised cost, using the effective interest method. Amortised premiums and discounts are accounted for over the respective terms in the income statement under net interest income. Impairment of loans is recognised in separate allowance accounts (see note (9)).

For the purposes of the cash flow statement, claims to banks with a remaining maturity of less than three months from the date of acquisition are recognised under cash and cash equivalents (see note (34)).

9) 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 Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a 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. 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 income statement. Losses from expected future events are not recognised.

- Individually assessed loans and advances

Credit exposures are considered individually significant if they exceed EUR 30,000. For such credit exposures, it is assessed whether objective evidence of impairment exists, 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, reflected in more than 30 days debt service
- debtor's significant financial difficulties, caused either by certain factors specific to their activity, or certain major changes of the economic environment in which they operate (e.g. debtor's financial performance category D or E, debtor's risk classification 8).
- breach of covenants or conditions, unless the bank decides to waive or modify the covenant or conditions
- initiation of bankruptcy proceedings
- initiation of foreclosure procedures by the Bank
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group
- the bank, for either economic or legal reasons related to the debtor's significant financial difficulties, grants them a concession that they would not enjoy otherwise (e.g. restructuring operation by the reduction of interest rate or by offering a grace period or moratorium more than three, respectively twelve months (agricultural and other seasonal businesses))

An individual assessment can also be carried out in cases of credit exposure below EUR 30,000 if they show signs of impairment. Additionally, the aggregate exposure to the client and the realisable value of collateral held are taken into account when deciding on the allowance for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets'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 determined under the contract.

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

- Collectively assessed loans and advances

There are two cases in which credit exposures are collectively assessed for impairment:

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- individually insignificant credit exposures that show objective evidence of impairment;
- groups of credit exposures which do not show signs of impairment, in order to cover all losses which have already been incurred but not detected on an individual credit exposure basis.

For the purposes 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 and on the restructured/non-restructured status, single or multiple restructuring, with insolvency procedures started or not. Arrears of 30 or more days are considered to be a sign of impairment. This characteristic is relevant for the estimation of future cash flows for the so defined groups of such assets, based on historical loss experiences with loans that showed similar characteristics.

The collective assessment of impairment for individually insignificant credit exposures (lump-sum impairment) and for unimpaired credit exposures (portfolio-based impairment) belonging to a group of financial assets is based on a quantitative analysis of historical default rates for loan portfolios with similar risk characteristics (migration analysis). After a qualitative analysis of this statistical data, management prescribed appropriate rates as the basis for portfolio-based impairment allowances.

Future cash flows in a group of financial assets that are collectively evaluated 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 Bank 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 income statement.

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. In case there are outstanding loan exposures, that register over 360 days in arrears and for which recovery through forced execution has not been initiated, the Bank will proceed to the writing-off these exposures. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the income statement.

Restructured credit exposures
Restructured credit exposures which show signs of impairment and which are considered to be individually significant are provisioned 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 with arrears more than 30 days and which are individually insignificant or restructured loans which do not show signs of impairment are collectively assessed for impairment.

Assets acquired in exchange for loans (repossessed property)
Non-financial assets acquired in exchange for loans as part of an orderly realisation are reported in "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. No depreciation is charged for assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement 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 bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In determining whether an available-for-sale financial asset is impaired the following criteria are considered:

- deterioration of the ability or willingness of the debtor to service the obligation;
- a political situation which may significantly impact the debtor's ability to repay the loan;
- additional events that make it unlikely that the carrying amount may be recovered.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.
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 income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement at any point thereafter. 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 the income statement, the impairment loss is reversed through the income statement.

The Bank primarily invests in government securities with fixed interest rates. Impairments on these investments are recognised when objective evidence exists that the government is unable or unwilling to service these obligations.

10) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses (see Note 12).

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

11) Property, plant and equipment

Land and buildings comprise mainly branches and offices investments. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see Note 13). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are recognised separately if they have different useful lives or provide benefits to the bank 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 bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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– Buildings	40 years
– Leasehold improvements	shorter of rental contract life or useful life
– Furniture and equipment	5 – 12 years
– Motor vehicles	6 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The bank does not hold investment property.

12) Impairment of non-financial assets

Non-financial assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Cash Generating Unit (CGU) is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A CGU 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.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

13) Leases

The Bank is not engaged in finance leases. In operating leases the Bank acts only as lessee. The total payments made under operating leases are charged to the income statement under administrative expenses on a straight-line basis over the period of the lease. The leasing objects are recognised by the lesser.

The Bank applies IFRIC 4, which requires it to determine if an arrangement contains a lease. The relevant contracts and agreements of the bank do not contain any leases which would lead to a disclosure according to IAS 17.

14) Income tax

Current income tax

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

Deferred income tax

Deferred income tax is recognised in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements prepared in conformity with IFRS adopted by EU. Deferred tax assets and liabilities are determined using the tax rate (and law) that has been enacted as of the balance sheet date and is 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 three years.

The main temporary differences arise from revaluation of certain financial assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction

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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.

The tax effects of income tax losses available for carry forward are recognised as a deferred tax asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value remeasurement of available-for-sale investments, which are charged directly to equity in other comprehensive income, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss. For informational reasons, the presentation is made on a gross basis.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

The tax rate used to calculate the current and deferred tax position as at 31 December 2015 was 16% (31 December 2014: 16%)."

Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization.

Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards. The Authority regulated in time the tax implications on both, tax neutrality of IFRS implementation and on budgetary sources, by often amending related legislation.

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

Tax liabilities of the Bank are opened to a general tax inspection for a period of five years.

15) Liabilities to banks and customers

Liabilities to banks and customers are recognised initially at fair value net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the liability using the effective interest rate method.

All financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

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16) Provisions

Provisions are recognised when:

- 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;
- 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 not be 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 bank, they are not recognised in the financial statements but are disclosed off-balance sheet unless the probability of settlement is remote (see note (61)).

The provisions for off-balance sheet credit risks relates primarily to undrawn lending commitments, letters of credit and letters of guarantee. Provisions related to off-balance sheet credit exposures are determined at each balance sheet date, by applying the provisioning rates, which are reviewed on annual basis and are set based on the loss rates determined through migration analysis, to the irrevocable off-balance sheet credit exposure.

Contribution to the Deposit Guarantee Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "Fund") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Bank applied IFRIC 21 "Taxes", as this contribution to the Fund corresponds to a tax that needs to be fully recognized as an expense at the time the generating event occurs.

17) Post-employment benefits and other employee benefits

(a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(b) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income as incurred.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the statement of comprehensive income as incurred. The Bank does not have any further obligations.

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The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

18) Subordinated debt

Subordinated debt consists mainly of liabilities to shareholders and other international financial institutions which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. There is no obligation to repay early.

Following initial recognition at fair value, the subordinated debt is recognised at amortised cost. Premiums and discounts are accounted for over the respective terms in the income statement under "net interest income".

19) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds as (negative) capital reserve.
Dividends on ordinary shares are treated as an appropriation of profit in the period in which they are approved by the Bank's shareholders.

20) Interest income and expense

Interest income and expenses for all interest-bearing financial instruments, are recognised within "interest income" and "interest expense" in the income statement using the effective interest rate method. Interest income and expense are recognised in the income statement in the period in which they arise.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis and interest on available-for-sale investment securities calculated on effective interest basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

21) Fee and commission income and expenses

Fee and commission income and expenses other than those related to the origination of a financial instrument are recognised on an accrual basis when the service has been provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Other fees and commission income, including account servicing fees, foreign currency transactions fees, fees for guarantees given and opening of letter of credit fees are recognised as the related services are performed on an accrual basis.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

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22) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

23) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

24) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured subsequent to initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

25) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.
When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The same standard defines a fair value hierarchy which categorises into three levels 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.

Level 2 Inputs
Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs
Unobservable inputs for the asset or liability.

C. Notes to the Statement of profit or loss and other comprehensive income

26) Net interest income

in LEI

Interest and similar income	**1.1.-31.12.2015**	**1.1.-31.12.2014**
Interest income from		
Cash and cash equivalents and loans and advances to banks	393,640	1,126,924
Interest income from available-for-sale assets	572,608	1,026,454
Interest income from loans and advances to customers	131,486,679	146,293,563
Total interest income	**132,452,928**	**148,446,941**

Interest and similar expenses	**1.1.-31.12.2015**	**1.1.-31.12.2014**
Interest expenses on		
Liabilities to banks	9,528,469	8,300,428
Liabilities to customers	17,179,435	28,368,488
Liabilities to international financial institutions	2,748,204	6,298,678
Subordinated debt	2,347,548	2,696,740
Total interest expenses	**31,803,656**	**45,664,334**
Net interest income	**100,649,272**	**102,782,607**

The interest income from loans and advances to customers for the year ended 31 December 2015 includes interest income on impaired loans amounting to LEI 3,957,340 (2014: LEI 3,651,083).

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27) Allowance for impairment losses on loans and advances

There is no allowance for impairment on loans and advances to banks and available for sale assets.

Risk provisions on loans and advances to customers are reflected in the income statement as follows:

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Increase of impairment charge	64,412,086	50,182,450
Increase of impairment charge off balance sheet items	40,206	29,594
Release of impairment charge	-39,825,976	-32,629,770
Release of impairment charge off balance sheet items	-42,770	-24,647
Recovery of written-off loans	-8,488,605	-3,067,251
Total	**16,094,941**	**14,490,375**

28) Net fee and commission income

in LEI **Fee and commission income**	**1.1.-31.12.2015**	**1.1.-31.12.2014**
Payment transfers and transactions	8,944,074	9,110,659
Account maintenance fee	4,788,479	5,211,127
Letters of credit and guarantees	175,512	153,307
Debit/ credit cards	3,353,781	3,508,129
Other fee and commission income	1,594,668	1,729,678
Total fee and commission income	**18,856,514**	**19,712,900**

Fee and commission expenses	**1.1.-31.12.2015**	**1.1.-31.12.2014**
Payment transfers and transactions	855,342	606,498
Account maintenance fee	339,202	210,044
Letters of credit and guarantees	15,388	29,109
Other fee and commission expenses	5,061,598	4,468,242
Total fee and commission expenses	**6,271,530**	**5,313,893**

Net fee and commission income	**12,584,984**	**14,399,007**

29) Net result from foreign exchange transactions

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

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Currency transactions	5,116,438	5,609,948
Revaluation general	47,833	103,376
Total	**5,164,270**	**5,713,324**

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30) Net result from available-for-sale financial assets

This item includes the gains or losses from disposal of available-for-sale financial assets as well as impairment losses and gains from reversal of impairment.

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Net result from disposal of available-for-sale financial assets	21,349	14,579
Total	**21,349**	**14,579**

31) Net other operating income/expenses

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Other operating income	8,076,073	2,927,643
Other operating expenses	13,577,100	4,683,067
Total	**-5,501,027**	**-1,755,424**

This item includes net result from the disposal/sale of tangible and intangible assets, expenses for "Fondul de Garantare a Depozitelor in Sistemul Bancar", expenses from legal case against the bank and other operative income/expenses.

32) Personnel and administrative expenses

Personnel expenses can be broken down as follows:

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Salary expenses	31,781,208	34,938,261
Social security expenses	7,226,164	9,259,418
out of which pension contribution	*5,032,783*	*6,836,608*
Other personnel expenses	885,425	1,188,745
Training and recruiting expenses	1,324,103	994,582
Total	**41,216,900**	**46,381,006**

"Administrative expenses" include the following items:

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Communication and IT expenses	6,780,931	6,285,117
Transport	3,543,025	3,252,280
Office supplies	1,332,004	1,774,114
Security service	897,854	1,040,314
Marketing, advertising and entertainment	602,470	1,631,727
Construction, repairs and maintenance	912,560	768,496
Other tax expenses	5,359,566	5,419,311
Consultancy, Legal and Audit fees	3,491,931	4,052,601
Insurance	603,798	648,956
Utilities	1,027,173	1,100,925
Other administrative expenses	2,554,205	2,513,138
Total	**27,105,516**	**28,486,979**

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The total expense booked in relation with the bank's external auditor in 2015, for audit of IFRS Individual Financial Statements of the Bank was 56.007 LEI (2014: 56.002 LEI).

33) Income tax expenses/income

This item includes all taxes on income. Income tax expenses were as follows:

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Current tax expense	-	-
Deferred tax (expense)/income	-2,188,655	-847,516
Total	**-2,188,655**	**-847,516**

D. Notes to the Statement of Financial Position

34) Cash and cash equivalents

Cash and cash equivalents comprise the following items:

	As at 31 December	
in LEI	2015	2014
Cash in hand	60,137,881	41,200,347
Balances at central banks excluding mandatory reserves	29,046,296	16,905,642
Mandatory reserve deposits	124,718,128	153,181,356
Total cash and cash equivalents	**213,902,304**	**211,287,346**

The following cash equivalents have been considered as cash for the cash flow statements:

	As at 31 December	
in LEI	2015	2014
Cash equivalents recognised in the balance sheet statement	213,902,304	211,287,346
Available-for-sale financial assets	40,818,732	47,398,266
Loans and advances to banks with a maturity up to 3 months, which qualify as cash for the cash flow	58,852,673	111,420,146
Minimum reserve with central bank	-124,718,128	-153,181,356
Total cash equivalents for cash flow statement	**188,855,581**	**216,924,401**

The cash held with the Central Bank ensures compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2015 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with maturity lower than 2 years and for funds raised with residual maturity greater than 2 years, which foresee contractual clauses regarding reimbursements, withdrawals, anticipated transfers, are as follows: 8% for funds raised denominated in LEI and 14% for funds raised denominated in foreign currency (31 December 2014: 10% for funds raised denominated in LEI and 14% for funds raised denominated in foreign currency).

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35) Loans and advances to banks

Loans and advances to banks are as follows:

in LEI	As at 31 December 2015	2014
Loans and advances to banks in OECD countries	1,889,280	6,029,620
Loans and advances to banks in non-OECD countries	13,918,485	84,842,308
Loans and advances to banks in Group Banks	43,044,908	20,548,218
Total	**58,852,673**	**111,420,146**

Loans and advances to Banks comprise of current accounts held at other banks and deposits with banks. Current accounts held at other banks are at the immediate disposal of the Bank. The deposits with banks are unencumbered.

36) Available-for-sale financial assets

This balance sheet item primarily includes securities with fixed interest rates, most of which are treasury bills.

in LEI **Available-for-sale financial assets**	As at 31 December 2015	2014
Fixed interest rate securities (banks and Tbills)	40,818,732	47,398,266
Shares in companies located in non-OECD countries	27,002	27,002
Total available-for-sale financial assets	**40,845,734**	**47,425,268**

37) Loans and advances to customers

Loans and advances to customers are as follows:

in LEI

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	777,811,761	-44,353,179	733,458,582	67.8%	7,909	52.6%
Agricultural loans	365,247,511	-18,518,636	346,728,874	31.9%	7,034	46.8%
Housing improvement	1,032,867	-84,218	948,649	0.1%	38	0.3%
Consumer loans *	1,347,646	-81,561	1,266,084	0.1%	37	0.2%
Other loans	1,151,331	-522,286	629,044	0.1%	26	0.2%
Total	**1,146,591,114**	**-63,559,880**	**1,083,031,234**	**100.0%**	**15,044**	**100.0%**

* consumer loans also include overdrafts to private individuals

in LEI

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	793,067,869	-60,856,029	732,211,840	66.1%	10,424	49.0%
Agricultural loans	402,993,046	-17,540,949	385,452,097	33.6%	10,605	49.9%
Housing improvement	1,754,657	-181,535	1,573,122	0.1%	130	0.6%
Consumer loans *	2,076,584	-187,025	1,889,559	0.2%	56	0.3%
Other loans	807,138	-50,672	756,466	0.1%	52	0.2%
Total	**1,200,699,294**	**-78,816,210**	**1,121,883,084**	**100.0%**	**21,267**	**100.0%**

* consumer loans also include overdrafts to private individuals

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38) Allowance for losses on loans and advances

Allowance for impairment losses on loans and advances cover the risks which arise from the category "loans and receivables" (see also note (9) and note (53)). In addition to the allowance for specific impairment losses for receivables for which there is objective evidence of impairment, lump-sum specific provisions and a general allowance were formed to cover impairment loss relating to the customer loan portfolio as a whole:

	As at 31 December	
in LEI	2015	2014
Allowance for impairment on loans and advances to customers		
Specific impairment	32,966,131	35,498,197
Allowance for individually insignificant impaired loans	20,052,490	31,384,488
Allowance for collectively assessed loans	10,541,259	11,933,525
Total	**63,559,880**	**78,816,210**

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

in LEI As at January 1	2015	2014
Allowance for impairment on loans and advances to customers	78,816,210	71,575,641
Additions	64,412,086	50,182,450
Amount used for write offs/portfolio sale	-39,745,965	-10,351,002
Releases	-39,825,976	-32,629,770
Exchange rate adjustments	-96,474	38,891
As at December 31	**63,559,880**	**78,816,210**

39) Intangible assets

The development of intangible assets is shown in the following tables:

	As at 31 December	
in LEI	2015	2014
Net book value at January 1	3,647,249	3,590,820
Total acquisition costs at January 1	20,929,481	25,699,823
Additions	6,060,466	4,667,490
Disposals	62,384	9,437,832
Total acquisition costs at December 31	**26,927,563**	**20,929,481**
Accumulated depreciation January 1	17,282,231	22,109,002
Depreciation	3,630,103	4,611,061
Accumulated depreciation for disposal	3,191	9,437,832
Accumulated depreciation at December 31	**20,909,143**	**17,282,231**
Net book value at December 31	**6,018,420**	**3,647,249**

40) Property, plant and equipment

The development of property, plant and equipment was as follows:

in LEI As at December 31, 2015	Land and buildings	Leasehold improvements	Furniture's and fixtures	IT and other equipment	Total
Net book value at January 1, 2015	2,429,888	3,610,410	926,113	6,672,274	13,638,684
Total acquisition costs at January 1, 2015	3,165,867	16,969,133	3,421,909	27,117,355	50,674,264
Additions	-	3,288,296	1,639,625	5,815,111	10,743,032
Disposals	-	5,912,470	866,129	5,627,018	12,405,617
Total acquisition costs at December 31, 2015	**3,165,867**	**14,344,959**	**4,195,406**	**27,305,448**	**49,011,679**
Accumulated depreciation January 1, 2015	735,979	13,358,723	2,495,796	20,445,081	37,035,579
Depreciation	79,242	1,257,654	207,091	2,149,556	3,693,542
Accumulated depreciation for disposal		5,057,794	746,894	5,036,763	10,841,450
Accumulated depreciation at December 31, 2015	**815,221**	**9,558,583**	**1,955,993**	**17,557,874**	**29,887,671**
Net book value at December 31, 2015	**2,350,646**	**4,786,376**	**2,239,412**	**9,747,573**	**19,124,008**

in LEI As at December 31, 2014	Land and buildings	Leasehold improvements	Furniture's and fixtures	IT and other equipment	Total
Net book value at January 1, 2014	2,509,129	3,814,133	1,010,368	7,007,239	14,340,869
Total acquisition costs at January 1, 2014	3,165,867	15,677,375	3,348,548	27,737,848	49,929,637
Additions	-	1,293,805	156,936	3,770,230	5,220,970
Disposals	-	2,047	83,574	4,390,723	4,476,344
Total acquisition costs at December 31, 2014	**3,165,867**	**16,969,133**	**3,421,909**	**27,117,355**	**50,674,264**
Accumulated depreciation January 1, 2014	656,737	11,863,242	2,338,180	20,730,609	35,588,768
Depreciation	79,242	1,497,529	235,607	3,618,897	5,431,274
Accumulated depreciation for disposal		2,048	77,990	3,904,425	3,984,463
Accumulated depreciation at December 31, 2014	**735,979**	**13,358,723**	**2,495,796**	**20,445,081**	**37,035,579**
Net book value at December 31, 2014	**2,429,888**	**3,610,410**	**926,113**	**6,672,274**	**13,638,684**

41) Operating lease commitments

in LEI	As at 31 December 2015	2014
Operating lease commitments		
- no later than one year	8,781,545	10,762,532
- later than one year and no later than five years	24,406,553	18,926,857
- later than five years	1,013,548	1,204,654
Total	34,201,646	30,894,043

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Operating lease commitments result from non-cancellable rental agreements for properties; the amounts in the above table are calculated based on current rental agreements.

42) Income taxes

Deferred income taxes are recognised in full, under the balance sheet method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, using the applicable local tax rate.
The table below shows the changes in deferred income taxes and the underlying business transactions:

in LEI	As at 31 December	
Deferred taxes	**2015**	**2014**
At January 1	6,865,143	7,717,693
Available-for-sale securities:		
- fair value measurement	-11,768	-5,035
Charges to income statement	-2,188,655	-847,516
Total	**4,664,719**	**6,865,143**

in LEI		
Deferred tax assets / liabilities	**2015**	**2014**
Other provisions	61,314	59,124
Tax loss carried forward	5,034,044	6,788,004
Temp. differences, Equity reserve afs	6,246	18,014
Other temporary differences	-436,885	-
Total	**4,664,719**	**6,865,143**

The following table show the business activities to which the profit and loss from deferred taxes is related:

in LEI		
Deferred tax charges	**31.12.2015**	**31.12.2014**
Other provisions	2,190	12,200
Tax loss carried forward	-1,753,960	-859,716
Other temporary differences	-448,653	-5,035
Total	**-2,200,424**	**-852,551**

The effective tax reconciliation is shown in the following table:

in LEI	**31.12.2015**	**31.12.2014**
Profit/(loss) before tax	10,578,670	10,247,785
Tax expected	1,692,587	1,639,646
Tax effects of items which are not deductible:		
- non-taxable income	-2,301,156	-1,657,099
- non-tax deductible expenses	2,501,927	864,970
Income tax expense for the year according to IFRS	**1,893,358**	**847,516**
Changes in deferred tax assets	-2,200,423	-859,716
Changes in deferred tax liabilities	11,768	12,200
Current taxes	**-2,188,655**	**-847,516**

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43) Other assets

Other assets are as follows:

in LEI	As at 31 December 2015	2014
Prepayments	8,162,985	5,093,402
Repossessed properties	716,712	751,544
Claims from customs and taxes	5,904,477	4,849,559
Guarantees	839,689	674,355
Other inventory items	343,044	455,607
Others	3,049,159	2,043,627
Total	**19,016,067**	**13,868,093**

Repossessed properties as shown in the above table are carried at the lower of the previous carrying amount of the written-off loan and fair value less cost to sell. Repossessed properties are sold at the highest possible price, typically via public auction. Most repossessed property consists of land and buildings.

44) Liabilities to banks

in LEI	As at 31 December 2015	2014
Liabilities to banks in OECD countries	139,586,959	150,583,815
Liabilities to banks in non-OECD countries	-	-
Total	**139,586,959**	**150,583,815**

45) Liabilities to customers

Liabilities to customers consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

in LEI	As at 31 December 2015	2014
Current accounts	**241,374,766**	**221,138,489**
-private individuals	80,929,451	108,612,121
-legal entities	160,445,315	112,526,368
Savings accounts*	**54,758,280**	**54,368,506**
-private individuals	22,788,366	23,348,148
-legal entities	31,969,914	31,020,359
Term deposit accounts	**606,335,569**	**700,601,398**
-private individuals	487,338,088	595,199,669
-legal entities	118,997,481	105,401,729
Other liabilities to customers	**1,336,483**	**1,205,903**
Total	**903,805,097**	**977,314,297**

*including Collateral Deposits

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The category "legal entities" includes liabilities to non-governmental organisations (NGOs) and public-sector institutions.

46) Liabilities to international financial institutions

Liabilities to international financial institutions are an important source of financing for the Bank. Medium- to long-term loans from international financial institutions are reported under this item.

The following table gives a detailed breakdown for this item

in LEI	Due	As at 31 December 2015	2014
European Fund for Southeast Europe ("EFSE")	2015	-	11,302,636
European Bank for Reconstruction and Development	2015	-	22,523,455
European Investment Bank ("EIB")	2024	132,885,975	134,437,123
European Investment Fund ("EIF")	2025	71,918,644	29,144,204
Pettelaar Effectenbewaarbedrij N.V.	2015	-	17,018,290
Total		**204,804,619**	**214,425,709**

47) Provisions

in LEI	As at 31 December 2015	2014
As at January 1	411,813	350,553
Additions	423,421	399,122
Used	- 369,528	- 313,279
Released	- 42,770	- 24,583
Exchange rate adjustments	243	-
As at December 31	**423,178**	**411,813**

in LEI	As at 31 December 2015	2014
Provisions for imminent losses from off-balance sheet items	39,963	42,285
Provisions for untaken vacation	383,215	369,528
Total	**423,178**	**411,813**

For the provisions for untaken vacation and for off-balance sheet items the outflow of economic benefits is expected during the three months following the balance sheet date.
Provisions for imminent losses from pending transactions include provisions for legal cases against the Bank.

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48) Other liabilities

in LEI	As at 31 December 2015	2014
Deferred income	257,204	433,053
Accrued payables	1,172,552	1,425,889
Liabilities for goods and services	3,602,260	1,788,847
Liabilities to employees	520	1,474
Liabilities from social insurance contributions	803,859	1,153,635
Liabilities to state budget	460,731	761,410
Others	-	18,837
Total	**6,297,126**	**5,583,146**

49) Subordinated debt

The subordinated debt can be broken down as follows:

in LEI Received from (principal)	Due	As at 31 December 2015	2014
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2025	13,573,500	13,446,300
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2025	9,049,000	8,964,200
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2025	16,966,875	16,807,875
Total		**39,589,375**	**39,218,375**

Accrued interest on subordonated debt	2015	2014
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	6,609	7,462
Total	**39,595,984**	**39,225,837**

Creditors' claims for repayment of these liabilities are subordinated to the claims of other creditors. There is no obligation to repay early. In the case of liquidation or insolvency, they will only be paid after the claims of all non-subordinated creditors have first been satisfied.

50) Share capital

As at 31 December 2015 (compared to 2014), the shareholder structure was as follows:

în LEI	2015			2014		
Shareholder	Size of stake in %	Number of shares	Amount	Size of stake in %	Number of shares	Amount
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	99.9994	16,177,044	159,680,734	99.9994	16,177,044	159,680,734
IPC - Internationale Projekt Consult GmbH Frankfurt am Main, Germany	0.0006	100	987	0.0006	100	987
Capital total	**100.0%**		**159,681,721**	**100.0%**		**159,681,721**

The par value per share is LEI 10.00.

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Share premium:

	Date	LEI
Premium paid by ProCredit Holding AG & Co. KGaA	April 2008	1,273,775
As at December 31, 2015		**1,273,775**

Reserves:

in LEI	As at 31 December 2015	2014
Legal reserve	3,039,032	2,510,099
General banking risks reserve	6,166,252	6,166,252
Total	**9,205,284**	**8,676,351**

Legal reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's statutory gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve was appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks until the end of 2006 as required by local legislation. In the Statement of the Financial position is presented under Accumulated loss.

E. Risk Management

51) Management of the overall Bank risk profile

1. The risk profile and the risk appetite

The main principle behind the risk management framework of ProCredit Bank SA is that the Bank is not allowed to take more risk than it is capable of bearing. Therefore, the Board of Administration establishes an overall risk profile and a risk profile for each of the significant risks identified by the Bank. The main purpose of these risk profiles is that of defining the risk appetite as the acceptable limits within which the Bank's activity should be pursued in order to reach the business goals.

The significant risks acknowledged by the Bank are: credit risk, counterparty risk (including issuer risk), liquidity risk, interest rate risk, foreign currency risk, business risk (including strategic risk), operational risk, compliance risk and reputational risk. The Bank evaluates the risk exposure to each significant risk through the risk profile indicators on a monthly basis, and compares the results with the defined risk appetite. The outcome of this analysis is reported regularly to the Board of Administration.

Currently, the Bank's overall risk appetite is established as the medium-low to medium interval, while the overall risk tolerance is established as the low to medium-high interval. The risk profile targets for each significant risk are medium-high for credit risk, medium for liquidity risk, interest rate risk, operational risk and business risk (including strategic risk), and medium-low for counterparty risk, foreign currency risk, reputational risk and compliance risk.

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2. Capital management

The capital management of the Bank has the following objectives:

- Ensuring that the Bank's capital is permanently adequate, both as to volume and quality in order to cover the (potential) losses arising from different risks even under extreme circumstances.
- Full compliance with external capital requirements set by the regulator.
- Meeting the internally defined minimum capital adequacy requirements.
- Enabling the Bank to implement its plans for continuinggrowth while following its business strategy.

The internal capital adequacy assessment process of ProCredit Bank SA is governed by the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Policy. The main tools used to assess and monitor the capital adequacy of the Bank are the Regulatory capital ratios, the Internal Capital Requirement, the Tier 1 leverage ratio and the risk bearing capacity. These tools are monitored on a monthly basis by the Bank's Managers, the Audit and Risk Management Committee and ultimately by the Board of Administration

External minimum capital requirements are imposed and monitored by the local banking system supervisory authority, namely National Bank of Romania. Capital adequacy is calculated according to the International Financial Reporting Standards and are reported to the Bank's Managers and Audit and Risk Management Committee on a monthly basis. These reports include rolling forecasts to ensure not only current but also future compliance.

The following table shows the Bank's capital adequacy ratios, calculated according to the provisions of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investments firms ("CRR") corroborated with Regulation (National Bank of Romania) no. 5/2013 on prudential requirements for credit institutions.

Calculation based on NBR regulations	**2015**	**2014**
Common Equity Tier 1/ Risk Weighted Assets	14.84%	14.55%
Tier 1 Capital / Risk Weighted Assets	14.84%	14.55%
Tier 1 + Tier 2 Capital / Risk Weighted Assets	18.90%	18.67%

	As at 31 December	
in LEI	**2015**	**2014**
Ordinary share capital	159,681,721	159,681,721
Capital reserve	1,273,775	1,273,775
Legal reserves	3,039,032	2,510,099
Accumulated losses	-13,019,544	-20,880,626
Less other intangibles	-6,018,420	-3,647,249
Less other regulatory adjustment	-32,790	-94,574
Common Equity Tier I	**144,923,774**	**138,843,146**
Tier I capital	**144,923,774**	**138,843,146**
Qualifying Subordinated liabilities	39,589,375	39,218,375
Tier II capital	**39,589,375**	**39,218,375**
Regulatory adjustment	-	-
Total regulatory capital	**184,513,149**	**178,061,521**
RWA on balance	756,718,678	745,606,863
RWA off balance	4,504,839	4,891,388
RWA from operational risk	215,288,350	203,438,638
Total RWA	**976,511,867**	**953,936,889**

The regulatory capital ratios are complemented by internal capital requirements. Under Basel III Pillar I framework, the Bank calculates capital charges for credit and market risks using Standardized Approach and for operational risk using the Basic Indicator Approach. Under Basel III Pillar II framework, the Bank calculates additional capital charges for risks not covered by Pillar I or not fully covered by Pillar I.

During 2015 the Bank has updated its internal capital adequacy assessment process by modifying several methodologies used to quantify the concentration and business risks. In respect of sectorial concentration risk quantification the Bank started to use beside obligor's main NACE code (sections level) also the main obligor's financed activity. In respect of business risk the Bank excluded one off transactions (i.e. sell of the non-performing loan portfolio) from both budgeted and realized, considering the undue effect of such transactions on the regular long term business activity.

As of 31st, December 2015 the internal capital requirement expressed as a ratio of regulatory capital over risk weighted assets was 13.93% well in excess of minimum limit of 8% established through the capital management policy.

52) Management of individual risks

In 2015, neither the management practices nor the reporting process of individual risks have been materially modified.

The Bank places special emphasis on the general understanding of the factors driving risk and on the ongoing analysis and company-wide discussion of possible risk developments/scenarios and their potential adverse impacts. The objectives of risk management include ensuring that all material risks are recognised in a timely manner, fully understood and properly addressed.

The risk management processes include a reporting component to ProCredit Holding AG & Co. KGaA, in line with the provisions included in the Procredit Group's risk management policies.

53) Credit risk

Credit risk is defined as the potential that a counterparty to a credit transaction will fail to meet its obligations towards the Bank in accordance with agreed terms. Credit risk arises from customer credit exposures (classic credit risk), credit exposure from interbank placements and issuer risk (counterparty risk). It is further divided into credit default risk and credit portfolio risk in order to facilitate focused risk management. Credit risk is the single largest risk the Bank faces.

(a) Credit default risk from customer credit exposures

Credit default risk from customer credit exposures is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.
The management of credit default risk from customer credit exposures is based on an extensive implementation of the bank's lending principles:

- intensive analysis of the debt capacity of the Banks' clients
- careful documentation of the credit risk assessments, assuring that the analysis performed can be understood by knowledgeable third parties
- rigorous avoidance of over indebting the Bank's clients
- building a personal and long-term relationship with the client and maintaining regular contact
- strict monitoring of loan repayment
- practising tight arrears management
- exercising strict collateral collection in the event of default
- investing in well-trained and highly motivated staff
- implementing carefully designed and well-documented processes
- rigorous application of the "four-eyes principle"

The decision-making process ensures that all credit decisions are taken by a credit committee. As a general principle, the Bank considers it very important to ensure that its lending business is conducted on the basis of organisational guidelines that provide for appropriate rules governing organisational structures and operating procedures; job descriptions that define the respective tasks; a clear allocation of decision-making authority; and a clear definition of responsibilities.

Credit exposures in arrears are defined as credit exposures for which contractual interest and/or principal payments are overdue. The high quality of the loan portfolio compared with the overall banking sector reflects the application of the above lending principles and the results of the application of early warning indicators and appropriate monitoring, in particular of the individually significant credit exposures. This is a crucial element of the Bank's strategy for managing arrears in the current economic crisis that is affecting a large number of its clients. Once arrears occur, the Bank follows up on the non-repayment of the credit exposures, and by so doing typically identifies the potential for default on a credit exposure. Strict rules are applied regarding credit exposures for which, in the Bank's view, there is no realistic prospect that the credit exposure will be repaid and where typically the realisation of collateral has either been completed or the outcome of the realisation process is uncertain. The Bank's recovery and collection efforts are performed by specialised employees, typically with either a lending or legal background.

The effectiveness of this tight credit risk management is reflected in the comparably low arrears rate exhibited by the loan portfolio.

Breakdown of loan portfolio by days in arrears

At December 31, 2015

in LEI	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
Loans to customers							
Individually assessed loans							
Business	10,054,990	2,069,975	14,144,884	1,125,045	1,567,642	23,023,163	51,985,699
Agricultural	3,648,408	-	1,006,408	1,324,689	3,150,712	2,107,341	11,237,558
Collectively assessed loans							
Business	691,084,868	21,888,133	2,459,751	1,615,817	3,266,710	6,307,071	726,622,349
Agricultural	330,563,561	7,194,374	4,099,509	3,078,876	7,073,103	2,000,529	354,009,952
Housing	836,385	43,014	39,105	101,224	-	13,140	1,032,867
Consumer	1,271,596	48,352	-	-	25,428	2,269	1,347,646
Other	335,066	-	-	-	-	19,977	355,043
Total	**1,037,794,874**	**31,243,847**	**21,749,657**	**7,245,651**	**15,083,595**	**33,473,490**	**1,146,591,114**

At December 31, 2014

in LEI	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
Loans to customers							
Individually assessed loans							
Business	23,901,777	474,491	1,282,845	1,097,609	6,617,477	25,823,071	59,197,270
Agricultural	8,863,440	-	331,244	334,748	950,186	3,320,728	13,800,347
Collectively assessed loans							
Business	685,939,563	25,222,540	2,157,868	1,639,246	2,596,889	16,314,492	733,870,599
Agricultural	367,968,452	8,576,590	1,853,031	1,603,262	3,201,891	5,989,474	389,192,699

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Housing	1,311,673	177,694	160,275	14,451	14,447	76,117	1,754,657
Consumer	1,956,088	10,013	-	-	-	110,484	2,076,584
Other	762,795	-	-	-	-	44,343	807,138
Total	**1,090,703,789**	**34,461,327**	**5,785,263**	**4,689,315**	**13,380,890**	**51,678,710**	**1,200,699,294**

The quality of the loan portfolio is monitored on an on-going basis. The main indicator for loan portfolio quality is the portfolio at risk (PaR 30), which the Bank defines as all outstanding credit exposures with one or more payment of interest and/or principal in delay by more than 30 days. This indicator was chosen because the most of credit exposures have fixed instalments with monthly payment of principal and interest. Exceptions are seasonal agricultural loans, credit line and overdraft facilities. No collateral is deducted and no other exposure-reducing measures are applied when determining PaR.

Additionally, the quality of credit operations is checked by the Risk Control Unit which is responsible for monitoring the Bank's credit operations and compliance with its procedures. The unit, made up of experienced lending staff, ensures compliance both in terms of form and substance with the lending policy and procedures through on-site checks and system screening.

in LEI As at December 31, 2015	Loan portfolio	Allowance for impairment	PAR (> 30 days)	PAR as % of loan portfolio	Write-offs	Write-offs as % of loan portfolio
Total	**1,146,591,114**	**63,559,880**	**77,552,393**	**6.76%**	**39,745,965**	**3.47%**

in LEI As at December 31, 2014	Loan portfolio	Allowance for impairment	PAR (> 30 days)	PAR as % of loan portfolio	Write-offs	Write-offs as % of loan portfolio
Total	**1,200,699,294**	**78,816,210**	**75,534,178**	**6.29%**	**10,351,001**	**0.86%**

The Bank directly reduced the loans fully covered with impairment provisions amounting to LEI 2,656,844 (31 December 2014: LEI 1,054,552). Moreover, portion of the non-performing loan portfolio was sold during 2015, with the gross amount of LEI 37,089,122 (31 December 2014: LEI 9,296,479).

Restructuring of a credit exposure is generally necessitated by economic problems encountered by the client that adversely affect the payment capacity, mostly caused by the significantly changed macro-economic environment in which the bank's clients currently operate. Restructurings follow a thorough, careful and individual analysis of the client's changed payment capacity. The decision to restructure a credit exposure is always taken by a credit committee and aims at full recovery of the credit exposure. If a credit exposure is restructured, amendments are made to the parameters of the loan.

Forborne loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider.
As at 31 December 2015, the Bank applied EBA definition in force at this date in regards to forborne loans and in consequence classifies as impaired the forborne nonperforming exposures. The loan portfolio contained forborne loans with an outstanding of LEI 82,263,020 representing 7.2% of total outstanding portfolio (31 December 2014: LEI 117,197,538).

The level of credit exposure defaults to be expected within a given year is analysed regularly, based on past experience in this area. Incurred losses are fully covered with loan loss provisions.

Individually significant credit exposures are reviewed for impairment on an individual basis (= specific impairment). Impairment for individually insignificant credit exposures in arrears is calculated on a portfolio basis at historical default rates; 30 or more days in arrears is considered as objective evidence of impairment. For all unimpaired credit exposures, portfolio-based allowances for impairment are made, again based on historical loss experience.

Credit exposures with a higher risk profile are always covered with collateral, typically through mortgages. Mortgages are revaluated yearly by professional appraisals.

The Bank holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipment's and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired, except for mortgage interests over property which are reassessed yearly

The collateral presented at the minimum level between loan exposure and collateral value, can be classified into the following categories:

	As at 31 December	
In LEI	2015	2014
Mortgage	639,179,223	617,799,802
Cash collateral	6,029,714	5,558,360
Guarantees	74,793,001	114,065,473
Inventories	168,985,887	182,505,406
Other	1,039,480	4,618,378
Total	**890,027,305**	**924,547,420**

The Bank holds collateral and other credit enhancements against certain of its credit exposures.
The table below sets out the collateral amount at market value held against different types of loan product.

	2015		2014	
In LEI	Loan exposure*	Collateral Value	Loan exposure*	Collateral Value
Business	771,962,648	1,265,379,569	785,043,138	1,372,206,351
Agricultural	358,088,886	540,886,962	394,395,008	547,006,687
Housing	1,023,648	4,423,382	1,739,580	7,635,396
Consumer	1,341,609	5,458,319	2,066,464	10,993,361
Other	350,715	1,958,822	836,293	13,998,699
Total	**1,132,767,506**	**1,818,107,054**	**1,184,080,482**	**1,951,840,494**

*loan principal-unamortized disbursement fee

As of 31 December 2015, the Bank's portfolio consisted of a number of 116 customers – companies undergoing insolvency procedures (excluding exposures for which insolvency request is not yet approved) with a total gross exposure of LEI 25.023.907 (LEI 32.056.843 at 31 December 2014) and for which the Bank recorded impairment adjustments amounting LEI 13.978.844.

(b) Credit portfolio risk from customer lending

The granularity of the credit exposure portfolio is a highly effective credit risk mitigating factor. The core business of the Bank, lending to very small and small enterprises, necessitated a high degree of standardisation in lending processes and ultimately led to a high degree of diversification of these exposures in terms of geographic distribution and economic sectors. Nevertheless, lending to medium-sized enterprises, i.e. larger credit exposures exceeding the threshold of EUR 250,000, constitutes a supplementary area of the Bank's business in terms of its overall strategic focus. Most of these clients are dynamically growing enterprises that have been working with the Bank for many years. Nonetheless, the higher complexity of these businesses requires an appropriate analysis of the business, the project that is to be financed and any connected entities. A strict division of front and back office functions is applied and requirements for both documentation and collateral are typically more stringent. Overall, the loan portfolio of the Bank includes 138 credit exposures of more than EUR 250,000.

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in LEI

As at December 31, 2015	Business	Agricultural	Housing	Consumer	Other	Total
0-50.000 EUR	286,873,152	179,306,425	866,493	637,660	355,043	468,038,773
50.000-250.000 EUR	307,459,619	112,351,681	166,374	709,986	-	420,687,659
Over 250.000 EUR	184,275,277	73,589,405	-	-	-	257,864,682
Total	**778,608,048**	**365,247,511**	**1,032,867**	**1,347,646**	**355,043**	**1,146,591,114**

in LEI

As at December 31, 2014	Business	Agricultural	Housing	Consumer	Other	Total
0-50.000 EUR	373,651,848	241,560,446	1,518,314	1,182,976	807,138	618,720,723
50.000-250.000 EUR	282,925,626	106,535,335	236,343	893,608	-	390,590,912
Over 250.000 EUR	136,490,395	54,897,265	-	-	-	191,387,660
Total	**793,067,869**	**402,993,046**	**1,754,657**	**2,076,584**	**807,138**	**1,200,699,294**

The structure of the loan portfolio is monthly reviewed by Credit Risk Management Committee in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.

According to the Credit Risk Management Policy and Strategy, all exposures exceeding EUR 1 mil. are approved by the Board of Administration. No single large credit exposure may exceed 25% of the Bank's regulatory capital.

Larger credit exposures are particularly analysed and monitored by the responsible employees through regular monitoring activities enabling early detection of risks. Full information about any related parties is typically collected prior to lending.

Individually significant credit exposures are closely monitored by the Credit Risk Management Committee which is responsible for the approval of the allowances for loan losses built against these exposures. The realisable net value of collateral held is taken into account when deciding on the allowance for impairment.

For the calculation of the individual impairment a discounted cash flow approach is applied. The individual impairment of credit exposures to customers is as follows:

in LEI As at December 2015	Gross outstanding amount	Allowance for specific impairment	Net outstanding amount
Business	51,985,699	27,705,432	24,280,268
Agricultural	11,237,558	5,260,700	5,976,858
Total	**63,223,258**	**32,966,131**	**30,257,126**

in LEI As at December 2014	Gross outstanding amount	Allowance for specific impairment	Net outstanding amount
Business	59,197,270	31,880,204	27,317,066
Agricultural	13,800,347	3,617,993	10,182,354
Total	**72,997,617**	**35,498,197**	**37,499,420**

For individually insignificant credit exposures which show objective evidence of impairment, i.e. which are in arrears for more than 30 days, generally a lump-sum approach is applied; the impairment is determined depending on the

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number of days in arrears. In addition, individual credit exposures which are regarded as insignificant, or groups of individually insignificant credit exposures, may be classified as impaired if events, such as political unrest, a significant economic downturn, a natural disaster or other external events occur in the country. For all unimpaired credit exposures a portfolio-based impairment is calculated (see also note (9)).

in LEI As at December 2015	Gross outstanding amount	Allowance for lump-sum specific & portfolio based impairment	Net outstanding amount
Business	726,622,349	17,145,933	709,476,416
Agricultural	354,009,952	13,257,936	340,752,016
Housing improvement	1,032,867	84,218	948,649
Consumer	1,347,646	81,561	1,266,084
Other	355,043	24,100	330,942
Total	**1,083,367,856**	**30,593,749**	**1,052,774,108**

in LEI As at December 2014	Gross outstanding amount	Allowance for lump-sum specific & portfolio based impairment	Net outstanding amount
Business	733,834,769	28,958,722	704,876,046
Agricultural	389,192,700	13,922,957	375,269,743
Housing improvement	1,754,657	181,535	1,573,122
Consumer	2,076,584	187,025	1,889,559
Other	842,968	67,774	775,194
Total	**1,127,701,678**	**43,318,014**	**1,084,383,664**

54) Financial risk

(a) Counterparty and issuer risk

Conceptual risk management framework

The objective of counterparty and issuer risk management is to prevent the Bank from incurring losses caused by the unwillingness or inability of a financial counterparty (e.g. a commercial bank) or issuer to fulfil its obligations towards the Bank. This type of risk is further divided into:

- principal risk: the risk of losing the amount invested due to the counterparty's failure to repay the principal in full on time
- replacement risk: the risk of loss of an amount equal to the incurred cost of replacing an outstanding deal with an equivalent one on the market
- settlement risk: the risk of loss due to the failure of a counterparty to honour its obligation to deliver assets as contractually agreed
- issuer risk: the probability of loss resulting from the default and insolvency of the issuer of a security

Counterparty and issuer risks arise especially from the Bank's need to invest liquidity reserve, to conclude foreign exchange transactions, or to buy protection on specific risk positions. The liquidity is placed in the interbank market with short maturities, typically up to three months. Foreign exchange transactions are also concluded with short maturities, up to two days. The Bank's needs to finance its lending activities through deposits taking of customers funds and IFIs results in a significant exposure towards National Bank of Romania due to the mandatory reserves requirements.

The counterparty and issuer risks are managed according to the Counterparty Risk Management Policy and Strategy (including Issuer Risk), which describes the counterparty/issuer selection and the limit setting process, as well as by the Treasury Policy, which specifies the set of permissible transactions and rules for their processing. As a matter of principle, only large international banks of systemic importance and, for local currency business, local banks with a good reputation and financial standing are eligible counterparties. As a general rule, the bank applies limits of up to 10% of its capital on exposures to banking groups in non-OECD countries and up to 25% on those in OECD countries.

No transactions are performed unless the counterparty has been previously approved. The approval of counterparties, along with exposure limits and maximum tenors, lies with the Bank's ALCO, for exposure limits below the competence thresholds stated in the dedicated policy, and with the Board of Administration through the Audit and Risk Management Committee, for all others. The approval is based on a thorough assessment which takes into account the financial situation of the counterparties, its reputation and its policy on AML activities.

The risk management policies forbid the Bank to conduct any speculative trading activities. For the purpose of investing its liquidity reserve, the Bank is allowed to buy and hold securities (T-bills, bonds or certificates). The inherent issuer risk is managed by the provisions of the Bank's Treasury Policy. Among other requirements, the policy stipulates that the securities should preferably be issued by the government or central bank of the country of operation, or by sovereigns or international and/or multinational institutions with very high credit ratings (international rating of AA- or better).

Facts and figures concerning counterparty and issuer risk

The main reason for incurring counterparty and issuer risk is to keep liquid assets for liquidity risk management purposes, i.e. as a reserve for times of potential stress. These funds are held as cash in commercial bank or central bank accounts, as interbank placements, and in treasury bills issued by Romanian Ministry of Finance. As mentioned above, a substantial part of the Bank's exposure consists of the mandatory reserve required by the central bank and held in a specific central bank account. The Bank did not engage in any transaction with derivatives throughout 2015.

The following table provides an overview of the types of counterparts and issuers with whom the Bank concludes transactions.

in LEI	2015	in %	2014	in %
Cash and cash equivalents				
Central banks	*153,764,424*	*60.7*	*170,086,998*	*51.8*
Mandatory reserve	*124,718,128*	*49.3*	*153,181,356*	*46.6*
Other exposures	*29,046,296*	*11.5*	*16,905,642*	*5.1*
Loans and advances to banks				
Banking groups	58,849,036	*23.2*	*111,396,636*	*33.9*
ProCredit Group	43,044,908	*17.0*	*20,548,218*	*6.3*
OECD banks	*1,889,280*	*0.7*	*6,029,620*	*1.8*
Non-OECD banks	*13,745,160*	*5.4*	*84,702,166*	*25.8*
Governments	*169,687*	*0.1*	*116,633*	*0.0*
Available-for-sale financial assets				
Governments	40,585,686	16.0	47,106,857	*14.3*
Total	**253,199,146**	**100.0**	**328,590,491**	**100.0**

Excludes accrued interest

Interbank placements are transactions with banks which are subdivided into those based in OECD countries and those in non-OECD countries. Under the OECD banks the most significant exposure is with ProCredit Bank AG (Germany) and as of Non-OECD banks, the most significant exposures are placements with Romanian banks. None of the above exposures are neither past due nor impaired.

(b) Foreign currency risk

Conceptual risk management framework

ProCredit Bank
Part of the ProCredit Group

The assets and liabilities of the Bank are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Bank has an open currency position (OCP) and is exposed to potentially unfavourable changes in exchange rates.

Due to the close economic links between Romania and the Euro area countries, a significant part of the customer funds and of the customer loan portfolio is denominated in Euro. The Bank's operations in other foreign currencies are at a low level and therefore do not pose a significant risk exposure.

Currency risk management is guided by the Foreign Currency Risk Management Policy and Strategy, which is approved by the Board of Administration.

The Treasury Department is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury Department also manages the currency positions of the Bank on a daily basis. As a general principle, all currency positions should be closed at end-of-day; long or short positions for speculative purposes are not permitted. The Bank did not engage in any foreign currency derivative transactions in 2015. The Bank's foreign currency exposure is monitored and controlled on a daily basis by the Back Office Department and is reported to ALCO by the Risk Management Department.

Developments in the foreign exchange markets and the currency positions are regularly reported to the Bank's ALCO, which is authorised to take strategic decisions with regard to treasury activities. The Bank's exposure to foreign currency risk is reported on a monthly basis to the Audit and Risk Management Committee and quarterly to the Board of Administration.

The Bank aims to keep a closed currency positions and ensures that an open currency position remains within the limits at all times. For the purpose of currency risk management the Bank has established two levels of control: early warning indicators and limits. In cases where the positions cannot be brought back above 5% of the regulatory capital for a single currency, or 7.5% for the aggregate of all currencies, the bank's ALCO have to be informed and appropriate measures taken. This mechanism helps to ensure that the bank's total OCP does not exceed 10% of regulatory capital. Exemptions from the limit or strategic positions are subject to approval by the Board of Administration.

Facts and figures concerning foreign currency risk

The following table shows the distribution of the Bank's balance sheet items across its material operating currencies, which are USD and EUR.

in LEI As at December 31, 2015	Total	RON	EUR	USD	Other currencies
Assets					
Cash and cash equivalents	213,902,304	138,321,508	71,795,985	3,784,811	-
Loans and advances to banks	58,852,673	171,974	55,973,594	2,418,359	288,746
Available-for-sale financial assets	40,845,734	40,845,734	-	-	-
Loans and advances to customers	1,146,591,114	790,920,460	355,660,787	9,867	-
Allowance for losses on loans and advances to customers	-63,559,880	-40,884,147	-22,675,050	-684	-
Other assets	48,823,213	47,715,670	902,797	190,132	14,614
Total assets	**1,445,455,158**	**977,091,199**	**461,658,113**	**6,402,486**	**303,361**
Liabilities					
Liabilities to banks	139,586,959	128,238,546	11,348,413	-	-
Liabilities to customers	903,805,097	632,566,093	264,249,065	6,589,728	400,211
Liabilities to international financial institutions	204,804,619	56,942,449	147,862,170	-	-
Provisions	423,178	403,514	19,664	-	-

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Other liabilities	6,297,126	5,670,903	624,273	1,949	-
Subordinated debt	39,595,984	-	39,595,984	-	-
Total liabilities	**1,294,512,964**	**823,821,506**	**463,699,569**	**6,591,678**	**400,211**
Net position	**150,942,194**	**153,269,693**	**-2,041,457**	**-189,192**	**-96,850**
Open SPOT position (asset/liabilities) third parties	**-1,925**	**-1,464,866**	**1,131,125**	**331,816**	
Credit commitments	**106,582,450**	**96,570,126**	**9,680,508**	**331,816.00**	-

in LEI As at December 31, 2014	Total	RON	EUR	USD	Other currencies
Assets					
Cash and cash equivalents	211,287,346	118,425,539	90,272,296	2,589,510	-
Loans and advances to banks	111,420,146	64,134,660	44,222,106	2,574,732	488,647
Available-for-sale financial assets	47,425,268	47,425,268	0	-	-
Loans and advances to customers	1,200,699,294	760,292,992	440,386,078	20,224	-
Allowance for losses on loans and advances to customers	-78,816,210	-43,763,505	-35,050,481	-2,225	-
Other assets	13,868,093	12,917,657	747,872	187,916	14,648
Total assets	**1,505,883,936**	**959,432,612**	**540,577,870**	**5,370,158**	**503,296**

in LEI As at December 31, 2014	**Total**	**RON**	**EUR**	**USD**	**Other currencies**
Liabilities to banks	150,583,815	139,375,526	11,208,289	-	-
Liabilities to customers	977,314,297	670,340,047	300,965,005	5,601,435	407,810
Liabilities to international financial institutions	214,425,709	24,644,083	189,781,626	-	-
Provisions	411,813	393,824	17,989	-	-
Other liabilities	5,583,146	4,653,461	927,953	1,733	-
Subordinated debt	39,225,837	-	39,225,837	-	-
Total liabilities	**1,387,544,617**	**839,406,941**	**542,126,699**	**5,603,168**	**407,810**
Net position	**118,339,319**	**120,025,671**	**-1,548,828**	**-233,009**	**95,485**
Open SPOT position (asset/liabilities) third parties	**321**	**190,455**	**-448,210**	**258,076**	-
Credit commitments	**115,502,315**	**80,468,328**	**34,739,043**	**294,944**	-

(c) Interest rate risk

Conceptual risk management framework

Interest rate risk arises from structural differences between the maturities of assets and those of liabilities, e.g. if a four-year fixed interest rate loan is funded with a six-month term deposit, as well as from incongruence between the interest type of the assets and liabilities, e.g. a fixed interest rate loan is financed through a variable interest rate financing facility. This would expose the Bank to the risk that the funding costs will increase before the maturity date of the loan, thus reducing the Bank's margin on the loan.

The Bank's approach to measuring and managing interest rate risk is guided by the Interest Rate Risk Management Policy and Strategy which is approved by the Board of Administration.

The main indicators for managing interest rate risk measures are the potential impact on the economic value of all assets and liabilities and the interest earnings impact. The indicator economic value impact analyses the potential loss that the Bank would incur in the event of very unfavourable movements (shocks) of the interest rates on assets and liabilities. For EUR or USD, a parallel shift of the interest rate curve by +/- 200 bps is assumed. During 2015 for the local currency, the definition of a shock is derived from historic interest rate volatilities over the last seven years. The shocks for local currency also differentiate between internally driven interest rates and market interest rates, in order to capture the basis risk. The non-netted total economic value impact on the bank's balance sheet in the standard scenario (the interest rate shocks are applied in each currency in the direction which negatively affects the Bank) must not exceed 15% of its regulatory capital for all interest rate risk relevant currencies. A reporting trigger for the indicator is set at 10% providing an early warning signal.

The non-netted total potential impact of interest rate risk on the Bank's expected earnings over the next twelve months in the standard scenario is also regularly analysed. This measure indicates how the income statement may be influenced by interest rate risk under a short-term perspective. The non-netted total 12 months interest earnings impact on the bank's balance sheet in the standard scenario must not exceed 10% of its regulatory capital for all interest rate risk relevant currencies. A reporting trigger for the indicator is set at 5% providing an early warning signal.

Interest rate risk is regularly discussed by the Bank's Assets and Liabilities Management Committee. The indicators are also reported to the Audit and Risk Management Committee and to the Board of Administration.

In order to limit its interest rate risk, the Bank aims to match as much as possible the repricing maturities of its interest bearing assets and liabilities (natural hedge).

in LEI As at December 31, 2015	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	124,718,128	-	-	-	-	-	89,184,176	213,902,304
Loans and advances to banks	13,573,500	-	-	-	-	-	45,279,173	58,852,673
Available-for-sale financial assets	-	31,704,427	8,881,259	-	-	-	260,048	40,845,734
Loans and advances to customers	22,347,435	301,856,881	624,130,584	118,526,194	38,570,975	602,610	40,556,435	1,146,591,114
Total financial assets	**160,639,063**	**333,561,308**	**633,011,843**	**118,526,194**	**38,570,975**	**602,610**	**175,279,833**	**1,460,191,825**
Liabilities								
Liabilities to banks	-	11,311,250	-	22,470,000	104,520,000	-	1,285,709	139,586,959
Liabilities to customers	158,085,914	186,074,345	160,937,793	126,771,349	23,384,013	-	248,551,684	903,805,097
Liabilities to international financial institutions	-	-	-	19,996,674	71,907,232	41,003,281	71,897,431	204,804,619
Subordinated debt	-	-	-	-	-	39,589,375	6,609	39,595,984
Total financial liabilities	**158,085,914**	**197,385,595**	**160,937,793**	**169,238,023**	**199,811,245**	**80,592,656**	**321,741,433**	**1,287,792,660**
Total Interest sensitivity gap	**2,553,149**	**136,175,713**	**472,074,050**	**-50,711,829**	**-161,240,270**	**-79,990,047**	**-146,461,600**	**172,399,166**

in LEI As at December 31, 2014	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	170,086,998	-	-	-	-	-	41,200,347	211,287,346
Loans and advances to banks	103,821,248	-	-	-	-	-	7,598,898	111,420,146
Available-for-sale financial assets	-	16,549,201	30,557,655	-	-	-	318,412	47,425,268
Loans and advances to customers	94,451,531	246,707,887	687,909,769	105,619,621	59,265,705	933,636	5,811,145	1,200,699,294
Total financial assets	**368,359,777**	**263,257,089**	**718,467,424**	**105,619,621**	**59,265,705**	**933,636**	**54,928,802**	**1,570,832,054**

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Liabilities								
Liabilities to banks	-	21,875,000	11,205,250	11,086,250	104,520,000	-	1,897,315	150.583,815
Liabilities to customers	430,611,775	206,547,512	156,616,408	121,096,607	53,199,917	-	9,242,079	977,314,297
Liabilities to international financial institutions	16,818,800	11,205,250	157,052,784	-	-	-	29,348,875	214,425,709
Subordinated debt	-	-	-	-	-	39,218,375	7,462	39,225,837
Total financial liabilities	**447,430,575**	**239,627,762**	**324,874,442**	**132,182,857**	**157,719,917**	**39,218,375**	**40,495,731**	**1,381,549,658**
Total interest sensitivity gap	**-79,070,798**	**23,629,327**	**393,592,983**	**-26,563,236**	**-98,454,212**	**-38,284,739**	**14,433,070**	**189,282,395**

Facts and figures concerning interest rate risk

As specified above, the main interest rate risk indicators are the economic value impact indicator and the interest earnings impact. The economic value impact indicator measures the impact of interest rate changes on all interest rate-sensitive on- and off-balance sheet items and quantifies the loss in value of the bank given certain changes of interest rates. As described above, the calculation of the economic value impact indicator is based on different parallel shifts of the interest rate curves. For EUR and USD a shift of +/- 200 bps is applied; for the local currency the shift is defined in terms of a historical worst case (+/- 576 bps for internal rates and +/- 272 bps for market rates, as of December 2015).

The following table presents the economic value impact and interest earnings indicator under the standard scenario, as of December 2015 and December 2014.

in '000 EUR **2015**

Currency	Interest rate sock	Economic value impact	Interest earnings Impact
Local	-576 bps/ -272 bps	-14	-25
EUR	-200 bps	-1146	-197
USD	-200 bps	-0.8	-5.3
Total		**-1161**	**-228**

in '000 EUR **2014**

Currency	Interest rate sock	Economic value impact	Interest earnings Impact
Local	-576 bps/ -455 bps	-1078	-963
EUR	-200 bps	-894	-303
USD	-200 bps	-2	-15
Total		**-1974**	**-1281**

(d) Liquidity risk

Conceptual risk management framework

The Bank's liquidity risk management (LRM) system is tailored to the specific characteristics of the Bank. On the assets side the loan portfolio is the largest single component, and is primarily funded by clients' deposits, on liabilities side. The loan portfolio is characterised by a large number of exposures to small businesses and is therefore highly diversified. The majority of the loans are disbursed as instalment term loans, and the default rate is low. Therefore, cash flows are highly predictable. All of these factors justify the use of a relatively simple and straightforward LRM system.

Liquidity risk in the narrowest sense (risk of insolvency) is the possibility that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. Liquidity risk in a broader sense (funding risk) is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates.

The Bank's ALCO determines the liquidity strategy of the Bank and sets the liquidity risk limits. The Treasury Department manages the Bank's liquidity on a daily basis and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits is constantly monitored by the Back Office Department and by the Risk Management Department.

The standards that the Bank applies in this area are established through the Liquidity Risk Management Policy and Strategy and the Treasury Policy. Limit breaches and exceptions to these policies are subject to decisions of the Board of Administration. The local requirements are complemented by the tools used at the ProCredit group level, thus enhancing local liquidity risk management.

Treasury manages liquidity on a daily basis using a cash flow analysis. This tool is designed to provide a realistic picture of the future liquidity situation. It includes assumptions about deposit and loan developments and helps forecasting liquidity risk indicators.

The key tool for measuring liquidity risk is a forward-looking liquidity gap analysis, which shows the contractual maturity structure of the assets and liabilities and estimates future funding needs based on certain assumptions. Starting with the estimation of the future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Bank's liquidity situation in a worst-case scenario (stress test).

The main indicator of short-term liquidity is the sufficient liquidity indicator (SLI), which compares the amounts of assets available and liabilities assumed to be due within the next 30 days. It must not fall below 1. This implies that the Bank always has sufficient funds to be able to repay the liabilities simulated to be due within the next 30 days. Another important indicator, Liquidity Coverage Ratio (LCR) came in force in 2015, with the following limits: starting October 1st, 2015 of at least 60%; 70% starting January 1st, 2016; 80% starting January 1st, 2017 and at least 100% starting January 1st, 2018.

This is complemented by the early warning indicators, the foremost being the highly liquid assets indicator, which relates highly liquid assets to customer deposits and also the liquidity coverage indicator.

The Bank also analyses its liquidity situation from a more structural perspective, taking into account the liquidity gaps in later time buckets and additional sources of potential liquidity. The liquidity position also takes into account credit lines which can be drawn by the Bank with some time delay, and other assets which take some time to liquidate.

In addition to prescribing the close monitoring of these early warning indicators, the Liquidity Risk Management Policy and Strategy also defines reporting triggers. If the highly liquid asset indicator drops below 15% / 10% (excluding MRR – minimum reserve requirement), or if the depositor concentration rises above 15%, or the liquidity coverage indicator is below 80% (starting with 01.01.2016 this level will be considered at 90%), the ALCO takes decisions on appropriate measures.

In order to safeguard the liquidity of the Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The Bank has a liquidity contingency plan which establishes the measures which should be taken if a crisis situation appears at the level of the Bank or the banking system. The liquidity contingency plan is supported by a stand-by line from ProCredit Holding, amounting to EUR 10 million at the end of December 2015.

The internal liquidity management framework complements the regulatory framework, composed of the Liquidity Indicator and, starting with 2014, of the Liquidity Coverage Ratio, both at comfortable levels at the end of December 2015 (LCR stood at 170%).

The Bank also aims to diversify its funding sources. Depositor concentrations are monitored in order to avoid dependencies on a few large depositors. According to the bank's internal guidelines a significant depositor concentration exists if the 10 largest depositors exceed 15% of total customer deposits. This serves as an early warning signal and requires the reasons and mitigating measures to be reported to the ALCO and to the Audit and Risk Management Committee.

The Bank also minimises its dependency on the interbank market. The policies stipulate that the total amount of money market liabilities may not exceed 40% of its available lines and overnight funding may not exceed 4% of total liabilities. Higher limits need to be approved by Board of Administration.

Facts and figures concerning liquidity risk

The following table shows the liquidity gap analysis, i.e. the (undiscounted) cash flows of the financial assets and financial liabilities of the bank 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 LEI As at December 31, 2015	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	213,902,304	213,902,304	213,902,304	-	-		-	
Loans and advances to banks	58,852,673	58,863,310	45,289,588	13,573,722	-			-
Available-for-sale financial assets	40,845,734	41,027,002	-	32,000,000	9,000,000	-	-	27,002
Loans and advances to customers	1,146,591,114	1,374,138,034	83,067,290	78,133,964	140,335,528	317,805,001	561,040,497	193,755,753
Other assets	19,016,067	7,465,725	8,500	-	-	1,639,885	5,817,341	-
Financial assets	**1,479,207,892**	**1,695,396,375**	**342,267,682**	**123,707,686**	**149,335,528**	**319,444,886**	**566,857,838**	**193,782,755**
Off Balance sheet commitment (assets)	45,245,000	45,245,000	45,245,000	-	-	-	-	-
Total assets	**1,524,452,892**	**1,740,641,375**	**387,512,682**	**123,707,686**	**149,335,528**	**319,444,886**	**566,857,838**	**193,782,755**
Liabilities								
Liabilities to banks	139,586,959	147,904,936	186,224	12,226,577	2,325,766	25,673,044	107,493,326	
Liabilities to customers	903,805,097	915,580,509	402,689,376	190,432,710	167,013,605	130,378,950	25,065,867	-
Liabilities to international financial institutions	204,804,619	214,726,548		95,517	72,248,143	21,886,481	78,011,404	42,485,003
Other liabilities	6,297,126	10,090,202	4,840,408	459,947	507,592	488,437	3,236,415	557,403
Provisions	423,178	423,178		-	39,963	383,215	-	-
Subordinated debt	39,595,984	63,541,211	-	-	-	2,412,368	8,446,591	52,682,252
Financial liabilities	**1,294,512,964**	**1,352,266,584**	**407,716,008**	**203,214,750**	**242,135,070**	**181,222,496**	**222,253,602**	**95,724,658**
Off Balance sheet commitment (irevocable liabilities)	8,904,416	8,904,416	8,904,416					
Total liabilities	**1,303,417,380**	**1,361,171,000**	**416,620,424**	**203,214,750**	**242,135,070**	**181,222,496**	**222,253,602**	**95,724,658**
Open position	**184,694,929**	**343,129,791**	**-65,448,327**	**-79,507,064**	**-92,799,541**	**138,222,390**	**344,604,235**	**98,058,097**
Open position including off Balance sheet commitments	**221,035,513**	**379,470,375**	**-29,107,743**	**-79,507,064**	**-92,799,541**	**138,222,390**	**344,604,235**	**98,058,097**

*undiscounted cash flow for financial assets and liabilities

in LEI As at December 31, 2014	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	211,287,346	211,318,562	211,318,562	-	-	-	-	-
Loans and advances to banks	111,420,146	111,427,818	111,427,818	-	-	-	-	-
Available-for-sale financial assets	47,425,268	47,872,002	-	16,740,000	31,105,000	-	-	27,002
Loans and advances to customers	1,200,699,294	1,492,331,161	113,342,506	88,209,359	147,962,545	316,424,044	640,711,412	185,681,295
Other assets	2,558,210	3,104,235	14,211	-	-	1,572,248	1,517,776	-
Financial assets	**1,573,390,264**	**1,866,053,777**	**436,103,097**	**104,949,359**	**179,067,545**	**317,996,292**	**642,229,188**	**185,708,297**
Off Balance sheet commitment (assets)	44,821,000	44,821,000	44,821,000	-	-	-	-	-
Total assets	**1,618,211,264**	**1,910,874,777**	**480,924,097**	**104,949,359**	**179,067,545**	**317,996,292**	**642,229,188**	**185,708,297**

in LEI As at December 31, 2014	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Liabilities								
Liabilities to banks	150.583,815	177,000.670	383,588	24,015,249	3,155,329	26,880,849	120,772,581	1,793,073
Liabilities to customers	977,314,297	995,116,476	434,974,569	213,683,863	159,403,935	130,778,420	56,275,691	-
Liabilities to international financial institutions	214.425,709	224,334.729	308,223	11,397,119	8,244,185	29,729,891	121,121,207	53,534,104
Other liabilities	6,029,146	4,422.878	1,155,109	1,788,847	717,512	761,410	-	
Provisions	411.813	411,813	-	-	42,285	369,528	-	-
Subordinated debt	39,225,837	53,747,639	-	-	-	2,723,771	9,514,541	41,509,327
Financial liabilities	1,387,890,617	1,455,034,206	436,821,489	250,885,078	171,563,246	191,243,868	307,684,019	96,836,505
Off Balance sheet commitment (irevocable liabilities)	9,090,567	9,090,567	9,090,567	-	-	-	-	-
Total liabilities	1,397,081,184	1,464,124,773	445,912,056	250,885,078	171,563,246	191,243,868	307,684,019	96,836,505
Open position	185,389,646	411,019,572	-718,393	-145,935,720	7,504,299	126,752,424	334,545,169	88,871,792
Open position including off Balance sheet commitments	221,130,079	446,750,004	35,436,040	-145,935,720	7,504,299	126,752,424	334,545,169	88,871,792

*undiscounted cash flow for financial assets and liabilities

Due to the fact that not all cash flows will occur in the future as specified within the contracts, the Bank applies assumptions, especially regarding deposit withdrawals. These assumptions are very conservative.

The core assumptions used for the purposes of calculating the liquidity indicator are as follows:

- 50% of current liabilities to ProCredit institutions (including ProCredit Holding) contractually due at sight will be withdrawn in the next month, another 50% will be withdrawn within the following three months
- 50% of interbank liabilities contractually due at sight will be withdrawn in the next month, another 50% will be withdrawn within the following three months
- 15% of customer deposits contractually due at sight will be withdrawn within the next month, 85% will be withdrawn later
- 5% of exposures guaranteed by the Bank will require a payment within the next month
- 20% of credit lines which the Bank has committed to its customers, but which are currently undrawn, will be drawn within the next month

The goal is to always have sufficient liquidity in order to serve all expected liabilities within the next month. From a technical point of view this implies that the bank's available assets should always exceed the expected liabilities, as calculated by applying the above assumptions.

The expected liquidity gap quantifies the potential liquidity needs within a certain time period if it has a negative value, and it shows a potential excess liquidity, if it has a positive one. This calculation includes positive excess values from the previous time buckets. The expected liquidity gap is the basis for the sufficient liquidity indicator which, as at end of December 2015 stood at 2.16, with a minimum limit of 1.

As mentioned above, the Bank also performs stress test calculations in order to safeguard the liquidity of the bank. As at 31 December 2015 the Bank had a liquidity excess of EUR 3.3 million in the first time bucket according to the internal worst-case stress test calculation.

The Bank aims to rely primarily on customer deposits for its funding. This source is supplemented by funding received from international financial institutions (IFIs), which provide earmarked funds under targeted financing programmes (e.g. for lending to SMEs). In order to further diversify its sources of funds, the bank also maintains relationships with other banks, especially for short-term liquidity lines. In addition, ProCredit Holding and ProCredit Bank Germany provides short- and long-term funding.

In order to maintain a high level of diversification among its customer deposits, the bank has implemented a concentration trigger, which aims at ensuring that the ten largest customer deposits do not exceed 15% of total deposits. The ten largest customer deposits in total deposits made up 9.9% as at December 2015, below the warning limit of 15% established through the Liquidity Risk Management Policy and Strategy.

55) Operational risk

Operational risk is recognised as an important risk factor for the bank, given that it relies on decentralised processing and decision-making. In line with Basel definition, the bank defines operational risk as the risk of loss resulting from

inadequate or failed internal processes, people and systems and/or external events. This category includes all "risk events" in the areas of personnel, processes, and information technology. A dedicated Operational Risk Management Policy and Strategy establishes the principles of operational risk management.
The overall framework for managing operational risks is best described as a complementary and balanced system comprising the following key components: Corporate Culture, Governance Framework, Policies and Procedures, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database. While the Corporate Culture, the Governance Framework, and Policies and Procedures define the basic cultural and organisational parameters, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database form the key instruments with which the risk management process is executed.

The overall objectives of the Bank's approach to the management of operational risks are:

- to understand the drivers of the operational risks
- to be able to identify critical issues as early as possible
- to avoid losses caused by operational risks; and
- to ensure efficient use of the capital.

To deliver on these goals the following tools and processes have been implemented within the framework outlined above. They are presented in the sequence in which they are used within the operational risk management process. This process is subdivided into the following phases: identification, evaluation, monitoring, control, and follow up.

- **Identification**
  - Annual operational and fraud risk assessments
  - New risk approval (NRA) process
  - Risk identification and documentation in the Risk Event Database (RED)
  - Ad hoc identification of potential risks

- **Evaluation / quantification**
  - Agreed standards to quantify risks

- **Monitoring and control**
  - Process owners' responsibility to monitor risks
  - Key risk indicators (KRIs) and operational risk reports, risk bearing capacity calculation and monitoring in the Operational Risk Management Committee and Audit and Risk Management Committee
  - Management summaries for the significant risk events
  - Implementation of measures to avoid, reduce or mitigate the risks depending on priorities, efficiency considerations and regulations
  - Transfer of risk to an insurer, if appropriate

- **Issue tracking / follow-up tables for material action plans**
  - Follow-up of the measures taken by the Operational Risk Management Committee or by the Bank's Managers

To constantly enhance the professional standards of the Bank, in 2015 it continued to make use of local training facilities, the regional ProCredit Academy and the international ProCredit Academy in Fürth, Germany. Training programmes for candidates for management positions include various sessions focusing explicitly on operational risk management. Risk awareness training is delivered annually to all staff as well as to all newly hired employees.

56) Reputational risk

Reputational risk is recognised as a significant risk to which the Bank is exposed. It is defined as the current or future risk that the profits or capital would be negatively affected due to the unfavourable image of the Bank as perceived by clients, counterparties, shareholders, investors or supervisory authorities.
The Bank monitors all events with potential reputational implications through operational risk events identification, continuous monitoring of the media exposure and monthly monitoring of customer complaints. The monitoring results

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are reported to the Operational Risk Management Committee which may take measures to mitigate the effects of a reputational risk event.

The Bank aims to keep the degree of responsibility and professionalism of its employees at a high level in order to mitigate its exposure to reputational risk. Therefore, the various training programmes specified in the previous section have become part of the Bank's organisational culture. Relationships with clients have always been based on the principles of transparency and responsibility, thus fostering a good image for the Bank.

57) Compliance Risk

The Compliance risk is defined as the risk to suffer the sanctions set by the regulatory framework, to register significant losses or reputational impact by not complying with the regulatory framework provisions, internal regulations or other applicable best practices.

The management of compliance risk is performed at the Bank level within three committees. The financial covenants included in the refinancing contracts of the Bank are monitored on a monthly basis within the ALCO and reported to the Audit and Risk Management Committee. The risks regarding money laundering and financing of terrorism activities are monitored in the AML&CFT on a quarterly basis. The changes in legislation and their implementation are monitored in the OPRC on a monthly basis.

The Bank's organizational structure includes the Compliance Department that has the role of assisting the Bank's Managers in order to properly manage the compliance risk

58) Business Risk (including strategic risk)

The strategic risk represents the current or future risk of negative impact on earnings and capital arising from changes in the business environment or from adverse business decisions, improper implementation of decisions, or lack of response to changes in the business environment.

The Bank includes the business risk (which includes the strategic risk) in the category of significant risks as, according to the developments of the past years in terms of the changes in the business environment mostly triggered by the financial crisis, we faced significant problems regarding the achievement of the business objectives. In these circumstances, the Bank's Board of Administration defines the business risk target profile in order to control the Bank's exposure to this risk.

In 2015, the branch network was restructured, and the number of locations was reduced according to the Bank's strategy. This consolidation reflects the strategic refocussing on our core client groups, small and medium-sized businesses and the exit of less formal and stable businesses in the very small business category. Bank's business results in 2015 were influenced by the strategic reorientation towards small and medium-sized business clients and the exit of the former micro and very small business client category.

The exposure to this risk is monitored regularly in the monthly meetings of the ALCO.

59) Organization of the risk management function

The ultimate responsibility for the risk management of the Bank lies with the Bank's Managers and with the Board of Administration. The risk management function is located at the level of Risk Management Department, which is responsible for the management all significant risks.

The Risk Management Department is subordinated to the General Manager from an administrative point of view and to the Board of Administration from a functional point of view.

The Risk Management Department is responsible for the identification, evaluation, monitoring and reporting of risk exposures. The Risk Management Department includes the Risk Control Unit, through which it monitors the lending and banking services related processes, both at branch and head office level, in order to ensure consistency with internal regulations (e.g. lending and banking services internal regulations) and to identify, monitor and report operational risks. The personnel of Risk Management Department is independent of the activities monitored and controlled, as is not performing any business related activities. The Risk Management Department reports regularly to the corresponding organisational units at ProCredit Holding.

The Bank's exposure to risks is monitored and controlled by the Audit and Risk Management Committee, a permanent, specialized committee of the Board of Administration. Detailed monitoring of specific risks is performed by various other committees, at Bank level: the Credit Risk Management Committee (credit risk), the Assets and Liabilities Management Committee (counterparty risk, liquidity risk, and market risks), the Operational Risk Management Committee (operational risk and reputational risk) and the AML&CFT Committee (anti-money laundering and combating the financing of terrorism).

The Bank's risk policies address all significant risks and set standards that enable risks to be identified early and to be managed appropriately. The Risk Management Department carries out regular monitoring to ensure that the total volume of all risks incurred does not exceed the limits approved. The results of the monitoring are reported to the specialized committees at Bank level, to the Audit and Risk Management Committee and to the Board of Administration.

F. Additional Notes

60) Fair value of financial instruments

The following table gives an overview of the carrying amounts and fair values of the financial assets and liabilities according to the classes of financial instruments, defined in accordance with the business of the Bank.

2015

in LEI				of which		
Financial assets	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Cash and balances at central bank	AFV	213,902,304	213,902,304	213,902,304	-	
Loans and advances to banks	LaR	58,852,673	58,852,673	-	3,241,764	55,610,910
Available-for-sale financial assets including cash equivalents	AfS	40,845,734	40,845,734	-	40,818,732	27,002
Loans and advances to customers	LaR	1,146,591,114	1,160,353,330	-	-	1,160,353,330
Total		1,460,191,825	1,473,954,042	213,902,304	44,060,496	1,215,991,242

Financial Liabilities	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities to banks	AFV	139,586,959	139,586,959	-	-	139,586,959
Liabilities to customers	AC	903,805,097	897,249,390	-	287,657,956	609,591,434
Liabilities to international financial institutions	AC	204,804,619	204,826,531	-	-	204,826,531
Subordinated debt	AC	39,595,984	39,595,984	-	-	39,595,984
Total		1,287,792,660	1,281,258,864	-	287,657,956	993,600,908

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

2014

in LEI				of which		
Financial assets	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Cash and balances at central bank	AFV	211,287,346	211,287,346	211,287,346	-	-
Loans and advances to banks	LaR	111,420,146	111,420,146	-	28,147,116	83,273,030
Available-for-sale financial assets including cash equivalents	AfS	47,425,268	47,425,268	-	47,398,266	27,002
Loans and advances to customers	LaR	1,200,699,294	1,014,350,358	-	-	1,014,350,358
Total		1,570,832,054	1,384,483,117	211,287,346	75,545,382	1,097,650,390

Financial Liabilities	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities to banks	AFV	150,583,815	149,979,715	-	-	149,979,715
Liabilities to customers	AC	977,314,297	975,643,088	-	284,665,873	690,977,215
Liabilities to international financial institutions	AC	214,425,709	214,295,453	-	-	214,295,453
Subordinated debt	AC	39,225,837	39,445,960	-	-	39,445,960
Total		1,381,549,658	1,379,364,217	-	284,665,873	1,094,698,344

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

The item "cash and balances at central banks" includes cash at hand and balances at central banks including mandatory reserve disclosed under "cash and cash equivalents" (see note 34).

The fair value of claims and term deposits at variable rates of interest is identical to their carrying amounts. The fair value of claims and liabilities at fixed rates of interest was determined using the discounted cash flow method, using money market interest rates for financial instruments with similar default risks and similar remaining terms to maturity.

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The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates.

For the fair value measurement of financial instruments which are carried at fair value only in rare circumstances is the fair value calculated based on current observable market data by using a valuation technique. The valuation techniques applied are references to the current fair value of other instruments that are substantially the same and discounted cash flow analysis using observable market parameters, e.g. interest rates and foreign exchange rate.

Level 2 debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The fair value of loans and advances to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for loans with similar default risks and similar remaining terms to maturity.

The fair value of liabilities to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for deposits with similar remaining terms to maturity. For deposits with no stated maturity (i.e. Current Accounts and Saving Accounts) the fair value it's equal to carrying value in the balance sheet.

The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates.

In case observable market rates are not available to determine the fair value of financial liabilities measured at amortized cost, ProCredit Bank Treasury rates are used as an input for a discounted cash flow model. These are presented as level 3 input factors. Treasury department rates are determined considering the cost of capital depending on currencies and maturities plus a risk margin that depends on an internal risk rating for each institution. These internal rates are regularly compared to those applied for third party transactions and are therefore in compliance with the arms lengths principle.

There have been no transfers between the input levels of the fair value hierarchy.

61) Contingent liabilities and commitments

	As at 31 December	
in LEI	2015	2014
Sureties and guarantees	5,299,989	6,005,295
Performance bonds	3,604,427	3,085,272
Commitments to extend credit	97,678,034	106,411,748
Total	**106,582,450**	**115,502,315**

The above table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees, i.e. the amounts at risk, should contracts be fully drawn upon and clients default. It is expected that a significant portion of guarantees and commitments will expire without being drawn upon; therefore the total of the contractual amounts is not representative of future liquidity requirements. An estimate of the amount and timing of outflow is not practicable.

62) Related party transactions

The Bank entered into a number of banking transactions with related parties in the normal course of business.

The list of related parties and description of the nature of relationship is as follows:

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Name	Relationship
ProCredit Holding AG & Co. KGaA	Shareholder
ProCredit Bank Germany	Bank of the group
ProCredit Bank Bulgaria	Bank of the group
ProCredit Academy Macedonien	Group company
Shipeke Kosovo - Quipu Ges.	Group company
ProCredit Academy	Group company
Quipu GmBH	Group company

The ultimate parent company of the bank is ProCredit Holding AG & Co. KGaA. During the year ended 31 December 2015 and the year ended 31 December 2014 the following transactions were carried out with the shareholders and other related parties from the Bank and Group.

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Income	3,399	15,287
Expense	18,618,454	17,695,987
Net income	**-18,615,056**	**-17,680,700**

in LEI	As at 31 December 2015	2014
Assets		
Loans and advances to banks	56,790,084	21,341,776
Other receivable	59,720	60,254
Total Assets	**56,849,804**	**21,402,030**
Liabilities		
Liabilities to banks (including ProCredit Holding)	140,130,892	151,289,985
Liabilities to customers	25,821	2,237,409
Subordinated debt	39,595,984	39,225,837
Other payable	26,963	-
Total Liabilities	**179,779,660**	**192,753,232**
Off-balance sheet positions		
Credit line	45,245,000	44,821,000
Loan commitment	-	14,500
Total Off-balance sheet positions	**45,245,000**	**44,835,500**

63) Management compensation

During the reporting period, total compensation paid to the management of the bank amounted to:

in LEI	1.1.-31.12.2015	1.1.-31.12.2014
Management board salaries	1,621,007	1,999,817
Total	**1,621,007**	**1,999,817**

The members of the Supervisory Board do not receive any compensation from the Bank.

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64) Number of Employees

	2015		2014	
	Average	At year end	Average	At year end
General Manager	0	0	1	1
Deputy General Manager	2	1	2	3
Head Office Staff	209	178	232	230
Branches/Agencies Staff	265	193	415	393
Total Staff		372		627

65) Significant post-balance sheet events

No significant events post-balance sheet events

66) Exchange rates

For the balance sheet and the income statement the following exchange rates were applied for convenience translation:

Currency code	2015 At balance sheet date	Average for the year	2014 At balance sheet date	Average for the year
EUR	4.5245	4.4450	4.4821	4.4446
USD	4.1477	4.0057	3.2551	3.3205

67) Address and general information

ProCredit Bank S.A. is domiciled in Romania. The Bank was established in Romania in July 2002 (until November 2004 the Bank was known as Microfinance Bank MIRO S.A.), and is licensed by the National Bank of Romania to conduct banking activities.

The Bank operates through its head office located in Bucharest and through its network consisting of 9 branches (31 December 2014: 23) and 14 agencies (31 December 2014: 5) located in Romania.

The current registered office of the Bank is located at:

62 – 64 Buzesti Street,
Bucharest, Sector 1
Romania

The Bank is managed by a Board of Directors made up of 5 members (31 December 2014:5 members); lead by a Chairperson. The composition of the Board of Directors was as follows:

Position	31 December 2015	31 December 2014
Chairperson	Dr. Antje Marielle Gerhold	Dr. Antje Marielle Gerhold
Member	Gian Marco Felice	Gian Marco Felice
Member	Rainer Peter Ottenstein	Rainer Peter Ottenstein
Member	Helen Alexander	Helen Alexander
Member	Ilir Aliu	-
Member	-	Ivaylo Blagoev

Mariana Dimitrova Petkova
Deputy General Manager

Marius Emil Slemco
Head of Finance Department

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