ProCredit Bank

Part of the ProCredit Group

Disclosure Report for the year 2015

(in accordance with National Bank of Romania regulation No. 5/2013)

ProCredit Bank SA

Part of the ProCredit Group

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I. INTRODUCTION

ProCredit Bank S.A. was established in July 2002, by the alliance of international investors focused on development, many of them currently holding the capacity of shareholders of ProCredit Holding AG & Co. KGaA („ProCredit Holding"). As of the end of 2013, the main shareholder of the Bank is ProCredit Holding. ProCredit Bank S.A. is the sole bank of Romania with 100% German shareholding.

ProCredit Holding is the parent company of a global group of banks. At the end of 2015 the group was operating in Germany, Eastern Europe and Latin America.ProCredit Holding is responsible for maintaining an adequate level of equity for the group and ensuring that all reporting, risk management, anti-money laundering fraud and terrorism financing prevention standards and compliance obligations required under German and European banking regulations are met. ProCredit Holding plays an important role in determining the group's human resources policies and in the development and delivery of curricula in the ProCredit academies. Moreover, ProCredit Holding sets the overall policy guidelines and standards regarding the material areas of banking operations in order to ensure that appropriate organisational structures and processes are in place in the ProCredit banks. These guidelines and standards are supplemented by the exchange and dissemination of best practices. Optimal IT solutions are a central part of implementing the business and risk strategies of the group. Quipu GmbH, a 100% owned subsidiary of ProCredit Holding, develops software solutions especially for the ProCredit group.

At a consolidated level the ProCredit group is supervised by the German Federal Financial Supervisory Authority - BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) and of Deutsche Bundesbank (the Central Bank of Federal Republic of Germany).

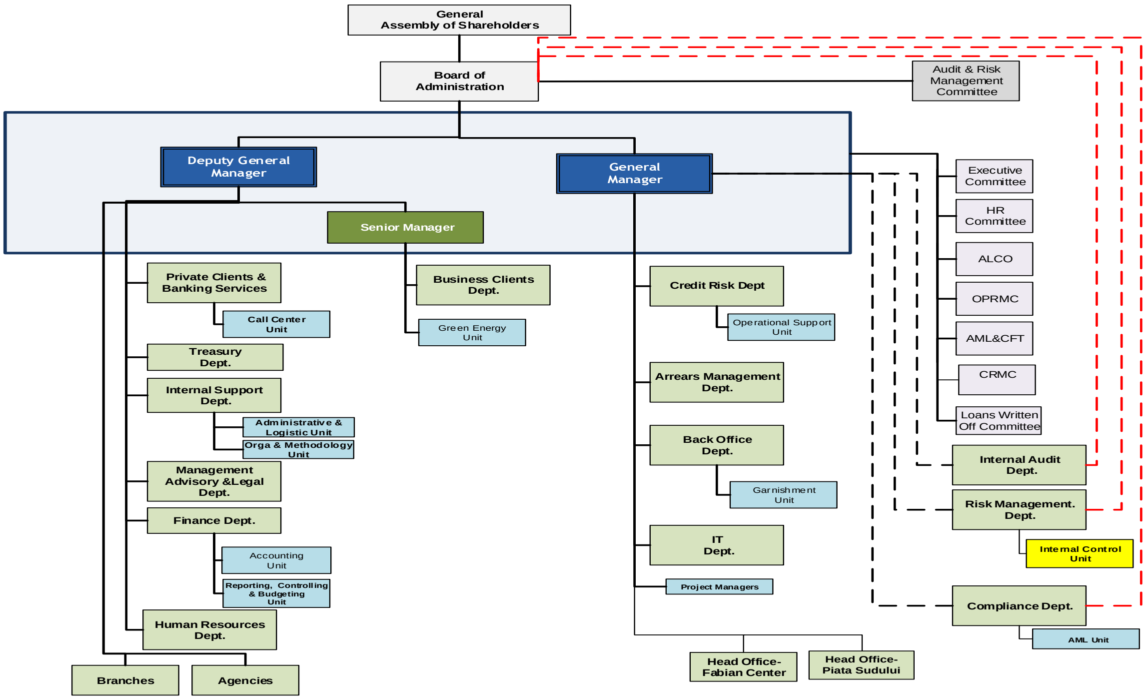
According to Fitch rating agency, the investment rating of ProCredit Holding is BBB (the latest review being performed in 2016). Furthermore, the same agency confirmed in 2016 the credit rating of the Bank at BBB – with a stable outlook.

II. INFORMATION PUBLICATION PURPOSE

This report and the published annual financial statements are intended to meet the public information requirements in force on December 31st, 2015, according to Regulation no. 5/2013 of the National Bank of Romania. Confidential information, the information protected by law or the publication of information which would weaken the competitive position of the Bank shall not be contemplated by this public information. The published information is based on the audited financial statements as at December 31st, 2015.

III. ORGANIZATIONAL STRUCTURE

The organizational structure of ProCredit Bank S.A. (hereinafter the "Bank") shall be established under the Decision of the Bank's Board of Directors, materialized in the Bank's Organizational Chart, which is an integral part of the Organization and Operation Regulation, according to the Memorandum of Incorporation of the Bank, the relevant legislation and business practice specific requirements adopted by the Bank. On December 31st, 2015, the chart of the Bank was the following.



IV. BUSINESS MODEL AND STRATEGY

ProCredit Bank is a development-oriented commercial bank specialised for small and medium-sized enterprises, to which we offer a comprehensive range of high quality banking services related to financing, payments and deposits that are flexibly and individually tailored to the needs of our clients. This target client group reflects our commitment to actively contribute to economic development. We see ourselves as the “house bank” of our clients, and attach importance to building long-term relationships with them. Our clients value a bank that works with them as an equal partner to achieve their corporate goals and which understands the specific issues facing small businesses.

In addition to business clients, we also address private individuals that are associated with our business clients, as well as other private clients who want a reliable, transparent bank mainly for payments and savings. We focus on building a savings culture, and reducing the level of cash in the economy. We do not promote consumer finance, but instead focus on easy access and longer-term savings. ProCredit Bank does not provide complex investment products or asset management services. We put emphasis on “clarity, simplicity and security” since we believe this is what people are looking for. For their daily transactions our clients use e-banking and our 24/7 services for cash and non-cash transactions. Our positioning is built around progressiveness, convenience of modern technology and friendly, competent service provided by our Client Advisers.

The main competitive advantages of ProCredit Bank are represented by the individual understanding of every customer and by the provision of high quality services. We reach our clients with well-positioned network of Branches and Service Points, and a user-friendly state-of-the-art e-Banking platform. With our modern outlet network we offer convenient and comprehensive 24/7 services. Service Points are equipped with a modern, spacious and attractive 24/7 Zone which offers a comprehensive service enabling clients to carry out all day-to-day transactions via self-service machines during and outside opening hours, and also addressing the specific needs of our business clients.

Our competitive strengths in reaching and retaining our target customers lie in our staff: their proactive, professional and responsible approach geared to understanding and responding to individual client needs and building long-term client relationships. In addition, we have an organization which facilitates wise and rapidly devolved decision-making which can respond to client needs whilst managing risk effectively. Our staff is specialized, carefully selected and well-trained. We heavily invest into the recruitment and professional development of our employees in order to serve the customers in a professional and responsible manner.

V. MANAGEMENT STRUCTURE ORGANIZATION

A. GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting ("GSM") consists of the Banks' shareholders.

The General Shareholders' Meeting is the supreme decision making body of the Bank. The General Shareholders' Meeting can be Annual and Extraordinary (hereinafter jointly referred to as the "General Shareholders' Meeting").

1) ***The Annual General Shareholders' Meeting*** shall be convened at least once a year, within no more than five months as of the end of the financial year, before the submission of the annual balance sheet to the competent authorities.

In addition to the items of the agenda, the Annual General Shareholders' Meeting shall be authorized to do the following:

(a) to discuss, approve and amend the annual financial statements based on the reports of the Board of Directors and of the Financial Auditor;

(b) to establish the allocation and distribution of profit and to establish the dividends to be distributed to shareholders;

(c) to appoint, dismiss, assess the performance and to decide on the remuneration of the members of the Board of Directors and to decide on the discharging of its members from administration;

(d) to approve the selection process, the eligibility requirements, the independence criteria and the level of material interests in transactions and other areas with impact on the credit institution of the members of the Board of Directors;

(e) to designate or to terminate the agreement with the financial auditor;

(f) to approve the company's short, medium and long term strategy;

(g) to approve the lease or pledge of one or more units of the Bank;

(h) to establish the income and expenditure budget and to approve the business plan for the following financial year;

The Board of Directors, represented by its Chairman, shall convene the Annual General Shareholders' Meeting by sending written notifications to each and every shareholder no later than 30 days before the date established for the Meeting, indicating the date, time and place of the Meeting and its agenda. The Annual General Meeting can be convened at any time, without a convening notice being required, by means of a letter sent by electronic means having an electronic signature incorporated, enclosed or logically associated thereto.

As a general rule, the Annual General Shareholders' Meeting shall take place at the Bank's registered office. Upon the proposal of the Chairman of the Board of Directors, the meeting can be held in another place, including abroad, provided that this does not generate excessive expenses to the shareholders.

2) ***The Extraordinary General Shareholders' Meeting*** shall be authorized to make decisions on the following:

a) the increase of the Bank's share capital;

b) the change of the Bank's scope of business;

c) the decrease of the share capital or its recapitalization by the issuance of new shares;

d) the limitation of the Bank's operating term;

e) the Bank's merger or division;

f) the Bank's early dissolution;

g) the issuance of bonds;

h) the conversion of a category of bonds into another category or into shares;

i) any other amendment to the Memorandum of Incorporation, and any other resolution requiring the approval of the Extraordinary General Shareholders' Meeting, according to the Memorandum of Incorporation;

j) the approval of new shareholders;

k) the change of the bank's office;

l) the approval of the Policy for the selection, assessment, monitoring and planning of the succession of the Members of the Board of Directors.

The Extraordinary General Shareholders' Meeting may assign a part of the exercise of its powers to the Board of Directors, under Law no. 31/1990 on trading companies.

The Extraordinary General Shareholders' Meeting may be convened at any time when the Board of Directors, represented by its Chairman, deems necessary or upon the request of the majority of the members of the Board of Directors by means of notifications sent according to the provisions of the following paragraph. If the agenda includes issues entailing amendments to the Bank's Memorandum of Incorporation, the draft of the proposed amendments shall be enclosed to the respective notifications.

The Chairman of the Board of Directors shall convene the Extraordinary General Shareholders' Meeting by means of written notifications sent to every shareholder no later than 30 days before the date established for the Meeting, by indicating the date, time and place of the Meeting, as well as its agenda. Notwithstanding the aforementioned, the Extraordinary General Shareholders' Meeting can be held at any moment, without a written convening notice being required, under the unanimous consent of all shareholders. The Extraordinary General Shareholders' Meeting can be convened by means of a letter sent by electronic means, having an electronic signature incorporated, enclosed or logically associated thereto.

The Chairman of the Board of Directors shall be bound to convene the Extraordinary General Shareholders' Meeting upon the request of shareholders holding at least 5% (five percent) of the share capital.

As a general rule, the Extraordinary General Shareholders' Meeting shall take place at the Bank's registered office. Upon the proposal of the Chairman of the Board of Directors, the meeting can be held in another place, including abroad, provided that this does not generate excessive expenses to the shareholders.

Notwithstanding anything to the contrary set out in the Memorandum of Incorporation, any decrease of the Bank's share capital shall be approved under the affirmative vote of shareholders holding more than 75% of the Bank's existent share capital.

The Memorandum of Incorporation set out the quorum, the voting rights and the manner the Meetings are held.

B. THE BOARD OF DIRECTORS

The Bank adopted the one-tier management system. The Bank is managed and supervised by the Board of Directors, a collective deliberation body consisting of 5 members, liable for the management of the Bank, according to the prerogatives granted by the Memorandum of Incorporation, the General Shareholders' Meeting and according to the Romanian legislation. Within the decision making process, in case of a tie vote, the vote of the Chairman of the Board of Directors or of the Deputy Chairman, if the Chairman is absent, shall be the casting vote.

The members of the Board of Directors shall be appointed by the Annual General Shareholders' Meeting, except for the first directors, who shall be appointed under the Memorandum of Incorporation.

The Chairman of the Board of Directors shall be appointed by the Annual General Meeting, which appoints the Board of Directors, and shall be dismissed only by the Annual General Meeting.

If the Chairman is temporarily unable to exercise his powers, during such state of impossibility his powers shall be taken over by the Deputy Chairman or, in his absence, the Board of Directors may appoint another director to act as Chairman.

The members of the Board of Directors shall be appointed for a 4 (four) years' term, and their term of office shall be automatically extended by successive 4 (four) years' terms if they are not expressly dismissed by the Annual General Shareholders' Meeting.

The Board of Directors shall have full powers in order to carry out all actions required and advisable for the performance of the Bank's scope of business, according to the Romanian legislation and this Memorandum of incorporation, except those reserved under the law to the General Shareholders' Meeting.

On December 31st, 2015 the Board of Directors of ProCredit Bank consisted of the following members:

Chairman	Dr. Antje Marielle Gerhold
Member	Gian Marco Felice
Member	Ilir Aliu
Member	Rainer Peter Ottenstein
Member	Helen Alexander

THE AUDIT AND RISK MANAGEMENT COMMITTEE (ARMC)

The Bank's Board of Directors designated an Audit and Risk Management Committee. This operates as a permanent advisory committee, is directly subordinated to the Board of Directors and is completely independent of the Bank's Manager.

On December 31st, 2015 the Audit and Risk Management Committee of ProCredit Bank consisted of the following members:

Chairman	Rainer Peter Ottenstein
Member	Dr. Antje Marielle Gerhold
Member	Ilir Aliu

The main duty of ARMC is to support the Board of Directors making sure that the Bank maintains the risk profile level within the limits defined by the Bank's risk appetite. Therefore, ARMC reviews all issues regarding the implementation of the policies, procedures and methods used for the management of the credit risk (including the counterparty risk), market risk (interest rate risk and currency risk), liquidity risk (including financing risk), operational risk (including legal risk), reputational risk, business-associated risk (including strategic risk), conformity risk, and for the management of other categories of risks which become relevant for the business of the bank. ARMC monitors on a monthly basis the capital adequacy level, both from the perspective of the regulations in force and from the perspective of the economic capital calculated for internal purposes. The Committee shall meet each month.

C. THE MANAGER OF THE BANK

The management of the Bank's business is delegated by the Board of Directors to at least two directors, one of which shall hold the position of General Manager, and the others shall be Deputy General Managers. The exact number of managers shall be established by the Board of Directors by means of the Bank's organizational chart approved by the Board of Directors. The Managers of the Bank shall be bound to comply with the terms provided for by the regulations applicable to credit institutions.

In the relations with third parties, the Bank shall be represented by any of its managers, acting individually or, and up to the extent permitted by the law and the regulations of the National Bank of Romania, by any other employee of the bank expressly authorized to represent the Bank either under a power of attorney granted in writing by a manager, or in accordance with the rights and obligations of the position held by the employee, according to job descriptions, Bank's internal regulations and procedures and organizational structure. Occasionally and for limited purposes, other persons may be authorized to represent the Bank. Any document whereby representation rights are granted shall provide if the granted representation right may be transferred for the purposes set out in the respective document. Under no circumstances shall the Bank's Managers be entitled to assign to other employees of the Bank duties which, according to the legislation and the regulations of the National Bank of Romania, are exclusively incumbent on them.

Beside the rights and obligations of the managers established by the Board of Directors, the Managers of the Bank shall implement the general strategies and policies on the business of the credit institution, as approved by the Board of Directors.

The credit policy provides the obligation of the bank's managers to approve the credit risks exposures which exceed a certain ceiling established as an absolute amount or as a percentage of the own funds, as well as those entailing a high credit risk level or which are not specific to the business carried out by the credit institution.

On December 31st, 2015 the management of the bank was ensured by:

Deputy General Manager	Mariana Dimitrova Petkova

VI. INTERNAL CONTROL SYSTEMS FUNCTIONS ORGANIZATION

Risk Management

Throughout 2015, the Bank continued to monitor all relevant risks and to improve even further its Risk Management instruments. The essential element of an efficient Risk Management system is given by the existence of a well developed “risks awareness culture” – a corporate culture where all undertaken risks are acknowledged by every employee, the potential impact of these risks is fully understood and the responsibility for the control of the individual risks is undertaken by the relevant members of the personnel according to their specific powers and duties.

The Bank's prudential policies on Risk Management are defined on a complex basis and at international standards by the management of the Bank and are approved by the Board of Directors. The Risk Management function shall be ensured at the level of the Risk Management Department. The risks exposure management decisions shall be taken within certain specialized committees organized at Bank level.

The purpose of the Risk Management strategy of ProCredit Bank is to efficiently identify, measure, assess, monitor and control the faced risks and to permanently maintain the capital at a level which is appropriate for the undertaken risks. Our simple and transparent business model, a good understanding of our customers' needs, a well trained personnel and a conservative risks undertaking approach are at the center of our Risk Management strategy. The Code of Conduct supplements the Risk Management strategy.

According to its internal by-laws, the Bank is not involved in speculative operations and maintains a closed currency position.

The principles, risk profile and main instruments used for risk management shall be established by the Bank's Board of Directors by means of risk management policies and strategies. Therefore, the Bank defined risk management policies and strategies for credit risks, counterparty risk, currency risk, interest rate risk, liquidity risk, operational risk, fraud risk, reputational risk and outsourced activities risks. Furthermore, the Bank implemented an Internal Capital Adequacy Assessment Process (ICAAP) according to the established risk profile, as well as a general framework for risk profile and capital adequacy stress tests. The risk management and control process shall be performed both at the level of the Bank, as a whole, and at the level of every defined business line.

The management of the Bank shall be responsible for the implementation of the risk management strategy and for the appropriate operation of the committees established for Risk Management, according to their by-laws. The Audit and Risk Management Committee shall be established at the Board of Directors level and shall be responsible for the management of all risks which are material in terms of strategy. The Committees established at senior management level shall be the following: Assets and Liabilities Committee (“ALCO”), Credit Risk Management Committee, Operational Risk Management Committee, Bad Loans Derecognition Committee and the Anti-Money Laundering and Terrorist Acts Financing Control Committee and shall be responsible for the management of the individual risks.

Risk Management Department develops and implements Risk Management processes from an operational perspective. This department permanently monitors the relevant risks and risks positions by means of regular quantity and quality reports in order to make sure that the total value of all risks does not exceed the Bank’s risk taking capacity. All processes and operational areas (including branches) shall be regularly assessed by the Internal Audit Department, being subject to risk assessments. Among other things, the audits are intended to identify fraud risks and to notify the Bank's Management so that they can adopt preventive measures.

The Bank's risk exposure and current capital adequacy status are provided in the Management's risks report, which shall be issued on a monthly basis. This report shall be reviewed within the meetings of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall notify the Board of Directors on a quarterly basis by means of a Risk Profile and ICAAP Report regarding the risk profile development and the capital adequacy.

The decisions of the committees established at senior management level shall be executive decisions. The relevant operational fields shall be represented in every committee in order to make sure that different business lines and the Risk Management function are closely connected.

Audit and Risk Management Committee (ARMC)

The main duty of the ARMC is to make sure that the Bank maintains the risk profile level within the limits defined by the Bank's risk appetite, as defined by the Board of Directors. Therefore, the ARMC shall make decisions on the implementation of the policies, procedures and methods used for the management of the undertaken major risks and for the management of other categories of risks which become relevant for the business of the bank. ARMC monitors on a monthly basis the capital adequacy level, both from the perspective of the regulations in force and from the perspective of the economic capital calculated for internal purposes. The Committee shall meet on a monthly basis.

Credit Risk Management Committee (CRMC)

The main duty of the CRMC is to monitor the developments and trends of the loans portfolio and to review them in connection with the risk appetite established for the credit risk and, if the case may be, to approve the corrective measures. The Committee meetings shall be held on a monthly basis, but the Committee can meet whenever necessary.

Operational Risk Management Committee (OPRC)

The agenda for the OPRC meeting shall include at least the following topics: operational risk exposure (as it results from the operational risk events data base - RED) and the action plans required for handling the operational risk events. The operational risk exposure assessment includes information security elements and outsourced activity risks. The OPRC's meeting shall be held on a monthly basis, but the Committee can meet whenever necessary.

Assets and Liabilities Committee (ALCO)

The ALCO's agenda differs depending on the type of the meetings. During the monthly meetings, the committee shall mainly debate on the issues specific to liquidity risk, market risk, counterparty risk, and up to a certain extent, conformity risk. During the bimonthly meetings, the Committee shall focus on the short-term liquidity management. The Committee can meet in extraordinary meeting whenever necessary.

Bad Loans Derecognition Committee

The main purpose of the Bad Loans Derecognition Committee is the monitoring of and the making of a decision concerning the accounting derecognition of bad loans. The monitored and assessed loans are the bad loans subject to an amicable payback process and to a forced execution recovery process.

The Committee for anti-money laundering and counter-terrorist financing (AML&CFT)

The main purpose of this Committee is to monitor the know-your-customer activities, anti money laundering and counter-terrorism financing activities. The decisions of the Committee shall be implemented by the departments the activity of which includes the implementation of the measures taken by the committee. The AML&CFT Committee shall meet whenever necessary, but at least on a quarterly basis.

Credit risk

The Credit Risk Management Committee shall be responsible for the credit risk. The Credit Risk Department shall be responsible for the credit risk identification and assessment at customer's level, while the Risk Management Department shall have the same responsibilities at loans portfolio level. Furthermore, the Risk Management Department shall assess, by means of a specialized operational structure, namely the Internal Control Office, the compliance of the inspected units with the provisions of Credit Risk Management Policy and Strategy and of the loan procedures and the portfolio quality within the inspected units.

The Bank's crediting products entail a low complexity level. The Bank shall not be engaged in derivative financial instruments transactions with its customers. Furthermore, our transparent strategy towards our customers ensure their good understanding of the obligations arising from loan contracting, thus avoiding any potential subsequent repayment issues. The crediting process as a whole was designed so as to mitigate the individual credit risk: credits assessment is mainly based on the customer's cash flows and only subsequently on the assets set up as guarantees; every loan is reviewed and approved by a loan committee; the loans are closely monitored by specialized customer advisers, who are also in charge with the customers' compliance with the agreed loan repayment plan and with the scheduling of the monthly installment payments. All these measures shall apply to most of the crediting products, which enables qc fast identifications of any issues. The loans with outstanding payments shall be monitored by the specialized personnel, both at branch level and at headquarters level, thus ensuring an appropriate level of outstanding debts collection. If a loan cannot be recovered amicably, the Bank shall initiate the forced execution procedure in order to recover the guarantees set up for the respective receivables.

The Bank benefits from a well diversified portfolio. On December 31st, 2015, the average amount of a loan of the loans portfolio in progress amounted to EUR 16,415. The bad loans portfolio (defined as outstanding loans exposures, with one or more interest/loan installments outstanding for more than 30 days) was 6.76% of the total portfolio. The impairment adjustments represented 5.54% of the total portfolio, thus covering 81.96% of the volume of the loans in progress outstanding for more than 30 days. These values are calculated based the financial statements of the bank issued according to the international financial reporting standards.

The Board of Directors shall establish the limits on the Bank's credit risk exposure, and the conformity thereof shall be monitored by Audit and Risk Management Committee and by the Credit Risk Management Committee. The Bank's counterparty risk exposure (including issuer's risk) shall be monitored by the Audit and Risk Management Committee and by the Assets and Liabilities Committee.

Market risk

ProCredit Bank is exposed to the currency risk and interest rate risk. These risks shall be managed by the Assets and Liabilities Committee. Furthermore, the Committee shall monitor the limits established by the Board of Directors for the exposure to these risks.

Currency risk

The Bank is exposed to the currency risk, as it carries out operations in foreign currency, especially in Euro. In order to avoid losses, ProCredit Bank does not use derivative financial instruments in order to cover open positions, and chose a closed positions strategy by decreasing the difference between the assets and the liabilities denominated in foreign currency. The currency position is monitored on a daily bases by the Treasury Department, by the Treasury Back Office and by the Risk Management Department. The results of the monitoring shall be submitted to the Assets and Liabilities Committee (ALCO).

Interest rate risk

The Bank wants to make sure that the balance sheet structure is balanced in terms of all outstanding amounts. The interest rate risk shall be mainly managed by using the maturity gap analysis and the impact of the market interest rates evolution scenarios on the economic value of the Bank and its profit and loss account. The impact on the economic value of the Bank with the assumptions of Basel II standard scenario cannot exceed 10% of the Bank's capital at any time.

The Board of Directors shall establish the limits of Bank's market risks exposure, and the conformity with such limits shall be monitored by the Audit and Risk Management Committee and the Assets and Liabilities Committee.

Liquidity risk (including financing risk)

The Bank's position on liquidity risk is closely monitored and usually assessed twice a month, during the meetings of the Assets and Liabilities Committee. At the end of 2015, high liquidity assets represented 23.43% of the total debts and covered 38.23% of customer's deposits. The liquidity risk was mitigated by a diversified range of deposits made available to the customers.

The financing risk is a component of the liquidity risk, which entails the risk that the Bank cannot provide sufficient funds to finance the development of its own business. Throughout 2015, the Bank used the funds attracted from ProCredit Holding / ProCredit Bank AG (Germany), as well as the funds attracted from the European Investment Fund (EIF) by means of JEREMIE program. The Bank maintained a comfortable level for the loan portfolio funding from the deposits attracted from the customers (79.15% at the end of 2015). The customers' deposits have a high degree of diversification, the major ten deponents accounting for only 10% of the total amounts attracted from the customers.

The Board of Directors shall establish the limits on the Bank's liquidity risk exposure, and the conformity with these limits shall be monitored by the Audit and Risk Management Committee and the Assets and Liabilities Committee.

Operational risk

For the monitoring and control of the operational risk, ProCredit Bank uses an operational risk events data base ("RED") and has established an Operational Risk Management Committee. An important component of the management of this risk is represented by the continuous efforts made to increase the employees' awareness on this risk source and to encourage them to report the found incidents.

Furthermore, the Bank has an information security policy and a plan for business continuity and recovery in case of disasters. The monitoring and management of the incidents regarding information security shall be carried out by the Officer for Information Security within Risk Management Department.

The Board of Directors shall establish the limits of the Bank's operational risk exposure and the compliance with these limits shall be monitored by the Audit and Risk Management Committee and the Operational Risk Management Committee.

Business risk (including the strategic risk)

The Bank includes the business risk (including strategic risk) in the category of major risks due to the fact that, following the changes of the business environment during the recent years, mainly generated by the financial crisis, we have faced important issues in the achievement of our targets. In these circumstances, the Bank's Board of Directors defined a target profile for this risk in order to have a better control on the risk exposure.

The Board of Directors shall establish the limits of Bank's business risks exposure, and the compliance with these limits shall be monitored by the Audit and Risk Management Committee and the Assets and Liabilities Committee.

Conformity, operational and legal risk

The conformity risk management shall be performed by three committees of the Bank. The anti-money laundering and terrorism financing control risks shall be managed by the Anti-Money Laundering and Terrorism Financing Control Committee. The monitoring of the legislative regulations and the implementation thereof is performed by the Operational Risk Management Committee. The Bank's organizational structure includes the Conformity Department, which has the role to support the Bank's Managers in the efficient management of the conformity risk. Furthermore, the terms on the financial and risk indicators, included in the financing agreements concluded by the bank with the providers of such shall be monitored on a monthly basis, within the ALCO meetings.

Our reputation on the market shall remain essential for our success in attracting deposits and funds by means of the capital market. The reputational risk is low, given our commitment to transparency and responsibility found in every aspect of our policies and in the organizational culture. There have been no significant adverse events that have affected our reputation in 2015. Fitch Ratings agency reconfirmed the long term individual rating of the Bank (BBB-) taking into account the stabile perspective of our business model.

On December 31st, 2015 no significant legal action filed against the Bank was recorded.

The internal process of capital adequacy in relation to risks

Throughout 2015, the Bank continued to develop the approaches on the internal process of capital adequacy in relation to risks. This process is based on the assessment, monitoring and internal control of capital adequacy in terms of two complementary perspectives: the establishment, under the actual and estimated position, of the economic capital required in order to cover every significant risk and the use of techniques for the determination of the economic capital for the calculation of the additional capital required for the risks which were unevaluated or not covered by the regulatory framework.

The Board of Directors established, by means of the Internal Capital Adequacy Assessment Process (ICAAP), both the limits for the economic capital required for every significant risk, and the general limits for the capital adequacy in relation to risks, limits the compliance of which shall be monitored on a monthly basis by the Audit and Risk Management Committee. At the end of 2015, the capital adequacy rate amounted to 18.90%, and CET1 capital ratio was of 14.84%.

Throughout 2015, the Bank performed regular stress tests on risk profile and on capital adequacy in relation to risks within business planning process. This stress tests process intends to assess under alternative terms, the position of the Bank regarding the significant risk exposure and to make sure that we will continue to comply with the solvency and risk appetite limits even under adverse terms.

VII. CAPITAL ADEQUACY

The management of the Bank capital has the following objectives:

- Making sure that the Bank has permanently available a capital volume and capital quality that are sufficient to handle any (potential) losses resulting from various risks, even in extreme conditions.
- To fully comply with the external capital requirements established by the regulatory authority.
- To comply with the minimum capital adequacy requirements defined at internal level.
- To make sure that the Bank can implement its continuous development plans, complying, at the same time, with its business strategy.

The internal capital adequacy assessment process of ProCredit Bank SA is regulated by the Internal Capital Adequacy Assessment Process. The main tools used to assess and monitor the Bank's capital adequacy are the regulatory capital adequacy indicators, the internal capital requirement, the debt/level 1 capital ratio and the risk tolerance capacity. These tools are regularly monitored by the Audit and Risk Management Committee, by the Managers of the Bank and by the Board of Directors.

The minimum external capital requirements are imposed and monitored by the local banking supervisory authority, namely the National Bank of Romania. The capital adequacy is calculated in accordance with the accounting standards in force and is reported to the Audit and Risk Management Committee on a monthly basis. Such reports include constantly updated forecasts in order to ensure current as well as future compliance.

Indicators	As at December 31st	
	2015	**2014**
Level 1 Basic Equity / Risk Weighted Assets	14.84%	14.55%
Level 1 Equity/ Risk Weighted Assets	14.84%	14.55%
Level 1 Equity + Level 2 Basic Equity/ Risk Weighted Assets	18.90%	18.67%

in RON	As at December 31st 2015	2014
Share capital	159,681,721	159,681,721
Share premium	1,273,775	1,273,775
Legal reserve	3,039,032	2,510,099
Profit/Loss Carried forward	-13,019,544	-20,880,626
Intangible fixed assets allowance	-6,018,420	-3,647,249
Other prudential adjustments	-32,790	-94,574
Level 1 Equity	**144,923,774**	**138,843,146**
Level 1 Basic Equity	**144,923,774**	**138,843,146**
Eligible subordinated debts	39,589,375	39,218,375
Level 2 Basic Equity	**39,589,375**	**39,218,375**
Prudential adjustments	-	-
Total regulatory capital	**184,513,149**	**178,061,521**

in RON	2015	2014
Balance sheet Risk Weighted Assets	756,718,678	745,606,863
Off-balance sheet Risk Weighted Assets	4,504,839	4,891,388
Operational risk related Risk Weighted Assets	215,288,350	203,438,638
Total Risk Weighted Assets	**976,511,867**	**953,936,889**

Regulatory capital adequacy indicators are supplemented by the internal capital requirement. According to Pillar I of Basel III framework, the Bank calculates its capital requirement for the credit risk and market risk using the Standardized Approach and for the operational risk using the Basic Indicator Approach. Under Pillar II of Basel III framework, the Bank calculates additional capital requirements for the risks not covered by Pillar I or not completely covered by Pillar II.

During 2015, the Bank updated its internal capital adequacy assessment process by modifying several methodologies used to quantify the concentration risks and business risks. Therefore the methodology for the quantification of the internal capital requirement to cover the sectoral concentration risk was updated by introducing it as additional criterion for measuring the level of concentration of the funded activities. Furthermore, the methodology for the quantification of the capital requirement for the business risk was updated by the exclusion of any occasional transactions (e.g. sale of the bad loans portfolio).

On December 31st, 2015, the internal capital requirement measured as the ratio between the regulatory capital and risk weighted assets was 13.93%, much higher than the minimum limit of 8% set out in the Policy on the internal capital adequacy assessment process (ICAAP).

VIII. STRUCTURE OF THE USED INCENTIVES/REMUNERATION

The Staff Remuneration Policy establishes the principles underlying the remuneration and benefits packages granted to the Bank's employees.

The remuneration policy, as part of the Human Resources Policy of the Rules of Organization and Operation of the Bank, is available to all the Bank’s employees.

The Bank’s Staff Remuneration Policy corresponds to the culture and values of the Bank, being constantly reviewed and correlated with the medium and long term organizational objectives and with the strategy of the Bank. As a consequence, the transparency, the open communication culture, the social responsibility and tolerance, the service orientation, the high professional standards and the personal commitment of the employees will be found in the principles underlying the Staff Remuneration Policy. It was developed so as to enable and promote a healthy and effective risk management without encouraging risk-taking that exceeds the Bank's risk tolerance level and avoid potential conflicts of interest.

The Board of Directors of the Bank adopts and reviews the general principles of the remuneration policy periodically, but at least once a year, and is responsible for its implementation. The Human Resources Committee assists in and coordinates the consistent application of the remuneration policy and evaluates the manner of its implementation.

The compliance with the remuneration policies and procedures will be subject to an independent internal review conducted by the Internal Audit Department on an annual basis. This assessment will take into account at least the design, implementation and effects of the remuneration policy. The result of this evaluation will be presented to the Board of Directors.

Principles of the Staff Remuneration Policy:

The Staff Remuneration Policy of ProCredit Bank S.A. is based on the following principles:

The wage and benefits package consists of:

- Net wage, which consists of a fixed component, according to the salary scale in force;
- Meal vouchers, according to the applicable legislation;
- Preferential terms for loans contracting and preferential terms for banking services, as provided for by the Bank's procedures and according to the applicable law;
- Specialized medical services under the decisions taken by the Human Resources Committee, the agreements concluded by the Bank and the option of every employee.

The wage and benefits package does not include any financial or material bonuses or incentives which might encourage excessive risk-taking, by their correlation with the individual quantitative performance and results or the financial results of the Bank.

Within Procredit Bank S.A., upon the establishment and negotiation of the wage it is forbidden to discriminate on grounds of sex, sexual orientation, genetic characteristics, age, nationality, race, skin color, ethnic group, religion, political options, social origin, disability or status, family responsibility, trade union membership or activity.

The members of the Board of Directors of the Bank are not remunerated by the Bank.

The level of remuneration for Bank Executives is set by the Board of Directors. Their remuneration includes only a fixed component and contains no incentives correlated to the performance of the Bank.

The remuneration of the key staff and of the staff identified in accordance with NBR Regulation no. 5/2013 includes only a fixed component, contains no incentives correlated to the performance of the Bank and is established and approved by the Board of Directors.

The remuneration of the entire staff of the Bank, except for the staff categories defined in the paragraph above, is established and approved by the Human Resources Committee, in accordance with the remuneration policy and procedures of the Human Resources Department.

The Board of Directors of the Bank approve and review, whenever needed, but at least annually, the salary scale in force.

Individual wages are established and reviewed periodically based on the salary scale in force. The criteria considered in approving any salary increases are:

- The performance of the tasks and duties according to the job description, the internal procedures and rules of the Bank;

- The quality and quantity of the performed work;

- The skills of the employees;

Both the results obtained during the year and non-financial criteria, such as: acquired knowledge, obtained qualifications, personal development, ability to work in teams, contribution to the performance and results of the team, the involvement and proactive behavior and degree of knowledge of the procedures and the compliance therewith shall be taken into account for the individual assessment process which takes place annually.

The wage negotiated and determined individually for each Bank employee is confidential, and both ProCredit Bank S.A. and its employees shall have an obligation of confidentiality in such respect.

In 2015, the total remuneration paid to the bank's management was as follows:

in RON	1.1.-31.12.2015	1.1.-31.12.2014
Wages	1,621,007	1,999,817
Total	**1,621,007**	**1,999,817**

IX. NATURE AND SCOPE OF THE TRANSACTIONS WITH BANK AFFILIATES

The Bank was party in several bank transactions with affiliates during the normal course of its business.

The parent company of the bank is ProCredit Holding AG & Co. KGaA. During the year concluded **on December 31st, 2015** and the year concluded **on December 31st**, 2014, the following transactions were performed with the shareholders and other related parties of the bank and the group.

Current balances of the shareholders and related parties

(at the end of the year)	**As at December 31st**	
in RON	**2015**	**2014**
Assets		
Loans and down payments granted to the banks	56,790,084	21,341,776
Other receivables	59,720	60,254
Total assets	**56,849,804**	**21,402,030**
Liabilities		
Loans from banks(ProCredit Holding included)	140,130,892	151,289,985
Trade payables	25,821	2,237,409
Subordinated debts	39,595,984	39,225,837
Other debts	26,963	-
Total liabilities	**179,779,660**	**192,753,232**
Off-balance items		
Credit lines	45,245,000	44,821,000
Credit engagements	-	14,500
Total Off-balance items	**45,245,000**	**44,835,500**

Net incomes of the bank from transactions with shareholders and related parties

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

Part of the ProCredit Group

ProCredit Bank

X. OVERVIEW OF THE FINANCIAL RESULTS OF THE BANK

Profit/Loss and other items of the global result

in RON	Note	1.1-31.12. 2015	1.1-31.12. 2014
Interest income		132,452,928	148,446,941
Interest expenses		-31,803,656	-45,664,334
Net interest income	(20, 26)	**100,649,272**	**102,782,607**
Loans and down payments depreciation provisions		-16,094,941	-14,490,375
Net interest income after the deduction of the provisions	(9, 27)	**84,554,331**	**88,292,231**
Charges and commissions income		18,856,514	19,712,900
Charges and commissions expenses		-6,271,530	-5,313,893
Charges and commissions net income	(21, 28)	**12,584,984**	**14,399,007**
Trading profit/loss	(29)	5,164,270	5,713,324
Available-for-sale net profit/loss	(30)	21,349	14,579
Other operating income / expenses	(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
Rent expenses		-10,631,765	-11,505,610
Depreciation expenses	(39, 40)	-7,291,058	-10,042,335
Operating expenses		**-86,245,238**	**-96,415,931**
Operating profit/loss		**10,578,670**	**10,247,785**
Corporate tax expenses/income	(14, 33)	-2,188,655	-847,516
Financial year profit		**8,390,015**	**9,400,269**

Balance Sheet

in RON		As at December 31st	
Assets	**Note**	**2015**	**2014**
Cash and cash equivalent	(7, 34)	213,902,304	211,287,346
Loans and down payments granted to credit institutions	(8, 35)	58,852,673	111,420,146
Available-for-sale financial assets	(9, 36)	40,845,734	47,425,268
Loans and down payments granted to customers	(8, 37)	1,146,591,114	1,200,699,294
Provisions for the depreciation of the loans and down payments granted to customers	(9, 38)	-63,559,880	-78,816,210
Tangible fixed assets	(11, 14, 40)	19,124,008	13,638,684
Intangible fixed assets	(10, 39)	6,018,420	3,647,249
Deferred income receivables	(14, 42)	4,664,719	6,865,143
Other assets	(43)	19,016,067	13,868,093
of which: Current tax receivables		*3,304,712*	*3,189,427*
Total active		**1,445,455,158**	**1,530,035,013**
Liabilities			
Debts to credit institutions	(15, 44)	139,586,959	150,583,815
Debts to customers	(15, 45)	903,805,097	977,314,297
Loans from banks and other international financial institutions	(46)	204,804,619	214,425,709
Other debts	(48)	6,297,126	5,583,146
Provisions	(16, 47)	423,178	411,813
Subordinated debts	(18, 49)	39,595,984	39,225,837
Total debts		**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
Profit/Loss Carried forward		-13,019,544	-20,880,626
Available-for-sale assets revaluation reserve		-32,790	-94,574
Total equity		**150,942,194**	**142,490,395**
Total liabilities and equity		**1,445,455,158**	**1,530,035,013**

Part of the
ProCredit Group

ProCredit Bank

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