



ProCredit Bank

Congo

Annual Report 2007



Key Figures

USD '000	2007	2006*	Change
Balance Sheet Data			
Total Assets	58,149	19,981	191%
Gross Loan Portfolio	12,028	7,392	63%
Business Loan Portfolio	12,028	7,392	63%
USD < 10,000	6,518	4,142	57%
USD > 10,000 < 50,000	5,371	3,250	65%
USD > 50,000 < 150,000	139	0	–
USD > 150,000	0	0	–
Agricultural Loan Portfolio	0	0	–
Housing Improvement Loan Portfolio	0	0	–
Other	0	0	–
Allowance for Impairment on Loans	550	183	201%
Net Loan Portfolio	11,478	7,209	59%
Liabilities to Customers	49,026	14,841	230%
Liabilities to Banks and Financial Institutions	0	0	–
Shareholders' Equity	5,123	3,000	71%
Income Statement			
Operating Income	7,757	3,778	105%
Operating Expenses	6,138	3,244	89%
Operating Profit Before Tax	1,469	238	517%
Net Profit	1,469	238	517%
Key Ratios			
Cost/Income Ratio	74%	86%	
ROE	36%	8%	
Capital Ratio	43%	37%	
Operational Statistics			
Number of Loans Outstanding	4,917	2,782	77%
Number of Loans Disbursed within the Year	6,366	3,709	72%
Number of Business and Agricultural Loans Outstanding	4,917	2,782	77%
Number of Deposit Accounts	44,581	16,512	170%
Number of Staff	188	105	79%
Number of Branches and Outlets	3	2	50%

* Some figures differ from those in the 2006 annual report as they have been adjusted to reflect new calculation methods.

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Mission Statement

ProCredit Bank Congo is a development-oriented full-service bank. We offer excellent customer service and a wide range of banking products. In our credit operations, we focus on lending to very small, small and medium-sized enterprises, as we are convinced that these businesses create the largest number of jobs and make a vital contribution to the economies in which they operate.

Unlike other banks, our bank does not promote consumer loans. Instead we focus on responsible banking, by building a savings culture and long-term partnerships with our customers.

Our shareholders expect a sustainable return on investment, but are not primarily interested in short-term profit maximisation. We invest extensively in the training of our staff in order to create an enjoyable and efficient working atmosphere, and to provide the friendliest and most competent service possible for our customers.



Letter from the Board of Directors

The year just ended was an important one for ProCredit Bank Congo: in 2007 the bank further strengthened its position as the leader in the Congolese banking sector in terms of the number of clients served, while at the same time focusing on institutional development.

In 2007 the bank opened almost 28,000 accounts for customers, and at year-end it had a total of 45,000 active customer accounts. It tripled its deposit volume, which rose to USD 49.5 million, providing impressive evidence of the trust placed in ProCredit Bank by its customers. Thanks to its full range of modern banking services, its accessibility and the professionalism of its staff, the bank continuously reinforced its reputation as a stable and trustworthy institution. It thereby contributed to the restoration of public confidence in the financial sector, which had been destroyed almost completely by the collapse of the local banking system in the late 1990s.

A total of 6,289 loans with a combined volume of USD 21.4 million were disbursed in 2007 to very small, small and medium-sized enterprises, causing the outstanding loan portfolio to grow by more than 150% to USD 12 million by the end of the year. This rapid growth was supported by our well-trained and highly motivated employees, who numbered 188 as of December 2007. The bank opened its local training centre in Kinshasa in June, and it invested heavily in intensified training, particularly for newly recruited staff. During the year just ended, 15 employees participated in the middle management training courses offered at the ProCredit academies in Mozambique and Germany. With the help of funding provided under technical assistance agreements, we brought experts from ProCredit Holding and various sister banks within the group to Congo to help us strengthen the institutional structures at our head office and to build staff capacity in areas requiring specialised technical expertise.

Despite the huge logistical challenges entailed in all aspects of branch network expansion in Congo, the bank was able to begin construction of two new branches and a business centre during the second half of the year, paving the way for a significant increase in the size of its network of offices in 2008. The bank was also in negotiations to purchase the building which currently houses its head office, as well as premises for a branch in Matadi. These investments underscore the firm commitment of the shareholders to the bank and to the Democratic Republic of Congo.

The bank recognises that its ability to achieve its goals for 2008 will depend primarily on the quality of its human resources and internal structures and the efficiency of its procedures. Consequently, ProCredit Bank Congo will continue to place a high priority on staff training during the coming year. The bank will broaden its outreach through branch network expansion in Kinshasa and in other parts of the country to bring the benefits of access to formal financial services to more and more of the country's citizens. This is particularly important given the low level of development in the local financial sector and the high degree of informality, which limits the potential for significant growth in the Congolese economy.

On behalf of the Board of Directors, I would like to express my gratitude to the staff and management for their strong dedication to the institution and its vision. I would also like to take this opportunity to thank the shareholders and our technical assistance partners for their long-term commitment to encouraging, and enabling, ProCredit Bank Congo to expand its coverage of the huge potential market for credit and other banking services in the country's thriving SME sector – a sector which can provide the impetus for sustained economic development in Congo after years of devastating conflicts and mismanagement of the economy.



Claus-Peter Zeitinger
Chairman of the Board of Directors

**Members of the
Board of Directors as at
December 31, 2007:**

Claus-Peter Zeitinger
(Chairperson)
Helen Alexander
Mechtild van den Hombergh
Sandrine Massiani
Hanns-Peter Neuhoff

**In November 2007 the
following members
submitted their resignations,
subject to approval from
the Central Bank:**

Claus-Peter Zeitinger
Hanns-Peter Neuhoff

**In November 2007 the
following individuals were
nominated as members
of the Board of Directors,
subject to approval from
the Central Bank:**

Sandrine Massiani
(Chairperson)
Thomas Wollenzien
Dörte Weidig

**Members of the
Management Board as at
December 31, 2007:**

Oliver Meisenberg
(General Manager)
Louis-Odilon Alaguillaume
(Deputy General Manager)

The Bank and its Shareholders

ProCredit Bank Congo is part of the ProCredit group, which is led by its Frankfurt-based parent company, ProCredit Holding. ProCredit Holding is the largest shareholder in ProCredit Bank Congo, holding over 50% of the shares. In 2007, ProCredit Holding acquired IPC's stake in the institution. In addition, KfW Banking Group and the Belgian development fund BIO acquired shares, resulting in an equity increase of USD 2 million. These changes have been approved by the Central Bank of the Democratic Republic of Congo and will be entered in the Commercial Register once the necessary legal formalities have been completed.

ProCredit Bank Congo was founded in August 2004 by an alliance of international development-oriented investors. Their goal was to establish a new kind of financial institution that would serve the demands of small and very small businesses in a socially responsible way. The primary aim was

not short-term profit maximisation, but rather to deepen the financial sector and contribute to long-term economic development while also achieving a sustainable return on the investment.

The founding shareholders of ProCredit Bank Congo were ProCredit Holding, the DOEN Foundation, IPC and IFC. The management of the bank was provided by IPC. Over the years, ProCredit Holding, working closely with IPC, has consolidated the ownership and management structure of all the ProCredit banks and financial institutions to create a truly global group with a clear shareholder structure and to bring to each ProCredit institution all the synergies and benefits that this implies. Today's shareholder structure of ProCredit Bank Congo is outlined below. Its current subscribed share capital is USD 5 million.

As of the end of December 2007, the registered shareholder structure was as follows:

Shareholder (as of Dec. 31, 2007)	Sector	Headquarters	Share	Paid-in Capital (in USD)
ProCredit Holding	Investment	Germany	50%	1,500,000
DOEN	Investment	Netherlands	20%	600,000
IFC	Investment	USA	15%	450,000
IPC	Consulting	Germany	15%	449,970
Others			<1%	30
Total Capital			100%	3,000,000

The new shareholder structure after the completion of the formal registration process will be as follows:

Shareholder (as of Dec. 31, 2007)	Sector	Headquarters	Share	Paid-in Capital (in USD)
ProCredit Holding	Investment	Germany	61%	3,049,970
DOEN	Investment	Netherlands	12%	600,000
KfW	Banking	Germany	12%	600,000
IFC	Investment	USA	9%	450,000
BIO	Investment	Belgium	6%	300,000
Others			<1%	30
Total Capital			100%	5,000,000



ProCredit
HOLDING

ProCredit Holding is the parent company of a global group of 22 ProCredit banks. ProCredit Holding was founded as Internationale Micro Investitionen AG (IMI) in 1998 by the pioneering development finance consultancy company IPC.

ProCredit Holding is committed to expanding access to financial services in developing countries and transition economies by building a group of banks that are the leading providers of fair, transparent financial services for very small, small and medium-sized businesses as well as the general population in their countries of operation. In addition to meeting the equity needs of its subsidiaries, ProCredit Holding guides the development of the ProCredit banks, provides their senior management, and supports the banks in all key areas of activity, including banking operations, human resources and risk management. It ensures that ProCredit corporate values, best-practice banking operations and Basle II risk management principles are implemented group-wide.

IPC is the leading shareholder and strategic investor in ProCredit Holding. IPC has been the driving entrepreneurial force behind the

ProCredit group since the foundation of the banks. Historically, IPC provided the senior managers of the ProCredit banks. At the end of 2007, IPC staff were integrated into ProCredit Holding, significantly strengthening the company's ability to support the ProCredit group.

ProCredit Holding is a public-private partnership. In addition to IPC and IPC Invest (the investment vehicle of the staff of IPC and ProCredit), the other private shareholders of ProCredit Holding include the Dutch DOEN Foundation, the US pension fund TIAA-CREF, the US Omidyar-Tufts Microfinance Fund, the Swiss investment fund responsAbility and the Salvadoran company Fundasal. The public shareholders of ProCredit Holding include KfW (the AAA-rated German promotional bank), IFC (the AAA-rated private sector arm of the World Bank), FMO (the Dutch development bank) and BIO (the Belgian development fund).

ProCredit Holding has an investment grade rating (BBB-) from Fitch Ratings Agency. As of the end of 2007, the equity base of the ProCredit group is EUR 333.2 million. The total assets of the ProCredit group are EUR 4.1 billion.



Stichting DOEN – Postcode Loterij/SponsorLoterij/BankGiro Loterij was set up in 1991 to promote a liveable world in which everyone can play a part. To that end DOEN invests in and subsidises initiatives in the fields of sustainable development, culture, welfare and social cohesion. DOEN funds its activities from annual contributions received under long-term contracts from its founder, the Nationale Postcode Loterij, and two other Dutch charity lotteries, the BankGiro Lottery and the Sponsor Bingo Lottery.

Since 1994 DOEN Foundation finances entrepreneurial and sustainable initiatives that improve access to the financial sector in countries in transition and developing countries. DOEN has a preference for long-term strategic partnerships. In 1998 it started working with ProCredit Holding and has since been a strategic investor.



IFC, a member of the World Bank Group, fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing private capital in local and international financial markets, and providing advisory and risk mitigation services to businesses and governments. IFC's vision is that poor people have the opportunity to escape poverty and improve their lives. In FY07, IFC committed \$8.2 billion and mobilized an additional \$3.9 billion through loan participations and structured finance for 299 investments in 69 developing countries. IFC also provided advisory services in 97 countries. For more information, visit www.ifc.org.



Internationale Projekt Consult (IPC), a Frankfurt-based company, was founded in 1981. Since then, IPC has provided sound consulting and management services for meaningful development projects. The company has been particularly successful in its activities in the financial sector, a field in which IPC has been involved since 1984. IPC advises banks in developing countries and transition economies on how to build their capacity to provide financial services to very small, small and medium-sized enterprises. Over the last two and a half decades, IPC has set new standards in the

establishment of target group-oriented financial institutions. It founded ProCredit Holding, and remains that company's leading shareholder and strategic investor. From the very beginning, IPC has been the driving entrepreneurial force behind the ProCredit group, and until November 2007 it also provided management services for all of the ProCredit banks and seconded qualified personnel to ProCredit Holding.



KfW Entwicklungsbank (KfW Development Bank): On behalf of the German federal government, KfW Entwicklungsbank finances investments and accompanying advisory services in developing and transition countries. Its aim is to build up and expand the social and economic infrastructure of the respective countries, and to advance sound financial systems while protecting resources and ensuring a healthy environment. KfW Entwicklungsbank is a leader in the field of microfinance and is involved in target group-oriented financial institutions around the world. It is part of KfW Bankengruppe (KfW Banking Group), which has a balance sheet total of approximately EUR 375 billion (as of December 2007). KfW Bankengruppe is one of the ten biggest banks in Germany and is AAA-rated.*



The Belgian Investment Company for Developing Countries (BIO) is a Development Finance Institution established in 2001 as a public-private partnership between the Belgian Government, through the department of Development Cooperation, and the Belgian Corporation for International Investment [BMI/SBI], each holding 50% of the capital. BIO's mission is to promote and to support the private sector in developing and emerging countries through direct and indirect investments, by providing long-term financing to SMEs and microfinance institutions. The ultimate aim is to achieve sustainable economic and social prosperity and to eventually alleviate poverty in those countries. BIO operates as an additional partner to the local financial institutions and looks for projects with a demonstrated balance between financial return and development impact. BIO is a member of EDFI (European Development Finance Institutions). For more information, please visit our website at www.bio-invest.be.*

* The acquisition of an equity stake in the bank by these institutions has been approved by the Central Bank of the Democratic Republic of Congo. The resulting change in the equity capital and shareholder structure will be entered in the Commercial Register once the necessary legal formalities have been completed.



The ProCredit Group – Neighbourhood Banks for Ordinary People

The ProCredit group currently comprises 22 target group-oriented banks operating in as many countries. We focus on developing countries and transition economies in three regions: Eastern Europe, Latin America and Africa. The group has 622 branches staffed by 16,800 employees. Currently, ProCredit banks disburse more than 75,000 loans totalling more than EUR 236 million every month. By the end of 2007, the number of loans outstanding had grown to 926,000 (amounting to EUR 2.8 billion, an increase of 34% over the year). The average loan amount outstanding is EUR 3,045, and the loan portfolio quality remains excellent, with a ratio of loans in arrears (>30 days) to total loan portfolio of only 1.4%. Over 2007, the group's deposit base increased from EUR 1.8 billion to EUR 2.5 billion, an increase of 37%. The number of accounts increased by 900,000.

But what do these facts and figures mean and what is ProCredit trying to achieve? ProCredit is building a global group of neighbourhood banks. But what is a neighbourhood bank? Wherever we are, we aim to be the accessible, trusted, socially responsible bank for local small businesses and "ordinary" people who live and work in the area. In our lending business, we focus on very small, small and medium-sized enterprises. At the same time ProCredit provides retail banking services to ordinary people, with a focus on low-income families. In this way we aim to be the long-term banking partner for target groups which most conventional commercial banks neglect. By providing socially responsible products, we aim to contribute to the economic development of the countries in which we work.

In the developing countries and transition economies in which the ProCredit group operates, conventional commercial banks tend to neglect small and very small businesses because they are thought to keep inadequate records, have insufficient collateral and generate high administrative costs. However, these businesses are the main engine of economic growth and job creation. Over the years, the ProCredit group and IPC, which developed the lending methodology used by the ProCredit group, have gained a profound understanding of both the problems faced by small businesses and the opportunities available to them, and have tailored the credit technology to reflect the realities of their operating envi-

ronment. Thanks to this credit technology, which combines careful analysis of all credit risks with a high degree of standardisation and efficiency, ProCredit institutions are able to reach a large number of small borrowers.

In contrast to ProCredit, other commercial banks give priority in their lending operations to corporate finance and consumer lending, especially the latter. Consumer finance is attractive to those banks because it usually does not require skilled staff or much financial analysis of the client, allowing banks focused on market share to grow quickly. However, this quest for market share can lead to irresponsible lending and over-indebtedness on the part of the client. ProCredit never forgets that a loan is also a debt. The recent events around the US subprime mortgage crisis are an important reminder of the social and economic consequences of inappropriate lending behaviour. In contrast, we place great emphasis on the careful evaluation of a borrower's debt capacity and on building lasting relationships. In this way, ProCredit is characterised by a responsible, long-term attitude towards business development and client relationships.

Furthermore, ProCredit institutions strive to foster a savings culture. We aim to build public confidence in banks by setting new standards in customer service, transparency and business ethics. ProCredit deposit facilities are appropriate for a broad range of customers, especially low-income groups. We offer simple savings products with no minimum deposit requirement. Eighty percent of all deposit accounts have a balance of less than EUR 100. This illustrates our target-group orientation and highlights the challenge of serving this target group of small savers who account for only 1% of our total deposit volume. In the spirit of a neighbourhood bank, ProCredit banks place great emphasis on children's savings products and education campaigns as well as on sponsoring local community events. In addition to deposit facilities, clients are offered a full range of standard non-credit banking services.

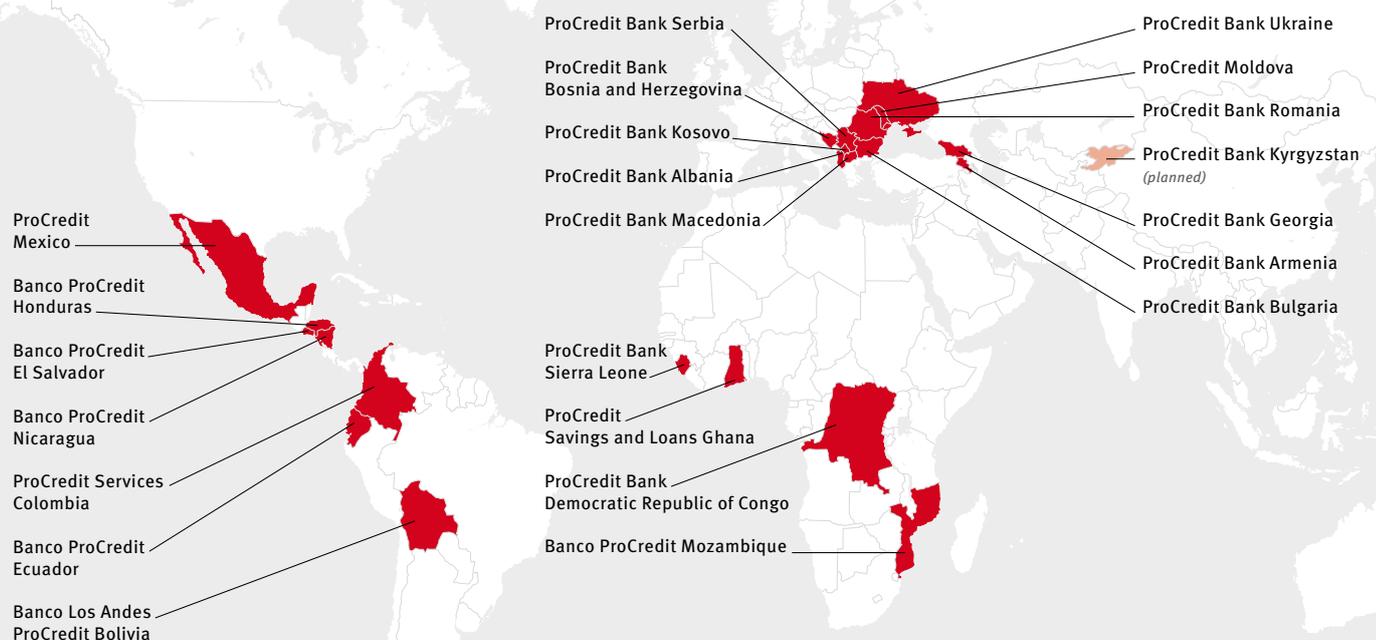
The shareholders of the group aim to strike the right balance between their prime developmental goals: reaching as many small enterprises and small savers as possible, and achieving commercial success. For 2007, the return on equity for

the group as a whole, expressed in hard currency after deduction of profit taxes, is 12.6%.

And who are the shareholders behind the ProCredit group? The ProCredit group is led by the Frankfurt-based ProCredit Holding AG, founded by the consulting firm IPC in 1998. In Eastern Europe, EBRD and Commerzbank, and in Latin America, the IDB, also participate as minority shareholders. ProCredit Holding is a public-private partnership, led by IPC and by IPC Invest, the investment vehicle of the staff of IPC and ProCredit. The other private shareholders of ProCredit Holding include the Dutch DOEN Foundation, the US pension fund TIAA-CREF, the US Omidyar-Tufts Microfinance Fund and the Swiss investment fund responsibility. The public shareholders include KfW, IFC, FMO and BIO.

ProCredit Holding not only provides equity to its subsidiaries, but also guides the development of the ProCredit banks, provides their senior management, and supports the banks in all key areas of activity. Historically, IPC staff managed the ProCredit institutions, building them to what they are today. At the end of 2007, IPC staff were integrated into ProCredit Holding, greatly strengthening its ability to support the group. The holding company ensures that ProCredit corporate values, best-practice banking operations and Basle II risk management principles are implemented group-wide. Plans are underway to bring the ProCredit group under the supervision of the German federal banking supervisory authority (BaFin) in 2008.

The international group of ProCredit institutions; see also www.procredit-holding.com





ProCredit Holding is deeply involved in human resource management. The neighbourhood bank concept is not limited to our target customers and how we reach them, it is also about our staff: how we work with one another and how we work with our customers. The neighbourhood bank approach requires a high degree of decentralised decision-making and therefore judgement and creativity from all staff, especially our branch managers. Our corporate values embed principles such as honest communication, transparency and professionalism into our day-to-day business. Key to our success is therefore the right selection and training of staff. We maintain a corporate culture that harnesses the creativity and entrepreneurial spirit of our staff, while fostering their deep sense of personal and social responsibility. This entails not only intensive training in technical and management skills, but also a continuous exchange of personnel among our member institutions in order to take full advantage of the opportunities for staff development that are created by their participation in a truly international group.

A central plank in our approach to training is the group's ProCredit Academy in Germany, which provides a three-year, part-time "ProCredit Banker" training programme for high-potential personnel from each of the ProCredit institutions. The programme includes intensive technical training and also exposes participants to a very multicultural learning environment and to subjects such as anthropology and the humanities. The programme provides an opportunity for our future leaders to develop their views of the world, as well as their communication and staff management skills. The professional development of local middle managers is further supported by three regional academies in Latin America, Africa and Eastern Europe, which provide similar off-site training for a larger number of people.

The group's strategy is to continue its very rapid growth in order to meet the large unmet demand for financial services from its target groups. The continued success of ProCredit relies on a self-confident team of people who share a personal commitment to the target group, to fast growth and to the neighbourhood way of doing things.

ProCredit in Africa

ProCredit is present in four countries in Africa: Mozambique, Ghana, Congo and Sierra Leone. ProCredit Bank Sierra Leone began operations in August 2007. Africa is for ProCredit a continent with immense opportunities, but also significant challenges.

The need and opportunities for ProCredit are great. There is a thriving informal business sector in most African countries. The demand for credit is strong, and at present almost none of this demand is being met by the formal financial systems. At the same time there is a great willingness on the part of ordinary people to entrust their savings to a sound and professional financial institution. In most countries less than 5% of the population currently has access to a bank. Therefore our potential development impact is very significant. In many countries we are unique in providing modern, transparent and reliable banking services for everyone, i.e. we have no minimum deposit balance and we provide loans to very small businesses. Moreover, we offer both housing improvement loans and agricultural loans – products which are needed in particular in the post-conflict economies in which our banks typically operate.

In 2007, the number and volume of loans and deposit accounts of the ProCredit banks in Africa grew by over 50% and 100% respectively, making it the fastest-growing region in the ProCredit group. However, in absolute terms the scale of our operations remains small. It will take longer to establish large, stable banks in Africa than it has in Latin America or Eastern Europe. Some of the reasons for this are obvious, others are more subtle.

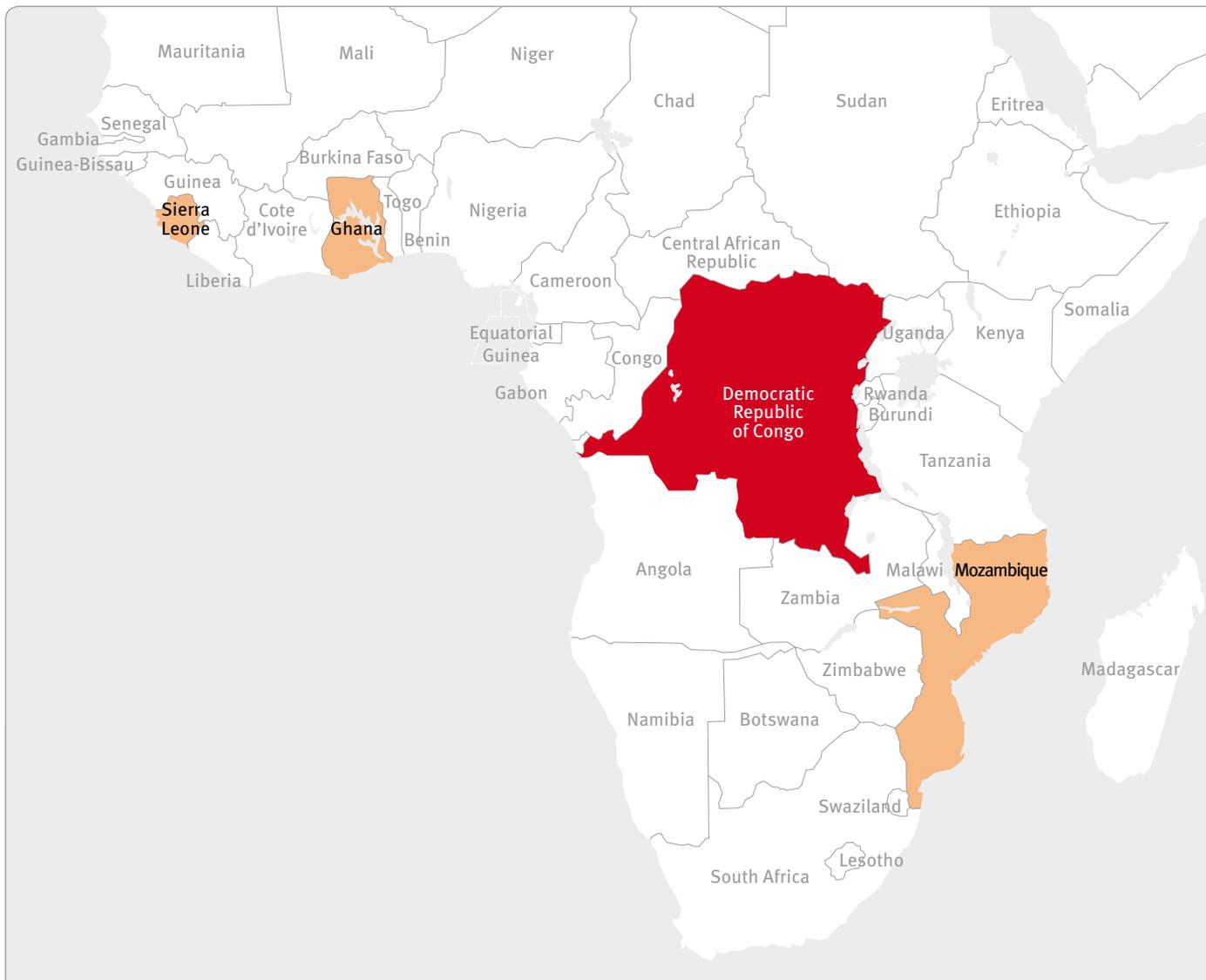
Undoubtedly, the lower average loan amount at some of our African banks is responsible for the slower growth of the loan portfolio in this region. There is no lack of deposit customers, but deposit amounts are small as well. Both sides of the balance sheet are affected by the combination of labour-intensive processes and small individual amounts that characterises our banks' operations. Infrastructure is weak, and suitable premises are scarce, particularly in the post-conflict countries on which we focus – making branch network expansion a slow and expensive process. Transport and communication costs are



high. Political and economic instability also take their toll.

Among the more subtle factors that impede the rapid spread of commercial credit facilities for small and very small enterprises are the short-sighted behaviour of some donors and the policies of many African governments, which do little to promote small business. In Africa, the formal sector, particularly the formal small business sector, tends to be underdeveloped. It struggles under the bureaucratic burdens created in colonial times and perpetuated by local authorities as well as the standards demanded by international organisations today. Businesses are stifled and forced to find informal ways to get around formal requirements. Indeed ProCredit decided to exit its participation in NovoBanco Angola in 2007 because the level of demand from enterprises was suppressed, and there was no commitment from local authorities to support MSMEs or a bank focused on this target group.

Donors' short-sighted approach and local governments' lack of commitment to small business development perpetuates informal structures within the financial sector itself. We would like to expand the ProCredit business model to other African countries, but it is not always easy. Numerous African countries have interest-rate ceilings, notably those in the CFA zone. Micro-finance, which is necessarily cost-intensive and expensive, must then be carried out de facto on a subsidised, informal or illegal basis. This is one of the reasons why NGOs rather than banks dominate microfinance in Africa. Many donors subsidise these NGOs so heavily that local savings deposits are not mobilised or used – a strategy



which undermines the development of local financial sectors and serious commercial providers of financial services.

In many African countries there is also a shortage of qualified individuals. Our staff are the key to our success in Africa as elsewhere in the ProCredit group. We have a great need for loan officers and client advisers, co-ordinators, branch managers, and qualified head office staff, but it is hard to find suitable personnel. Furthermore, companies compete strongly for the few skilled members of the local workforce, often driving up the “price” of such individuals to unaffordable levels. In this context, we have chosen to develop and train our professional staff ourselves and are investing a great deal in the training process by establishing training programmes and encouraging seminars and workshops within the ProCredit

group. Even though such training takes a great deal of time, we are proud of the results and are convinced that it is the right strategy.

At the end of 2007, we had more than 1,300 dedicated staff members managing 239,000 deposit accounts and disbursing 5,000 loans per month. We have a good team in Africa and a strong platform on which we can build. We will continue to invest heavily in training and expansion. In 2007, we established a regional training academy in Africa that provides three months of intensive training for middle managers. Our plans going forward are ambitious, and Africa will remain the fastest-growing region in the group. We look forward to steadily expanding the branch network and our outreach to clients, bringing much-needed access to financial services to people across the region.

Name	Highlights*	Contact
ProCredit Bank Democratic Republic of Congo	Founded in 2004 (operational since August 2005) 3 branches 4,917 loans / USD 12.3 million in loans 44,581 deposit accounts / USD 49.8 million 183 employees	Avenue des Aviateurs 4B Kinshasa/Gombe Tel.: +243 89 8996600 Fax: +49 69 25577042 info@procreditbank.cd www.procreditbank.cd
ProCredit Savings and Loans Company Ghana	Founded in July 2002 (initially named "Sikaman Savings and Loans Company Ltd.") 11 branches and 1 savings mobilisation unit 15,694 loans / USD 23.3 million in loans 116,721 deposit accounts / USD 24.2 million 505 employees	Property No. B28A, Airport City P.O. Box NT 328, New Town Accra Tel.: +233 21 775 830/46 Fax: +233 21 775 809 info@procredit.com.gh www.procredit.com.gh
Banco ProCredit Mozambique	Founded in December 2000 12 branches 26,740 loans / USD 24.9 million in loans 72,966 deposit accounts / USD 16.0 million 537 employees	Av. Zedequias Manganhela, No. 267 JAT IV, 6 th floor right, Maputo Tel.: +258 21 313344 Fax: +258 21 313345 info@bancoprocredit.co.mz www.bancoprocredit.co.mz
ProCredit Bank Sierra Leone	Founded in September 2006 (operational since August 2007) 2 branches 1,210 loans / USD 2.6 million in loans 4,415 deposit accounts / USD 0.9 million 101 employees	11, Rawdon Street P.O. Box 1288 – Freetown Tel.: + 232 76 957 376 info@procreditbank-sl.com

* The figures in this section have been compiled on the basis of the financial and operational reporting performed in accordance with group-wide standards; they may differ from the figures reported in the bank's local GAAP statements.



Highlights in 2007

- We opened our Kinshasa training centre in June. The centre is used to provide induction courses and job-specific training for all new employees and refresher courses for existing staff. It also offers intensive on-the-job training for newly recruited loan officers, who analyse real loan applications and monitor outstanding loans with coaching from experienced senior loan officers.
- In October, we opened a branch in Macampagne in the western part of Kinshasa. Negotiations were completed to rent premises for two additional branches and a business centre, and construction and renovation of these facilities began in the third quarter. Negotiations to purchase the premises of our head office were initiated and were still underway at the end of the year.
- The bank introduced several new products and services. We launched the Express Micro Loan, a credit facility that offers very small businesses streamlined procedures and faster processing. In February, we introduced the first VISA-licensed merchant point-of-sale (POS) terminal in the Democratic Republic of Congo (see Special Feature). We increased our penetration of the card market by offering a new current account that is linked to card usage and has no maintenance fee. We also launched secure Internet banking services, which reduced customers' waiting times in the branches.
- We organised two exhibitions of works by local artists at our head office branch, welcoming the public to these shows at ceremonies attended by the artists. Since launching our operations, we have provided exhibition space for artists in our branch facilities. This gives our institution a colourful touch of local culture that is greatly appreciated by customers and staff. In collaboration with a number of artists, we launched an initiative in 2007 to decorate the walls around the bank's ATMs with attractive, eye-catching paintings. This clearly distinguishes our ATMs from those of our competitors.





- Members of our staff formed a football team and began challenging teams from other institutions. The matches are major events for the bank and are attended by the entire staff. During the year, several branches provided excursions on weekends for their employees, and the head office organised a number of weekend outings for all staff.
- ProCredit Bank Congo marked its second anniversary in August. The event was celebrated with a party for all staff members and their families. For our clients, we organised an open day so that they could take a look “behind the scenes” at ProCredit Bank Congo. Staff members also marked the event by donating their time and materials to paint a classroom at a local school in Kinshasa.
- In conjunction with a USD 2 million capital increase, two new institutions – KfW and BIO – joined ProCredit Bank’s group of shareholders during the year. In addition, ProCredit Holding acquired IPC’s stake in the institution. The procedure for entering both of these changes in the shareholder structure in the Commercial Register was initiated.

Management Business Review



Management Board

from left to right:

Oliver Meisenberg

General Manager

Louis-Odilon Alaguillaume

Deputy General Manager

Political and Economic Environment

Since achieving independence in 1960, the Democratic Republic of Congo (DRC) has suffered decades of conflict and economic devastation. Between 1965 and 1997, the DRC (formerly Zaire) was ruled by Mobutu Sese Seko, who left the economy in ruins. Laurent-Désiré Kabila took power in 1997, following a rebellion that started in 1996. A civil war, exacerbated by the intervention of Rwanda, Uganda, Angola, Namibia and Zimbabwe, engulfed the country in 1998, and Kabila was assassinated in 2001. His son, Joseph Kabila, assumed power, and under his leadership the Comprehensive Peace Agreement was signed in 2002. A transition period followed, leading to the drafting of a new constitution in 2005 and, in 2006, to what proved to be the world's most expensive and logistically challenging elections.

After a turbulent election period, Joseph Kabila was inaugurated on December 6, 2006 as the country's first democratically elected president since 1960. Elections were held for a new parliament, and the constitution was officially adopted. With 58% of the vote and control of roughly three-fifths of both houses of parliament, Kabila received a popular mandate to secure peace. Kabila's second-round challenger, Jean-Pierre Bemba, left the country in March 2007 after armed forces loyal to him were involved in a two-day battle in the city centre of Kinshasa. Peace remains fragile in the eastern part of the country (Kivu), and in the western province of Bas-Congo there are frequent conflicts involving challenges to the central government's authority.

The country's infrastructure, economy and political institutions remain devastated by the years of conflict. The new government requires the international community's continued support to strengthen its extremely weak institutions, rebuild the economy, and improve internal security. Apart from the measures being funded by the World Bank, the European Union and other multi-lateral donors, the most significant infrastructure projects will be carried out by the People's Republic of China, which has provided the country with a multi-billion-dollar loan in exchange for access to its natural resources, most notably copper and cobalt.

Living conditions have improved very little in recent years. According to the International Rescue Committee, more than 1,500 people continue to die each day in the DRC due to the impacts of malnutrition, disease, and war. The United Nations has described the situation as one of the most serious humanitarian crises in the world. Ranking 168th out of 177 countries in 2007, the DRC has one of the world's lowest Human Development Index scores.

There has been progress toward macroeconomic stabilisation, however. Since 2001, the DRC has brought inflation, currency depreciation and public spending under control. Economic growth was positive in 2002 for the first time in 13 years. Driven mainly by the mining industry, real GDP growth was 6.3% in 2007.

The country has immense hydropower potential that could theoretically supply the entire African continent with electricity. At present, however, the extremely poor state of repair of the turbines at the Inga dam on the Congo River, and of the entire national electricity supply grid, makes it impossible to exploit this potential and poses one of the greatest constraints to economic development in the DRC. The limited capacity of the country's only seaport, Matadi, also creates a bottleneck that impedes development.

Due to a lack of infrastructure and accessible credit, the agricultural sector has yet to recover, and the country's urban centres still depend on food imports. About 70% of the population lives in rural areas, and small-scale farming, together with the few remaining large-scale agricultural, forestry and fishery enterprises, account for approximately 50% of GDP.

Manufacturing accounts for less than 5% of total output, with wholesale and retail trade contributing more than 15% of GDP. At 5.6%, the construction sector's contribution to GDP was lower than in the previous year, despite a booming real estate market. This was due to shortages of cement in the DRC.

The country's economy is highly dollarised, and trends in the exchange rate between the US dollar and Congolese franc (CDF) have a great impact on levels of economic activity. The first quarter



of 2007 was marked by major fluctuations in the value of the CDF against the USD, due in part to a widening government budget deficit that was financed by printing money. The central bank managed to reverse the decline in the exchange rate towards the middle of 2007 by pursuing a prudent and restrictive policy. By year-end, the CDF had gained 1.5% against the USD. The annual inflation rate was 11.4% in 2007 compared to 18.2% in 2006.

The economy is highly informal, and corruption remains rampant. The DRC ranked 168th out of 180 countries on Transparency International's 2007 Corruption Perceptions Index. The World Bank's Doing Business Report 2007 rated the DRC as the world's most difficult place to do business for the second year in a row. These indicators suggest that the country will continue to find it difficult to attract the foreign investment that it has urgently required for so many years.

Financial Sector Developments

Although the macroeconomic situation is improving, the banking system's role in the economy remains very limited. The banking sector remains underdeveloped and the level of financial inter-

mediation is extremely low. Due to the country's history of hyperinflation and rapid currency depreciation, public confidence in the CDF and in the financial system as a whole is weak. Customer funds in banks are largely denominated in foreign currencies.

In a country with about 60 million inhabitants and a territory the size of Western Europe, commercial banks operate a total of roughly 100,000 accounts and about 60 branches. Aggregate total assets in the banking sector stood at USD 1.2 billion in 2007, representing growth of 60% compared with 2006. Aggregate credit to the economy amounted to roughly USD 390 million in 2007, and customer deposits came to somewhat more than USD 800 million (mainly in sight deposits).

Many NGOs with local and international financing operate in the microfinance sector, but they have relatively small portfolios. ProCredit Bank Congo's main competitors in Kinshasa serving very small, small and medium enterprises are the microlending organisations FINCA and HOPE. ProCredit Bank's loan portfolio is twice as large as that of both of these institutions combined.

The small enterprise sector is expanding rapidly. Although there are no reliable statistics available on the country's small and very small businesses, it is clear that the sector is already very large and continuing to grow. Most basic consumer goods and services are supplied by small entrepreneurs. The informal sector accounts for more than 80% of all economic activity.

Although the government has given priority to private sector development, bureaucratic impediments and a severe lack of access to financial services hamper SME growth. Commercial banks are starting to show interest in the SME market segment, but they continue to take an extremely cautious approach to lending, generally requiring borrowers to provide real estate as collateral. The terms and conditions governing the opening of bank accounts remain restrictive, with high minimum balances being required. As a result, the majority of small and very small enterprises continue to operate without access to formal financial services. This is precisely what ProCredit Bank Congo aims to change.

Lending Performance

ProCredit Bank Congo strengthened its market presence in 2007. The number and volume of loans outstanding rose significantly, driven by an increase of more than 90% in the number of very small borrowers (amounts of less than USD 1,000) served by the bank. This increase followed our introduction of the Express Micro Loan, a credit facility that offers very small businesses streamlined procedures and faster processing. In the SME client segment (USD 1,000 – 50,000), we achieved growth rates of over 50%. Towards the end of the year, we made the first loans for amounts of between USD 50,000 and USD 100,000 to repeat borrowers whose financing requirements had increased in line with the growth of their businesses.

The bank disbursed more than 6,200 business loans totalling over USD 21 million in 2007. The renewal rate, or percentage of loans disbursed to repeat borrowers, was 78%, indicating a high level of customer satisfaction with the bank's credit services. The outstanding loan portfolio grew by 63% during 2007 to USD 12,021,004 and consisted of 4,917 loans at year end.

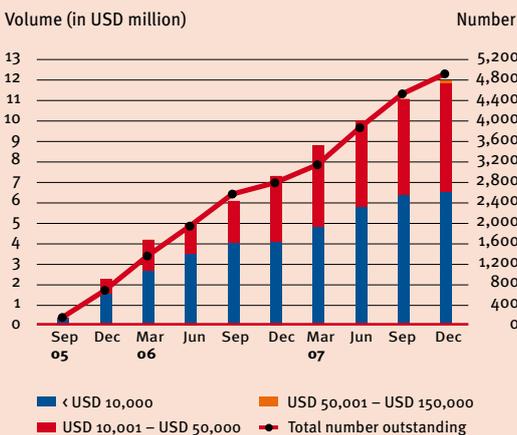
Very small loans (<USD 1,000) represented 60% of the total number of business loans outstanding and 9% of the total volume. Loans of between USD 1,000 and USD 10,000 represented 34% of the total number outstanding and 45% of the

portfolio volume. Six percent of our loan customers were SMEs, with loans ranging between USD 10,000 and USD 50,000. This segment contributed 45% of the total outstanding loan volume. Two customers with loans of between USD 50,000 and USD 100,000 accounted for the remaining 1% of the portfolio volume.

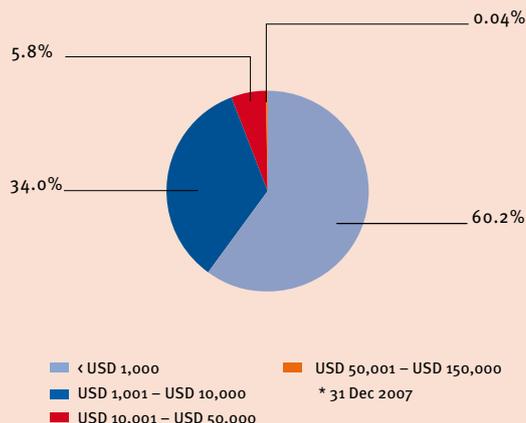
Loan portfolio quality declined throughout 2007. The downward trend was triggered initially by political and economic instability in the first half of 2007 following an armed conflict in Kinshasa that led to looting and made businesses reluctant to undertake investments. The resulting uncertainty had an adverse effect on a substantial number of our loan customers. Despite the growing experience of our loan officers, the portfolio at risk (PAR), i.e. loans in arrears by over 30 days, rose to 3.7% in terms of the number of loans outstanding and to 3.5% in volume terms. However, it should be noted that the PAR figures as of the end of 2007 reflected all loan delinquency problems encountered by the bank since it launched operations, since the bank has not yet written off any loans.

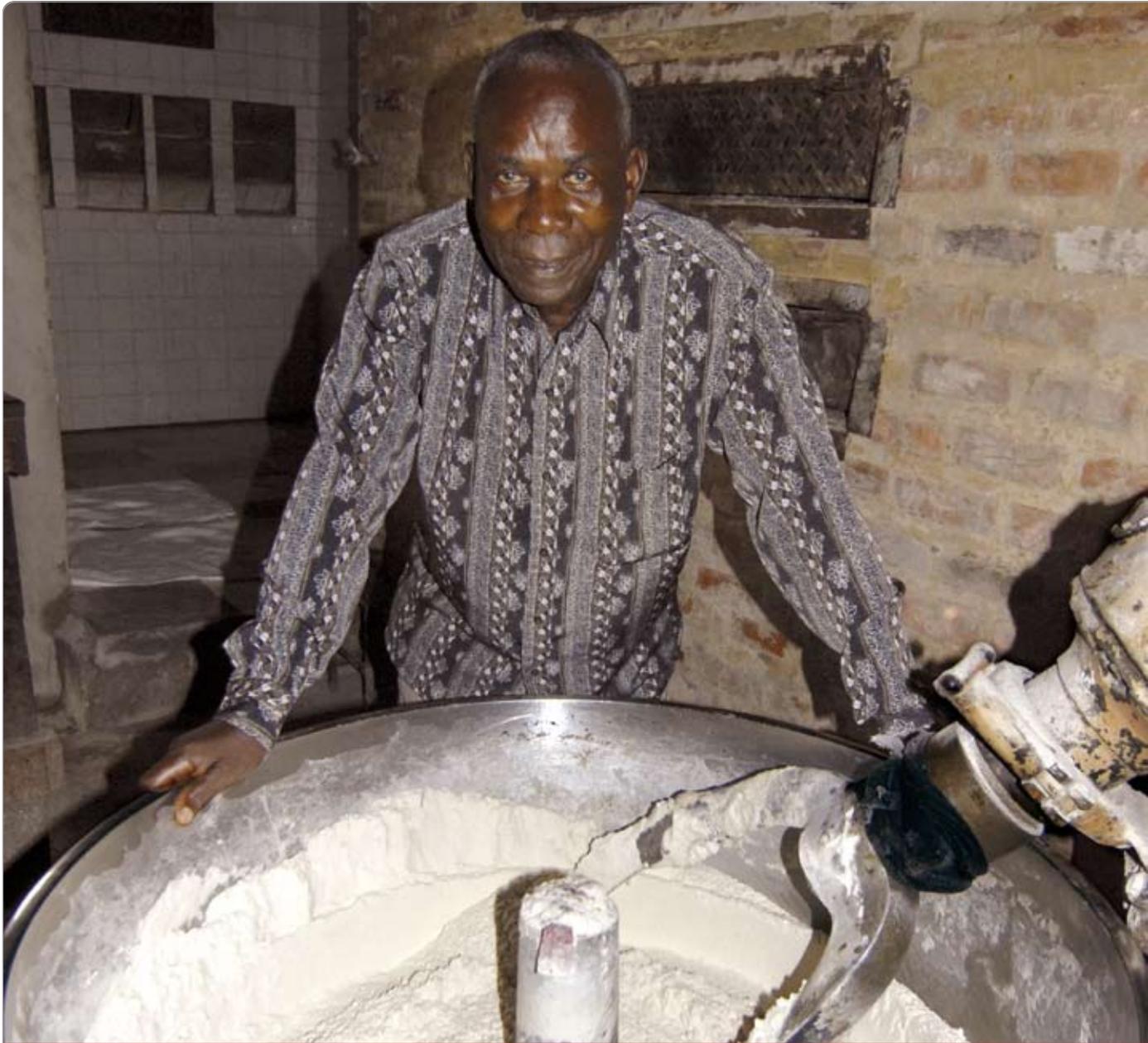
The large concentration of traders (80%) in our business loan portfolio reflects the extremely low level of local production in the Congolese economy. We continuously seek to identify local production enterprises and carry out targeted direct promotion activities to gain new customers in this sector in order to achieve a more balanced

Loan Portfolio Development



Number of Loans Outstanding – Breakdown by Loan Size*





Business Loan Portfolio – Breakdown by Maturity



Loan Portfolio Quality (arrears >30 days)



portfolio composition and greater risk diversification. In addition, we offer special terms and conditions on loans for local production enterprises that create employment.

Other Banking Services

After two and a half years in operation, ProCredit Bank Congo has clearly succeeded in building a reputation as an innovative, accessible and reliable bank. In contrast to other commercial banks, our bank has no minimum deposit requirement and does not insist on personal references from an existing bank customer if people wish to open an account.

We offer current accounts, savings accounts and term deposits denominated in USD, EUR or CDF. The vast majority of deposits are held in foreign currency. USD and EUR deposits account for more than 98% of the total deposit base, reflecting the general loss of confidence in the CDF after years of hyperinflation and volatile exchange rates.

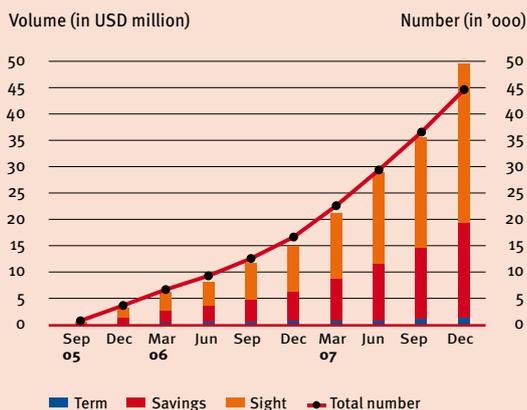
The average account balance was USD 1,111. Ninety-eight percent of depositors had account balances of less than USD 10,000. Twenty-two percent had balances of between USD 100 and USD 1,000, and 64% had balances under USD 100. Sixty-one percent of the total deposit volume was held in current accounts, 36% in savings accounts, and 3% in term deposits. At year-

end ProCredit Bank Congo was managing 44,584 active accounts (2006: 16,644). We continued to open more than 100 accounts every day, and the bank's deposit base grew by more than 230% in 2007. At the end of the year, total customer liabilities exceeded USD 49.5 million.

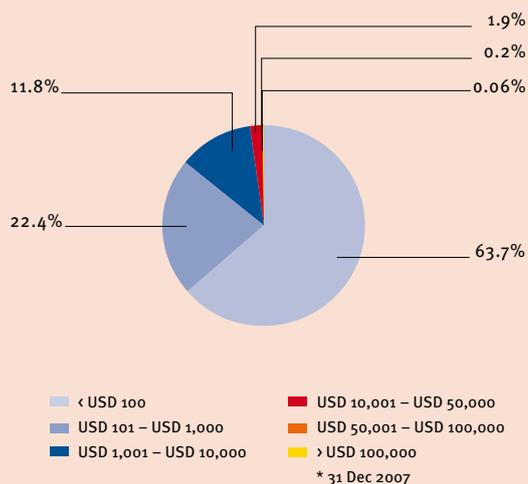
ProCredit Bank Congo offers competitively priced international money transfer facilities. As a member of SWIFT, it is able to execute international transfers very efficiently. The number of domestic and international transfers carried out by the bank is constantly increasing. In 2007, it executed over 15,000 transfers, totalling more than USD 120 million. Domestic transactions accounted for a quarter of the total number of transfers carried out by ProCredit Bank Congo.

In 2007, we continued to distinguish ourselves from other commercial banks in the DRC by providing VISA cards, as well as point-of-sale (POS) and ATM services. ProCredit was the first bank in Congo to install ATMs (in 2006), a move which reinforced our image as a sound, innovative institution committed to excellence in customer service. The introduction of VISA debit cards enabled our clients to travel abroad without having to carry large amounts of cash. By offering POS services we are contributing to financial sector development in a mainly cash-based economy. At the end of 2007, after 10 months of point-of-sale operations, the bank had processed 20,000 transactions with a total volume of USD 5.5 mil-

Customer Deposits



Number of Customer Deposits – Breakdown by Size*



lion. The number of POS transactions carried out per month is steadily increasing. In ATM operations we disbursed over USD 28 million during 2007 via more than 162,000 transactions. Over the course of the year, our customers used their VISA cards more than 25,000 times while abroad, making purchases and withdrawals totalling approximately USD 6 million.

In our non-credit operations as in our lending business, our focus continues to be on the continuous enhancement of our product range and on the provision of the best possible service to our customers. Our employees at all levels are committed to ensuring that we are able to meet the challenges we face as the market for banking services in the DRC becomes more competitive.

Financial Results

The bank achieved very good financial results in 2007. Total assets increased by 190% to USD 58 million. In line with the institution’s mission, credit operations focused on very small, small and medium-sized enterprises. The business loan portfolio grew by 63% to USD 12 million.

This lending growth was financed exclusively with customer funds. Customer deposits rose by 230% to USD 49 million. Term deposits were up by 76%, while sight and savings deposits increased by 251% and 223%, respectively.

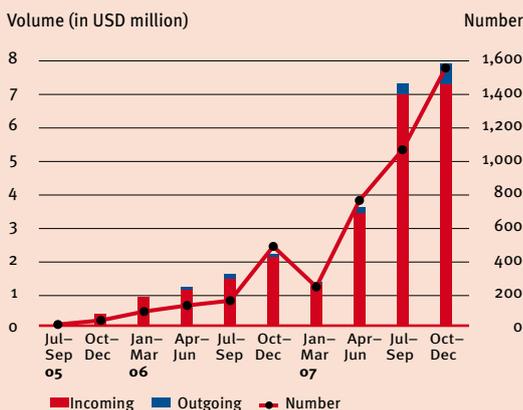
At year-end 2007, the total deposit volume was four times as large as the outstanding loan portfolio. Excess liquidity was invested in short-term deposits placed with other ProCredit institutions and with correspondent banks.

The bank’s strong asset growth enabled it to increase its income substantially. ProCredit Bank Congo ended the year with a net profit of USD 1.4 million, compared with a profit of USD 310,630 in 2006 and a loss of USD 275,989 in 2005. Return on equity rose to 35.7%.

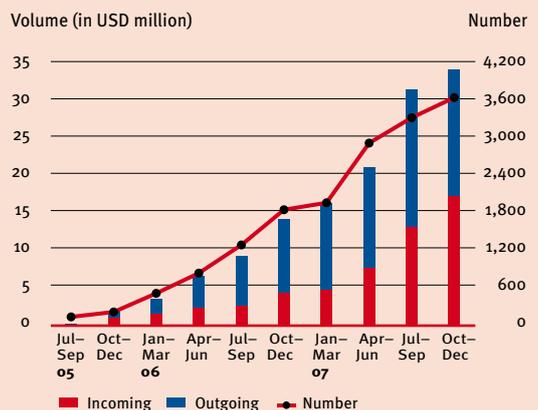
Interest income from loans and placements contributed more than 73% of total income and increased from USD 2.8 million in 2006 to USD 5.4 million in 2007. The bulk of the bank’s income was generated by lending to our customers, but net income from fees and commissions – consisting mainly of fees for current account maintenance, for international money transfers, and from the card business – increased significantly in 2007.

ProCredit Bank Congo maintained its interest rates on customer deposits at a constant level in 2007, in line with the rates offered by other banks. Despite the higher interest rates offered on savings accounts, our deposit clients continued to keep a disproportionate share of their funds in current accounts because they strongly value the possibility of accessing their funds at any time. Nonetheless, we observed a slight positive shift towards the adoption of a “savings culture”, with

Domestic Money Transfers



International Money Transfers



customers showing a somewhat greater willingness to set money aside for emergencies and unforeseen expenses.

We hired 83 people during 2007, bringing the total number of employees to 188. The bank continued to place a high priority on professional development activities for its staff, as reflected in the level of expenses it incurred for international training measures, which amounted to over USD 400,000 – double the figure for 2006.

The favourable development of the bank's business was reflected in the values it reported for key performance and efficiency indicators in 2007. At 63%, the increase in total operating income was more than sufficient to compensate for the increase in operating expenses (+45%), resulting in a cost/income ratio of 74%. The bank's capital ratio stood at 43% at year-end, well above the 10% minimum required by the Central Bank of Congo.

Summary and Outlook

After only 28 months in operation, ProCredit Bank Congo achieved very satisfactory results as of the end of 2007, especially with regard to deposit growth and the size of its client base. Its customers already accounted for close to half of the total client base of the banking sector in the DRC. Throughout 2007, we continuously enhanced our reputation as a stable and trustworthy bank. Helping to revive public confidence in financial institutions, which was almost non-existent following the collapse of the banking sector in 1997, has been one of our main achievements. Our emphasis on getting to know our customers and building close, long-term relationships with them has clearly paid off.

Nevertheless, expanding our branch network and finding qualified personnel remain significant challenges to meeting the increasing demand for our services and to implementing ProCredit's "neighbourhood bank" concept on a larger scale in this vast country. The use of electronic and automated transaction technologies is helping to ease congestion in the branches. The opening of several branches in Kinshasa and the launch of our regional expansion into the provinces will prove pivotal in the coming year.



The training centre that we opened in 2007 will significantly enhance our ability to provide staff training and development services on the scale required to support the planned growth of the branch network. Increasing numbers of middle management staff from our bank will receive training at the ProCredit Regional Academy for Africa and at the ProCredit Academy in Fürth, Germany.

Our ability to offer a comprehensive range of credit products tailored to the requirements of the various segments of our target group will be enhanced by the introduction of more intensive training for loan officers serving SMEs and preparations for the launch of agricultural loans.

Whilst we are proud of what the ProCredit Bank team has achieved so far, we are well aware of the challenges that lie ahead. We know that the next three years will be decisive in terms of positioning our institution for long-term, sustainable growth in our target markets.

Special Feature



Introducing Merchant Point-of-Sale Terminals in the DRC

In the second half of 2006, ProCredit Bank Congo was the first institution in the DRC to obtain principal issuing and acquiring licences from VISA International, enabling it to issue VISA cards to its customers, pay out cash at its ATMs to VISA cardholders, and engage in VISA merchant acquisition for electronic POS devices. It remained the sole appointed principal member of VISA International in the DRC through the end of 2007.

The challenging undertaking of introducing cashless electronic payment systems in the DRC began in June 2006, when we set up the first ATMs ever installed in the country. After successfully introducing the ATM technology for use with ProCard, our proprietary card for the domestic market, we began applying for VISA licences and focused on introducing and distributing merchant POS devices.

The VISA payment system enables clients to use ProCard and international VISA cards to withdraw money at any of our ATMs and to make payments at our merchant POS terminals. From the very beginning, our merchant POS terminals have been in compliance with the VISA Smart Debit/Credit (VSDC) standards, the most rigorous and most advanced set of security standards worldwide for point-of-sale systems.

The DRC's inadequate and unreliable telecommunications and electricity infrastructure posed significant challenges for introducing POS devices. They usually rely on data transmission via fixed-line links or wireless local area networks connected to the Internet. Since neither of these options was available, we decided to use GPRS*-compatible devices.

* GPRS = General Packet Radio Service

After lengthy implementation tests and network adjustments carried out in co-operation with the local mobile phone operator, Vodacom, we were able to configure a GPRS-based POS system for the bank, the first such system ever set up at a ProCredit institution. Thanks to this technology, we can deploy POS terminals anywhere in the DRC where Vodacom offers its GPRS-based service, which currently includes almost all of the country's major cities. We also run our off-site ATMs using the GPRS transmission technology. For both POS terminals and ATMs, we use a dedicated, secured link on the Vodacom network. The wireless POS devices can be charged overnight and can continue to function for several days during power failures to avoid disruptions in service.

We introduced the new payment system in two stages. In February 2007, we began covering "hot spots", i.e. businesses where VISA credit cards are frequently used by international travellers, such as major hotels, restaurants, and supermarkets. This created the necessary volume of transactions to provide the basis for a gradual expansion of operations. During the second stage, we targeted smaller businesses that could benefit from a cashless payment option that is fast and secure. At the same time, we significantly expanded our own card base.

By the end of 2007, we had installed nearly 100 POS terminals at hotels, supermarkets, shops, restaurants, car rental firms, laundries, pharmacies, airfreight agents and hairdressers in Kin-

shasa. During the first 11 months of operations, we executed nearly 20,000 transactions with a volume of USD 5.5 million – a significant achievement given that the local economy is still almost exclusively cash-based.

To ensure that all transactions were carried out correctly, we provided extensive training and ongoing coaching to support merchants' introduction of POS services. The training included basic information on how the POS devices work and important security measures to prevent card fraud and manipulation.

Our sister ProCredit banks in Kosovo and Macedonia provided our institution with technical assistance for implementing the POS technology. Experts from these banks supported the project in Kinshasa, and our card operations employees received comprehensive training at ProCredit Bank Kosovo and ProCredit Bank Macedonia. Our staff are now using the expertise they gained to train employees of other ProCredit institutions in Africa on how to set up card operations.

Our clients are making increasing use of their cards for payments at home and abroad. We are exploring options to further promote the advancement of electronic payment systems in the DRC, including sponsoring other banks to obtain VISA associate issuing licences, eventually linking our ATM/POS payment network with the networks of other banks. We are also considering other internationally accepted cards that could be used at our POS terminals and ATMs.



Risk Management



To address the risks associated with rapid growth, ProCredit Bank Congo continuously reviewed all aspects of its operations and strengthened its risk management capacity during 2007. We further improved our control procedures and training programmes and established additional staff positions focusing on risk management.

The members of the bank's management board are personally involved in risk identification, assessment and monitoring activities, and they bear ultimate responsibility for risk management. The bank's liquidity situation and all relevant risks are monitored by the respective departments and executive management, and these issues are discussed regularly at joint meetings.

An internal control department was established in 2007 to strengthen compliance monitoring. The bank is training a Risk Manager in this new department to co-ordinate risk monitoring activities within the institution.

Internal auditors continuously review procedures to identify potential sources of risk and to propose improvements. Regular internal audits and annual external audits ensure compliance with ProCredit Bank's comprehensive system of risk management policies and procedures.

Managers and supervisors regularly discuss the bank's Code of Conduct with staff, helping to maintain a high level of risk awareness throughout the institution. In line with our corporate values, we actively promote a culture of internal and external transparency.

The bank's assets and liabilities are spread across several thousand small business and retail clients and are thus highly diversified. Lending is ProCredit Bank's core business, and it does not engage in speculative transactions or operations of any kind.

Credit Risk

Since lending is the bank's core business, we focus strongly on managing exposure to credit risk. Thanks to our well-designed lending methodology, we can readily identify lending risks when evaluating loan applications. By applying our system of credit committees with differing levels of approval authority, we are able to assess and mitigate risks effectively.

In 2007, a credit control and compliance function was established in the credit department. The bank provided training to credit experts on managing credit risk in a comprehensive and efficient manner.

Executive management evaluates the loan portfolio once a month, focusing on loan quality, risk diversification and profitability. Continuing political instability in Kinshasa during the first quarter of 2007 had a significant impact on loan repayments, as a number of clients suffered losses due to looting. Intensified monitoring of all high-risk cases and close contact with clients, however, enabled us to maintain an adequate level of portfolio quality.

Portfolio at risk (PAR), i.e. loans in arrears by over 30 days, at the end of the year stood at 3.5% of the outstanding loan portfolio volume and 3.7% of the number of loans. No write-offs have been undertaken since the bank launched its operations. In 2008, we will make a consistent effort to further diversify our client base to reduce risk.

Market Risk

Fluctuations in foreign exchange rates have only a limited impact on the bank's risk exposure. Customer liabilities are primarily held in USD (92%) and EUR (5%). The entire loan portfolio is denominated in USD – in an economy that is highly dollarised.

ProCredit Bank Congo's functional currency is the US dollar, but its accounting currency is the Congolese franc (CDF). Frequent exchange rate fluctuations create discrepancies between local regulatory reporting (in CDF) and reporting to ProCredit Holding (in USD). In risk terms, how-

ever, the variations have only limited impact, as the bank maintains long positions in USD. It invests its excess CDF liquidity in treasury bills to reduce exposure to market risk.

The bank's equity is denominated in CDF, but it is held in USD and invested in fixed assets. The local banking regulations allow us to set aside a provision before tax at the end of the year to offset declines in the value of the CDF vis-à-vis the USD in order to maintain our paid-in capital levels in USD. Fixed assets are revalued at year end using a coefficient that ensures maintenance of an adequate equivalent value in USD.

Although the value of the CDF against the USD fell rather substantially during most of 2007, toward the end of the year the local currency appreciated vis-à-vis the dollar, more than making up the ground that had been lost; it closed the year at a rate of CDF 505 to the dollar, down from CDF 512 at the beginning of 2007.

Liquidity Risk

ProCredit Bank Congo maintained its high liquidity ratio in 2007, far exceeding the minimum set by the central bank's supervisory body. Ample liquidity from a continuously expanding deposit base supported growth in the bank's loan portfolio while reducing liquidity risk. Cash balances and liquidity positions were monitored and adjusted daily, and the management received daily liquidity reports. Liquid assets accounted for approximately 80% of total assets at year-end.

The bank maintains considerable cash reserves in USD, which is the main currency used by our clients. Although this causes us to incur opportunity costs in the form of forgone interest income because we are unable to invest the excess USD-denominated liquidity, we consider this approach to be justified because the US currency is costly to import, and the options for obtaining US dollars in cash locally are limited.

Compliance Risk

ProCredit Bank Congo faces sizeable compliance and fraud risks because clients cannot identify

themselves by simply presenting an ID card. Prior to the recent elections, and for the first time in more than 15 years, the government initiated a comprehensive registration process for all persons who were eligible to vote in the DRC. The voter registration card has become the most commonly used proof of identity, but its reliability is limited. To counter the risk of fraud, ProCredit Bank Congo has introduced a digital fingerprint system that prevents a single client from registering twice with the bank by using different IDs. The bank monitors all incoming and outgoing international transfers very closely to ensure compliance with local anti-money laundering regulations and internal ProCredit group standards.

Operational Risk

Controlling operational risk is central to ProCredit Bank Congo's risk management strategy, and it is particularly crucial given the nature of the bank's operating environment.

Operational risks resulting from deficiencies in information systems, technology failures, breaches in internal controls, fraud, and unforeseen catastrophes can expose the bank to unexpected losses and reputation problems. ProCredit Bank regularly examines operational risk exposure in all aspects of its banking operations and maintains sound internal control and back-up systems. We apply the "four-eyes" and countersignature principles when carrying out all major transactions and when dealing with sensitive processes.

Having adapted its operations to the unstable political situation in 2006, which gave rise to several armed confrontations and civil unrest in Kinshasa during the election period, ProCredit Bank Congo was able to take appropriate measures when a two-day armed conflict took place in Kinshasa at the end of March 2007. The conflict led to several hundred deaths in the city centre, but the bank did not suffer any damage, and its personnel were unharmed.

Our exposure to operational risks increased in 2007 due to the growing number of newly hired staff and the introduction of new products and services. Thorough training played an essential

role in limiting risks in our daily banking operations. Staff received regular training to ensure they have the technical skills and resources necessary to manage operational risks in a consistent and comprehensive manner. Classroom training on this subject was mainly delivered at our in-house training centre in Kinshasa. On-the-job training was given by ProCredit Holding experts and by staff from other ProCredit banks, primarily our sister institutions in Eastern Europe. Additional training was provided via seminars at the ProCredit Holding level in Frankfurt, Germany.

The unpredictability of electricity supply creates daily operational risks for the bank. Indeed, it sometimes causes severe damage to the electrical circuitry at the branches. The head office and the branches have generators and thus are protected against major interruptions due to power failures, but they are not always able to ensure power stability. Branches with chronically unreliable electricity supply are equipped with two generators. Additional autonomous power supplies for the IT server rooms were installed in 2007 to ensure that the POS and ATM networks remain operational at all times.

We continuously work to develop better methods of protecting our data. Back-ups of databases are compiled on a daily basis and archived at secure sites. An additional back-up and a server mirror site will be implemented in 2008 to ensure that operations can continue even if the main server site should fail. Original transaction documentation is carefully archived.

Communication networks continue to be unreliable at times. Insufficient capacity and network failures can bring a branch's operations to a standstill. The POS system and our off-site ATM network use a GPRS-based transmission technology, making them vulnerable at times to disruptions due to technical problems experienced by mobile telephone network operators. To minimise network downtimes, ProCredit Bank Congo maintains two communication lines at every site and works in close consultation with the communication service providers. Alternative technologies are frequently explored and evaluated.

In 2007, we initiated an IT standby service operating seven days a week to monitor the IT infra-



structure and to respond quickly to problems affecting the constantly growing POS and ATM network. In 2008, this technical intervention service will be further expanded to make it available 24 hours a day.

Since introducing its point-of-sale services, ProCredit Bank Congo has ensured that all of

its merchant POS devices are EMV compatible, thereby providing maximum security for payment transactions. Consequently, it is fully compliant with VISA's recommendations and regulations in this area. We thoroughly train and continuously coach the cashiers who use our merchant POS units. Moreover, ProCredit Bank Congo's VISA cards are chip cards and require PIN authorisation.

Branch Network

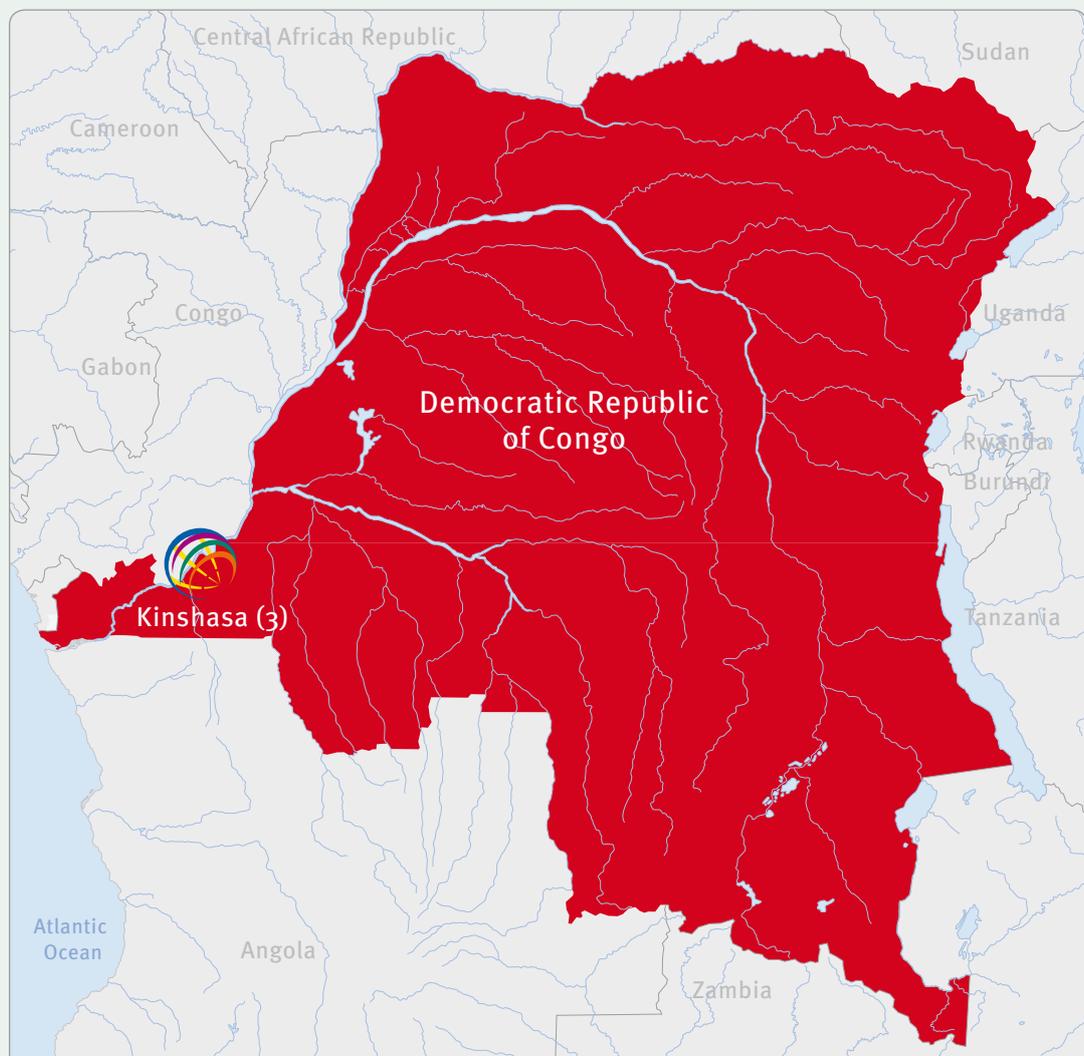
ProCredit Bank Congo currently operates three branches and one training centre, all in the capital city of Kinshasa.

The Gombe branch, located in the city centre in the same building as the head office, was opened in August 2005 and was the bank's first branch. The N'djili branch, situated in the busy commercial area of N'djili/Masina in the eastern part of Kinshasa, opened its doors to the public in November 2006. In October 2007, ProCredit Bank opened its Macampagne branch in the Ngaliema district in the western part of Kinshasa. This small outlet provides non-credit banking services only to the residents of the Macampagne neighbourhood and to commuters passing through on their way to and from the city centre. All branches are equipped with ATMs that are available to serve customers on a continuous basis.

In June 2007, ProCredit Bank established its training centre. This facility is already playing an

essential role in supporting the institution's strong growth. The training centre, located in Kinshasa's Gombe district, has a dual function: first, it provides induction training to all newly hired staff and advanced training to experienced staff. Second, it offers intensive on-the-job training for newly recruited loan officers, who are coached by a group of experienced senior loan officers. This on-the-job training facility does not directly serve customers, but its activities directly support the bank's credit operations since trainee loan officers analyse real loan applications and monitor outstanding loans from the bank's portfolio.

Branch network expansion remains one of our major challenges. Most buildings that could potentially serve as branch premises are in an extremely poor state of repair. Negotiating a lease tends to be a very long drawn-out affair, and the process is often made more difficult by unrealistic expectations on the part of property owners regarding rents.





Once an agreement has been concluded, the construction or renovation work can be hampered by many unforeseen setbacks. Against this background, a dedicated branch network expansion department was set up in 2007 to address the specific challenges that constrain implementation of the bank's network extension plans.

During the second half of the year, two additional branches in Kinshasa and a business centre were under construction. Plans called for all three facilities to be opened in 2008.

The bank continuously searches for locations for additional branches in Kinshasa and has identified premises in areas outside Kinshasa. Building upon our efforts in 2007 to strengthen the bank's structures and staff capacity at the head office, we will launch our regional expansion programme in 2008, extending our network into areas outside the capital.



Organisation, Staff and Staff Development

In 2007, the bank set challenging goals to recruit staff, expand its branch network and introduce new products. Institutional strengthening – in particular of head office resources and capabilities required to support branch-level operations – remained a key focus of management.

The departments at the bank's head office are organised into three main divisions. The Operations Division is responsible for lending activities, retail products and payments services. Human resources and training, marketing, IT, procurement, branch network development and legal services are grouped together in the Administration Division. The Finance Division oversees accounting, controlling, treasury operations, the management information system and reporting. The Internal Audit Department is an independent unit that is overseen by the Audit Committee, a body whose members are appointed by the Board of Directors.

If a target group-oriented financial institution is to be run effectively in a severely underbanked market, procedures need to be simple and highly standardised, and there must be an ongoing effort to maximise productivity and efficiency. Effective internal control mechanisms are crucial

to ensure that transactions are carried out correctly, even under time pressure or in suboptimal working conditions.

Good governance is essential, as is reflected in the strong conviction shared by all of the stakeholders in our bank that things can, and should, be done differently from the way they are done at traditional banks. ProCredit's corporate values have played, and continue to play, a key role in building a highly effective team that is committed to making our institution a model of prudent banking in the DRC – above all with regard to service orientation, transparency and social responsibility.

This can only be achieved with well-trained, highly motivated staff. During 2007, we increased the staffing levels in almost all of our head office departments, and we recruited additional staff for branch-level positions, creating a certain amount of "excess capacity" in anticipation of new branch openings. Overall, 83 staff members were hired, bringing the number of employees to 188 by the end of the year. This growth in staffing necessitated an intensive training effort, both locally and at the training facilities operated by the ProCredit group.





The local training centre, for which planning was initiated in 2006 and which has been operational since June 2007, proved to be invaluable in meeting the institution's growing training requirements. In addition to training in specific technical skills, the centre provides comprehensive introductory training that is attended by all newly hired staff members. To maintain our corporate culture, adherence to ProCredit's strong ethical values, and our employees' highly professional approach to operations, the training centre also provides advanced and refresher training for more experienced employees on an ongoing basis.

Several middle managers and specialist staff participated in seminars organised by ProCredit Holding in Germany, specifically in the areas of accounting, IT, audit, retail operations and credit. Staff from our bank also spent several weeks at ProCredit Bank Kosovo, where they received intensive training in lending procedures and card operations. A staff exchange for cashiers with ProCredit Bank Romania was also carried out – the first such exchange for our bank.

Opportunities to learn from experienced staff from our parent company and from other institutions within the ProCredit group have proven invaluable for our bank, given the rapid pace of our institutional development. Specialists from ProCredit Holding and our sister banks frequently come to Congo to coach employees in specific areas.

ProCredit Bank Congo has three middle managers participating in the three-year course at the ProCredit Academy in Fürth, Germany. An additional three middle managers have been selected to begin the course at the Academy in early 2008.

The ProCredit Regional Academy for Africa, which is located in Mozambique, opened its doors in 2007. At the end of the year, ProCredit Bank Congo had nine employees (co-ordinators and staff with the potential to become middle managers) taking part in the courses at the regional training facility.

A good command of English is essential for employees to benefit fully from staff exchanges within the ProCredit group, seminars conducted by ProCredit Holding and the courses offered at the ProCredit academies. Thus, ProCredit Bank Congo offers English courses to all of its employees. In 2007, staff also attended intensive English courses in Ghana and Germany.

We recognise that our success to date would not have been possible without our dedicated and well-trained employees, and that the quality of our staff will be the key to our future success, especially in light of our ambitious growth targets and branch network expansion plans. Thus, staff training and measures to further enhance internal communication remain our top priorities.



Business Ethics and Environmental Standards

Part of the overall mission of the ProCredit group is to set standards in the financial sectors in which we operate. We want to make a difference not only in terms of the target groups we serve and the quality of the financial services we provide, but also with regard to business ethics. Our strong **corporate values** play a key role in this respect. We have established six essential principles which guide the operations of ProCredit institutions:

- **Transparency:** We adhere to the principle of providing transparent information both to our customers and the general public and to our employees, and our conduct is straightforward and open;
- **A culture of open communication:** We are open, fair and constructive in our communication with each other, and deal with conflicts at work in a professional manner, working together to find solutions;
- **Social responsibility and tolerance:** We give our clients sound advice; their economic and financial situation, their potential and their capacities are assessed so that they can benefit from appropriate “products”; promoting a culture of savings is important to us; we are committed to treating all customers and employees respectfully and fairly, regardless of their origin, colour, language, gender or religious or political beliefs;
- **Service orientation:** Every client is served in a friendly, competent and courteous manner. Our employees are committed to providing excellent service to all customers, regardless of their background or the size of their business;
- **High professional standards:** Every employee takes responsibility for the quality of his/her work and strives to do his/her job even better;
- **A high degree of personal commitment:** This goes hand-in-hand with personal integrity and honesty – traits which are required of all employees in all ProCredit institutions.

These ProCredit values represent the backbone of our corporate culture and are discussed and actively applied in our day-to-day operations. Moreover, they are reflected in the Code of Conduct, which transforms the ProCredit group’s ethical principles into practical guidelines for all ProCredit staff. To make sure that new staff fully

understand all of the principles that have been defined, the induction training for new employees includes dedicated sessions dealing exclusively with the Code of Conduct and its significance for all members of our team. And to ensure that employees remain committed to our high ethical standards and are made aware of new issues and developments which have an ethical dimension for our institution, refresher training sessions – at which case studies are presented and grey areas discussed – are regularly conducted for existing staff.

Another aspect of ensuring that our institution adheres to the highest ethical standards is our consistent application of international best-practice methods and procedures to protect ourselves from being used as a vehicle for money laundering or other illegal activities such as the financing of terrorist activities. The important focus here is to “know your customer”, and, in line with this principle, to carry out sound reporting and comply with the applicable regulations.

We also set standards regarding the impact of our lending operations on the environment. ProCredit Bank Congo has implemented an environmental management system based on continuous assessment of the loan portfolio according to environmental criteria, an in-depth analysis of all economic activities which potentially involve environmental risks, and the rejection of loan applications from enterprises engaged in activities which are deemed environmentally hazardous and appear on our institution’s exclusion list. By incorporating environmental issues into the loan approval process, ProCredit Bank Congo is also able to raise its clients’ overall level of environmental awareness. We ensure that when loan applications are evaluated, compliance with ethical business practices is a key consideration. No loans are issued to enterprises or individuals if it is suspected that they are making use of unsafe or morally objectionable forms of labour, in particular child labour.



Our Clients



**Delliance KASEREKA Mulewa,
Savings Client and Trader**



Delliance Kasereka Mulewa grew up in Butembo, a town in North Kivu province in the eastern part of the Democratic Republic of

Congo. After finishing secondary school, he went to Kinshasa to attend business school. Later he went to work for a plastic foam manufacturer in the capital. When a fire destroyed the factory and the company closed, he was unemployed. Without a source of income, he was forced to use all the savings that he had collected in a small box at home over the preceding five years.

His second short career as a taxi driver provided Mr. Kasereka with enough money to start something new – he became a trader. He regularly crossed the Congo River to Brazzaville (in the neighbouring Republic of Congo) and bought small items like batteries and beauty creams to sell in Kinshasa. After more than a year, he had once again accumulated some savings in his small box. With this money, he was able to purchase the roof tiles that he had begun to sell – his second business venture. It was during this period that his younger sister started to work for

ProCredit Bank Congo. She told him that the bank was trustworthy and that saving there would benefit him. She was right.

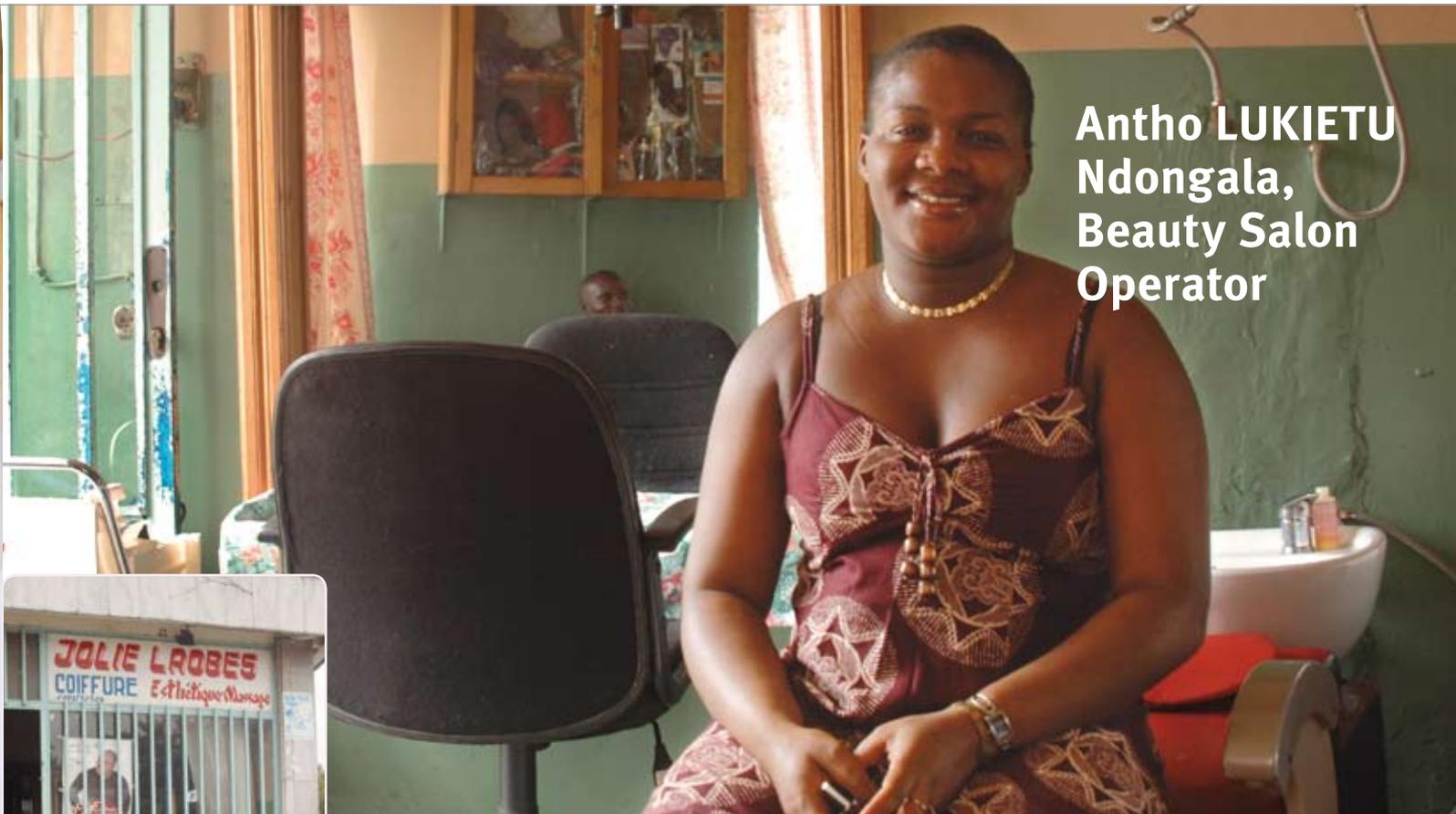
“Saving with ProCredit Bank helped me to put away more money for my future projects.

The money was out of the house, so I wasn’t constantly tempted to spend it, but it was in a safe place and was always accessible,”

comments Mr. Kasereka.

Mr. Kasereka succeeded in saving enough money to start building a small house in his hometown, where he plans to live when he retires. More importantly, he invested in a new business. With a childhood friend who had studied in China and now lives there with his family, he founded a language school. As the Chinese and Congolese expand their trade with one another, he believes that many Chinese will want to learn some French and Lingala (one of the main local languages in the DRC), and many Congolese will aim to improve their English and learn a little Mandarin. The facility in China has already been established, and in 2008 Mr. Kasereka plans to set up the Congolese branch of the school in Kinshasa.

Antho LUKIETU Ndongala, Beauty Salon Operator



Antho Lukietu Ndongala first studied education, but then she decided that what she really wanted to do was work in a beauty salon. After completing a three-year course at a vocational college in Kinshasa, she graduated as a beautician. Over the next

several years, she honed her skills in various salons.

It was during this period that she first began thinking about what it would be like to have her own salon. Her customers encouraged her, saying that she had the potential to run her own business. Ms. Lukietu gradually began looking for ways to make her idea a reality. A friend took her with him one day to visit ProCredit Bank, which she already knew about because it was where her employer banked. Ms. Lukietu was very sceptical, since she knew that many people had lost their money during the banking crisis in the DRC. On the other hand, ProCredit was the first bank that had ever taken an interest in serving ordi-

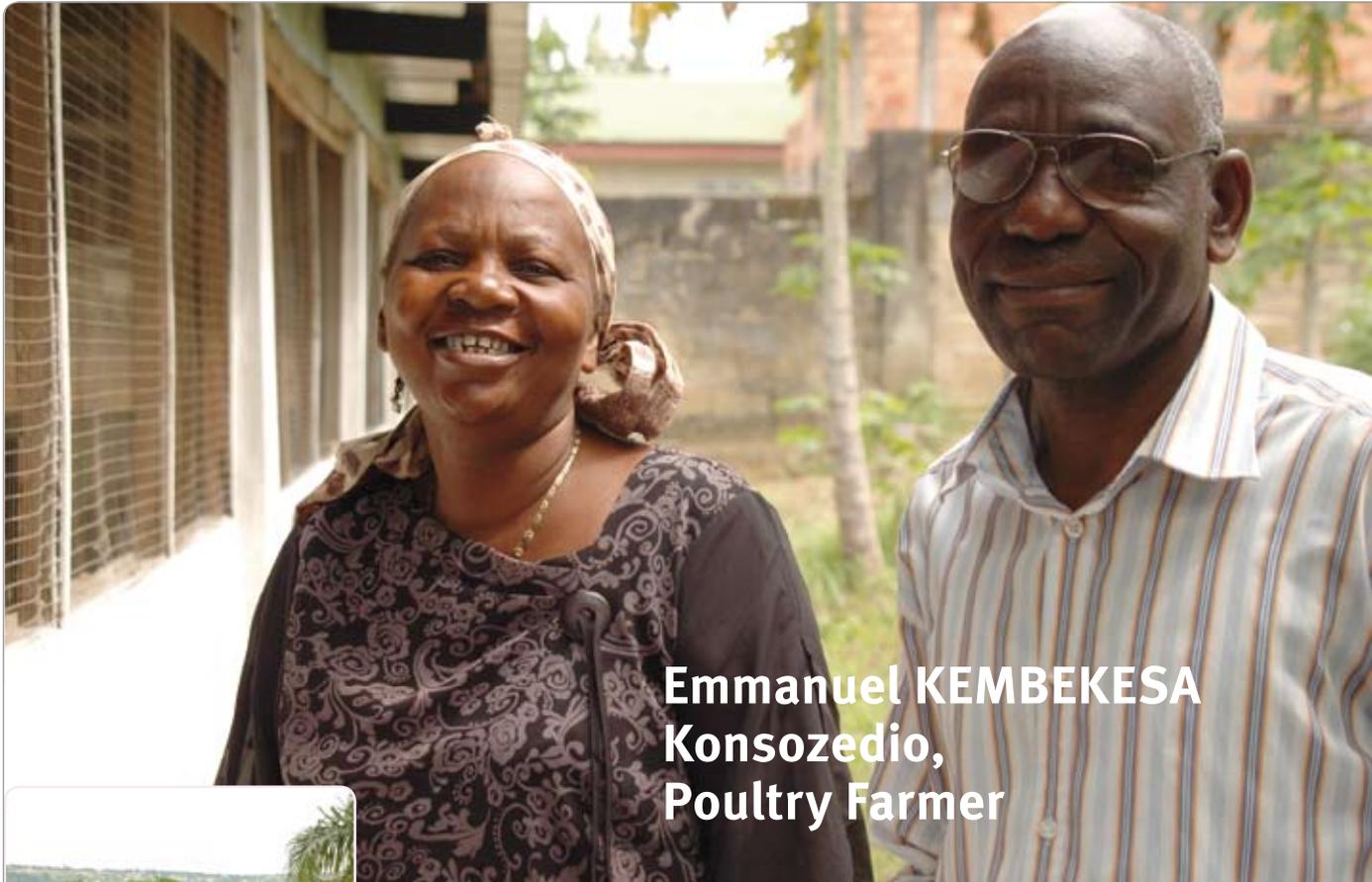
nary people like her. So she was curious to learn more. She discussed her plans for setting up her own beauty salon with a client advisor and a loan officer at ProCredit Bank. She applied for and received a loan, which she used to buy a generator for USD 900, this being the only way to ensure an uninterrupted power supply. Ms. Lukietu set up her beauty salon in her family's house. With her second loan, for USD 1,600, she bought additional furniture as well as a stock of beauty products to sell to her customers. She also bought professional hairdryers and began specialising in the elaborate wedding headdresses that are popular among Congolese women.

"I had long dreamed of being my own boss, especially because I wanted to be independent and earn my living with my own business.

This dream has now come true,"

says Ms. Lukietu.

Her business grew and developed, and by the end of 2007 she had trained six full-time employees. With her earnings, Ms. Lukietu now supports both her parents and the families of her brothers and sisters.



Emmanuel KEMBEKESA Konsozedio, Poultry Farmer



Emmanuel Kembekesa Konsozedio worked for many years in the finance department of FINA, a Belgian oil and chemical company. After leaving FINA seven years ago, he began looking for new ways to make a living. He started with a bakery, but the unre-

liability of the power supply was a big problem. He even tried firing his baking oven with wood, but this turned out to be both inefficient and uneconomical. After five years, he finally had to give in to the strong competition from the big bakery chains that were entering the market.

Then an old idea came back to him. When he was a young man Mr. Kembekesa had once had some laying hens. He decided to try his hand at being a poultry farmer again, but this time in a very professional way. He contacted an association of veterinarians that assists people who want to raise livestock or set up other types of businesses involving animals. The organisation even imported his hens for him from Belgium. He started with

100 laying hens, and once he felt confident about his ability to run the business, he began building a large barn to hold more chickens. But he ran out of money just as the project was nearing completion. A friend who worked for the central bank told him about a new bank in Kinshasa and recommended that he enquire there about a loan.

He was impressed by the professional appearance of the bank's building, by the friendly and helpful staff, and, based on his background in finance, by the institution's shareholder structure. So Mr. Kembekesa decided to apply to ProCredit Bank for a loan. His application was approved, and he used the funds to complete the new barn, enabling him to substantially increase his production of eggs, which he sells in his neighbourhood.

His poultry farm is next to his home. This allows Mr. Kembekesa to closely monitor all aspects of the operation. It has also allowed his children to see first-hand what the business is like, and they are now starting to show an interest in it. To help them to understand the importance of saving and managing money well, he has already opened savings accounts for them at ProCredit Bank.



Clovis VITA Ndonzoao, Furniture Maker

Having learned his trade at the Academy of Arts in Kinshasa, Clovis Vita Ndonzoao has worked as a carpenter and cabinetmaker since 1993. When asked about his vision for the future, he replies immediately that he would like to manufacture furniture for the mass market. The DRC exports a significant amount of wood, yet local furniture production is practically nonexistent. Mr. Vita, who has imported second-hand machinery from Europe and adapted it to his needs, is one of the country's few furniture makers. To him, competing with big European furniture suppliers is not an impractical dream, but rather a realistic goal that can be achieved through sound business management and with the help of well-trained staff.

“The key to becoming a big furniture supplier is employee training. That is why I invest in young men and women. They learn everything from me, and, in the end, they are often so well-trained that they start their own workshops,”

explains Mr. Vita.

In 2002, he founded a non-governmental organisation to enable him to focus even more on

providing training to young Congolese in carpentry and cabinet-making. After completing their two-year training course in basic woodworking techniques, his apprentices have an opportunity to specialise in various fields. Currently, 15 new apprentices are undergoing training.

Mr. Vita took out a loan from ProCredit Bank Congo in July 2007 to increase his stock of wood sufficiently to fulfil a large contract for the production of cupboards and tables for a local company. He was pleasantly surprised by how friendly the bank's staff were, and by how quickly the loan was disbursed.

If he had more storage space and sufficient funds, he would prefer to buy enough wood in a single large transaction to meet his projected demand for an entire year, thus avoiding delivery delays and problems with the supply of inputs. He would therefore like to apply for a second loan from ProCredit Bank to expand his storage capacity and finance the purchase of an even larger stock of wood, which would bring him one crucial step closer to his goal of producing furniture on a truly large scale for the Congolese market.

Financial Statements

ProCredit Bank Congo s.a.r.l.

**Independent Accountant's Report on the Financial Statements as at 31 December 2007.
(Expressed in Congolese Francs – CDF)**

21 March 2008





To the Shareholders and
the Board of Directors of
PROCREDIT BANK CONGO s.a.r.l.
Kinshasa/Gombe

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**INDEPENDENT ACCOUNTANT'S REPORT
ON FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2007**

"This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, Congolese law and professional auditing standards applicable in the Democratic Republic of Congo."

1. We have audited the balance sheet of PROCREDIT BANK CONGO s.a.r.l. as at 31 December 2007 and the related profit and loss account for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PROCREDIT BANK CONGO s.a.r.l. at 31 December 2007 and the result of its operations for the year then ended in accordance with Generally Accepted Accounting Principles in the Democratic Republic of Congo and with the requirements of the CENTRAL BANK OF CONGO.

STATUTORY ACCOUNTANTS

Benjamin NZAILU BANSISA
Certified Accountant

Bruno KAMBAJA MUBALAMATA
Certified Accountant

21 March 2008

Balance Sheet

As at 31 December 2007 and 2006

	Notes	2007	2006
<i>In Congolese Francs – CDF</i>			
Assets			
Current Assets			
Cash and balances with the Central Bank of Congo (CBC)	3	4,271,096,164	2,984,770,370
Due from other banks	4	17,487,676,808	2,289,516,877
Accounts receivable	5	136,893,205	79,577,625
Loans and advances	6	5,800,470,919	3,695,271,381
Other current assets	7	468,123,263	472,320,372
Total		28,164,260,359	9,521,436,625
Non-Current Assets			
Intangible assets		149,258,850	97,653,527
Property, plant and equipment		1,072,257,959	623,117,043
Total	8	1,221,516,809	720,770,570
Total Assets		29,385,777,169	10,242,207,195
Liabilities			
Current Liabilities			
Due to other banks		567,250	1,897,723
Preferential creditors	9	97,293,590	53,977,570
Customer deposits	10	24,072,154,784	6,789,765,683
Time deposits	11	702,937,837	817,925,994
Sundry creditors		18,378,251	10,506,215
Other current liabilities	12	973,600,989	903,835,838
Total		25,864,932,701	8,577,909,023
General Reserve	13	176,317,226	113,253,501
Shareholders' Equity			
Share capital	14	2,290,259,000	1,293,090,000
Revaluation surplus		116,278,974	62,280,978
Provision for share capital reconstitution	15	182,459,022	182,459,022
Total		2,588,996,996	1,537,830,000
Profit (Loss)			
Accumulated profits (losses)		13,214,671	(108,718,706)
Profit for the year		742,315,575	121,933,377
Total		755,530,246	13,214,671
Total Liabilities		29,385,777,169	10,242,207,195

Notes 1 to 24 are an integral part of these financial statements.

Income Statement

As at 31 December 2007 and 2006

	Notes	2007	2006
<i>In Congolese Francs – CDF</i>			
Interest and fee income			
Interest and fees received	16	3,817,108,983	1,777,204,129
Revaluation of net exchange position	17	99,443,365	159,038,479
Non-operating revenue		–	2,297,894
Other revenue		3,608,632	528,682
		3,920,160,980	1,939,069,184
Interest and fee expenses			
Interest expense	18	343,155,682	92,165,806
Operating costs	19	1,674,134,009	812,191,136
Staff costs	20	586,582,959	293,930,486
Depreciation and provisions	21	451,127,344	438,899,535
Non-operating costs		75,895,464	154,358,601
Taxes	22	46,949,946	25,590,243
		3,177,845,405	1,817,135,807
Profit before tax		742,315,575	121,933,377
Corporate tax	23	–	–
Profit (loss) for the year		742,315,575	121,933,377

Notes 1 to 24 are an integral part of these financial statements.

Notes to the Financial Statements

As at 31 December 2007

1. Activities

ProCredit Bank Congo s.a.r.l., is a public limited liability company incorporated in the Democratic Republic of Congo, the creation of which was authorised by presidential decree No. 05/042 dated 24 May 2005. It is a subsidiary of ProCredit Holding AG, a company incorporated in Germany, the main shareholder.

The company's main activity is the provision of commercial banking services. The Bank operates in accordance with the provisions of the Congolese Banking Law 72/004 dated 14 January 1972 as amended by Law 003/2002 dated 2 February 2002. The Bank is governed by inter-ministerial decisions No. 039/CAB/MIN/PLAN/2005 and No. 076/CAB/MIN/FIN/2005 dated 22 June 2005 approving ProCredit Bank Congo's investment project and conferring specific customs and tax exemptions.

2. Accounting principles

2.1. Basis of preparation

The financial statements have been prepared according to the accounting principles issued by CPCS, the Congolese Accounting Standards Board, and adapted to comply with the Central Bank regulations. These principles are based on the historical cost convention as amended by the legal revaluation of fixed assets carried out on a yearly basis.

2.2. Foreign currency translation

During the year, transactions denominated in foreign currencies are translated into local currency at the current official exchange rates. The resulting exchange differences are recorded in the income statement.

Monetary assets and liabilities are translated into local currency at the exchange rate prevailing as at the balance sheet date. The resulting exchange position adjustment is recognised in the income statement as required by the Central Bank of Congo since 2003.

2.3. Fixed assets and depreciation

Fixed assets are stated at their acquisition cost under the historical cost principle, adjusted by the provisions of Decree-Law No. 89/017 issued on 18 February 1989 by the Ministry of Finance regarding legal revaluation. This revaluation is calculated on the basis of legal coefficients published every year by the Ministry of Finance. Depreciation is calculated on a straight line basis in order to write down the carrying value of assets over their expected useful lives.

The Bank has set the following useful lives for its main fixed assets:

Buildings	6 years
Generators	10 years
Furniture and office equipment	5 years
Vehicles	3 years
Computers	4 years

2.4. Year-end exchange rates

Translation rates as at December 31, 2007 and 2006 are as follows:

	2007	2006
USD	505.35	512.61
Euro	736.90	670.39

3. Cash and balances with the Central Bank of Congo

	2007	2006
Cash	3,192,434,545	2,676,678,051
Liquid assets with Central Bank of Congo	78,182,059	28,612,759
Non-liquid assets with Central Bank of Congo	850,479,560	279,479,560
Treasury bills	150,000,000	–
	4,271,096,164	2,984,770,370
Cash is made up of:		
Cash in local currency	66,498,389	41,504,380
Cash in foreign currencies	3,125,936,156	2,635,173,671
	3,192,434,545	2,676,678,051

Cash in foreign currencies mainly includes cash in USD amounting to CDF 3,005,988,186 (USD 5,948,329) and in EUR amounting to CDF 119,947,969 (EUR 162,774). Non-liquid assets correspond to the mandatory reserve held at the Central Bank of Congo.

4. Due from other banks

	2007	2006
Banks within ProCredit Group	3,376,251,011	1,708,896,303
Banks outside ProCredit Group	14,111,425,797	580,620,574
	17,487,676,808	2,289,516,877

The assets of banks within the ProCredit Group represent assets equivalent to USD 6,681,015 held at the following banks:

<i>in USD</i>	Amount
ProCredit Bank Georgia	1,595,121
Banco ProCredit Ecuador	1,453,496
Banco Los Andes ProCredit Bolivia	1,498,748
Banco ProCredit Mozambique	612,400
ProCredit Bank Sierra Leone	1,521,250
	6,681,015

Most of the bank accounts maintained with banks outside the ProCredit Group include those maintained with ING Belgium with balances of EUR 995,521 and USD 9,936,086, and with Citibank with balances of USD 14,412,110 and EUR 1,384,916.

5. Accounts receivable

Accounts receivable represent the portion of accrued interest not yet received at year end.

6. Loans and advances

	2007	2006
Loans originated by the bank	6,078,548,372	3,789,283,311
Provisions for bad debts	(278,077,453)	(94,011,930)
	5,800,470,919	3,695,271,381

7. Other current assets

	2007	2006
Financial investments (Banco ProCredit Ecuador)	–	255,451,187
Other outstanding amounts	468,123,263	216,869,185
	468,123,263	472,320,372
Other outstanding amounts are as follows:		
Cheque clearing	15,942,391	
Nominal accounts (supplier advances)	244,231,268	
Cash in transit	40,347,783	
Previous year profit	15,947,337	
Pre-paid expenses	7,829,559	
Loans made to non-banking counterparties and non-clients	143,151,798	
Loans made to employees	673,126	
	468,123,263	

8. Assets

	Furniture	Computers	Other equipment	Fixtures leasehold improvement	Intangible assets	Total
I. Cost						
At 1 January 2007	31,134,182	203,386,411	202,715,076	260,494,325	120,600,742	818,330,737
Additions	47,986,327	118,798,482	287,063,906	148,730,264	78,370,394	680,949,374
Transfers	(4,725,610)	(30,870,890)	(35,009,776)	–	–	(70,606,276)
Revaluations 2007	3,616,306	27,214,163	21,880,779	32,955,970	16,909,219	102,576,438
At 31 December 2007	78,011,205	318,528,167	476,649,986	442,180,559	215,880,356	1,531,250,273
II. Accumulated depreciation						
At 1 January 2007	3,926,204	30,523,486	13,519,082	26,644,179	22,947,216	97,560,167
Amortisation	9,909,464	61,582,342	101,462,967	–	30,887,679	203,842,452
Transfers	(1,630,599)	(20,622,280)	(17,994,718)	–	–	(40,247,597)
Revaluations 2007	2,040,510	16,316,310	6,519,002	10,916,011	12,786,610	48,578,443
At 31 December 2007	14,245,579	87,799,858	103,506,332	37,560,189	66,621,505	309,733,464
III. Net book value						
At 31 December 2007	63,765,626	230,728,309	373,143,654	404,620,370	149,258,851	1,221,516,809
At 31 December 2006	27,207,978	172,862,925	189,195,994	233,850,147	97,653,526	720,770,570

9. Preferential creditors

	2007	2006
Tax payable	77,382,757	53,977,570
Other debts	19,910,833	–
	97,293,590	53,977,570

Tax payable consist mainly of turnover tax for December 2007. Other debts include social contributions to be paid amounting to CDF 5,499,466 and debts to employees amounting to CDF 13,637,130.

10. Customer deposits

	2007	2006
Current accounts held by individuals	11,144,647,123	2,759,249,243
Current accounts held by companies	3,926,730,125	1,199,830,593
Savings accounts held by individuals	8,150,395,738	2,461,631,283
Savings accounts held by companies	850,381,798	369,054,564
	24,072,154,784	6,789,765,683

11. Time deposits

	2007	2006
Time deposits held by individuals	609,065,028	687,614,381
Time deposits held by companies	93,872,809	130,311,613
	702,937,837	817,925,994

12. Other current liabilities

	2007	2006
Subsidies for creation of non-profit organisation	151,605,001	153,783,000
Turnover tax	–	47,044,811
Payments in transit	419,302,709	553,113,220
Prepayments received	138,900,815	126,364,117
Provision for internal pension scheme	33,009,467	–
Guaranteed deposits	153,783,000	–
Other	76,999,997	23,530,690
	973,600,989	903,835,838

12.1. The subsidy for the creation of a non-profit organisation amounting to CDF 153,783,000 (USD 300,000) is the subsidy which the Bank's Board of Directors decided to allocate to the creation of a non-profit organisation that will finance corporate responsibility projects in the Democratic Republic of Congo.

12.2. Payments in transit consist of amounts received from the Bank's correspondents on behalf of third parties, but not yet paid at year end.

12.3. Prepayments received include a grant from the European Union in the amount of EUR 188,493 which will be used to cover the acquisition cost of ATMs and the cost of training the bank's staff members abroad.

12.4. This relates to the provision for retirement based on the average annual compensation.

13. General reserve

This is a provision for performing loans made in compliance with Central Bank of Congo Regulation No. 16.

14. Share capital

The Bank's share capital increased from CDF 1,293,090,000 to CDF 2,290,259,000 following approval of a capital increase through the creation of 200,000 new shares by the ordinary shareholders' meeting held on 30 March 2007. The number of the company's shares therefore rose to 500,000 which are now distributed among the shareholders as follows:

	Number of shares	%
ProCredit Holding AG	260,000	52%
DOEN	60,000	12%
KFW	60,000	12%
IFC	45,000	9%
IPC	44,997	9%
BIO	30,000	6%
Sandrine Massiani	1	–
Oliver Meisenberg	1	–
Claus-Peter Zeiting	1	–
	500,000	100%

These are ordinary, indivisible and numbered shares.

15. Provision for share capital reconstitution

Instituted by Decree No. 04/049 dated 20 May 2004 supplementing Order No. 77-332 dated 30 November 1977 which established the rules for mandatory application of the Congolese chart of accounts, and by letter Gouv/14/No.03325 issued by the Central Bank of Congo on 30 December 2003, this provision is intended to maintain a constant amount of the Bank's share capital in foreign currency. According to Article 4 of the aforementioned decree, the amount of this provision is the difference between the equivalent in national currency, at the closing and opening exchange rates, of the amount of share capital denominated in foreign currencies, after taking into account the revaluation surplus on fixed assets.

Given the difference in the exchange rate between the beginning and end of the 2007 fiscal year, the bank's share capital did not depreciate in a way that required the creation of a provision for its reconstitution.

16. Interest and fees received

	2007	2006
Interest received	2,941,694,174	1,484,482,995
Withdrawal fees	875,414,809	291,939,798
Other income	–	781,336
	3,817,108,983	1,777,204,129

17. Revaluation of net exchange position

	2007	2006
Revaluation of exchange position profit	142,528,531	220,379,150
Revaluation of exchange position loss	(42,615,166)	(61,340,671)
	99,443,365	159,038,479

18. Interest expense

	2007	2006
Interest and fees on savings accounts	131,475,609	39,241,586
Fees and commissions	211,680,073	52,924,220
	343,155,682	92,165,806

19. Operating costs

	2007	2006
Lawyer expense	102,677,944	17,013,695
Computer maintenance costs	187,263,014	22,453,979
Supplies and computer consumables	28,253,583	63,948,763
Communications	69,559,500	35,074,022
Marketing, advertising and public relations	47,467,758	32,411,956
Training	88,194,472	57,057,898
Transportation costs	178,283,660	72,592,532
Office supplies	77,743,260	52,693,700
Security	78,158,316	26,689,668
IPC services	402,588,628	254,216,972
Rentals	165,160,682	68,083,561
Other	248,783,192	109,954,390
	1,674,134,009	812,191,136

20. Staff costs

	2007	2006
Salaries	509,948,565	259,466,667
Other benefits	47,059,363	19,150,119
Medical and social security costs	29,575,031	15,313,700
	586,582,959	293,930,486

21. Depreciation and provisions

	2007	2006
Depreciation and amortization	184,456,533	85,380,825
Provisions for share capital reconstitution	–	182,459,022
Other provisions	266,670,811	171,059,688
	451,127,344	438,899,535

See Note (15) regarding the provision for share capital reconstitution.

22. Taxes

	2007	2006
Turnover tax / outside providers	33,556,965	–
Withholding tax on software royalties	–	15,281,300
Other	13,392,981	10,308,943
	46,949,946	25,590,243

23. Corporate tax

Under inter-ministerial decisions dated 22 June 2005 No. 039/CAB/MIN/PLAN/2005 and No. 076/CAB/MIN/FIN/2005, the investment project submitted by PROCREDIT BANK CONGO s.a.r.l. was granted certain exemptions under the provisions of the Investment Code.

Article 4 of this decision grants the Bank, inter alia, exemption from corporate income tax, as provided for under Title IV of Decree-Law No. 69-009 dated 10 February 1969 as amended to date, on the profits realised by this investment project.

This exemption is valid for the following fiscal years:

i) Economic area A (Kinshasa)

Fiscal years 2006/income 2005, 2007/income 2006 and 2008/income 2007;

ii) Economic area B (Lubumbashi and Bas Congo)

Fiscal years 2007/income 2006, 2008/income 2007, 2009/income 2008 and 2010/income 2009;

iii) Economic area C (other provinces)

Fiscal years 2007/Income 2006, 2008/Income 2007, 2009/Income 2008, 2010/Income 2009 and 2011/Income 2010.

24. Off-balance sheet items

	2007	2006
Bank guarantees	–	116,143,298

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