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# 2017 Annual Report

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## 1. Basis of the company

### 1.1 Business model

Quipu GmbH (“Quipu”), founded in 2004, is an IT consultancy and software development company based in Frankfurt, Germany which provides customised support services for banks and other financial institutions. Quipu specialises in the development and implementation of a full range of software for financial institutions covering the needs of full-fledged commercial banks especially focused on SME lending, including support for treasury operations, electronic banking, customer relationship management, data warehousing and data analytics as well as front and back office activities. Moreover, Quipu also provides Third Party Processor (TPP) services, supporting a wide range of card products within the VISA, MasterCard and UPI payment systems. The TPP services include a personalisation centre for credit and debit cards. Finally, Quipu also maintains a data centre in Frankfurt from where it provides data hosting and software as services for its clients. While the company’s main clients are ProCredit Holding AG & Co. KGaA (hereinafter “ProCredit Holding”) and its subsidiaries, the majority of which are banks, Quipu also serves customers outside of the ProCredit group, especially in Africa, Central America and Central Asia.

The company’s main office is in Frankfurt am Main. In addition, to guarantee an optimal level of support for the customers, Quipu maintains regional offices located in South-Central America (San Salvador, El Salvador and Bogota, Colombia, as subsidiaries), Africa (Accra, Ghana) and Eastern Europe (Skopje, Macedonia, Kiev, Ukraine and Bucharest, Romania), as well as a development team in Moscow, Russia. In addition, a subsidiary in Pristina, Kosovo offers personalisation services for the bank cards and credit cards issued by the banks.

Quipu became a wholly owned subsidiary of ProCredit Holding in January 2011.

Besides its main activities, Quipu is also very active in providing training and consultancy services to its clients, mainly in the area of technology support for business development but as well in all other areas of Information and Communication Technology, including the ever more important aspect of risk management, IT security and data protection.

### 1.2 Research and development

Quipu currently develops its products with a strong focus on the development needs of the ProCredit banks. At the core of the Quipu Banking Software Suite package are the two modules CustomWare.NET and BankWare. While CustomWare.NET supports daily banking procedures on a decentralised basis at the branch level, capturing and/or processing data relating to all business transaction, BankWare is used to record all accounting transactions resulting from those operations on centralised basis and make the data available to the to the head office for further processing. The development of the BankWare.NET application, the new accounting software designed to support for IFRS accounting and reporting, the requirements for enhanced productivity, efficiency, reduced cost of maintenance, high security and scalability was completed and piloted in 2016 and the first implementation in production is on-going and is estimated to go live in Q1 2018, with a minor delay from the original plan due to lack of resources. Daily treasury operations and full chain information resulting from all treasury or funding transactions of any ProCredit bank are implemented through the add-on software module DealWare, while the InfoWare extension module covers business intelligence functions. CRM (Customer Relationship Management) module is customised for the group based on the Microsoft Dynamics® framework and is primarily a tool to help Business Client

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Advisers (BCAs) to manage their relatively complex business clients in an organised and systematic way. Clients of the banks can access their account and perform transactions in our e-Banking and new Mobile-Banking Application, which have been tested and will be rolled out in 2018. Finally, Quipu has developed a simple and adaptable document flow and archiving application for files attached in CustomWare.NET.

Different features of the software are required for different countries, taking account of the technical infrastructure, the local requirements and the historical development of the bank's business. The focal points of the development work to be carried out on the individual products is determined by the Management of by ProCredit Holding, advised by the Group IT committee, defined in detail in the annual Group IT Strategy, which defines the priorities or the order in which new software and upgrades are implemented in group banks. Furthermore, several IT working groups chaired by a member of Management Board of one of the ProCredit banks or process owner from ProCredit Holding are dedicated to a key application or service and define priorities for development and monitor the progress of development and roll-out plans. On quarterly basis the Group IT committee monitors the progress and sets priorities for each IT working group.

The research and development costs in the past financial year totalled EUR 1,569k (2016: EUR 1,749k), and can be broken down as follows: CustomWare EUR 149k (2016: EUR 158k), DealWare EUR 339k (2016: EUR 395k), InfoWare EUR 63k (2016: EUR 101k), BankWare EUR 192k (2016: EUR 208k), e-Banking/CRM EUR 587k (2016: EUR 744k), BankWare.NET EUR 164k (2016: EUR 143k) and Mobile Banking Application EUR 76k (2016: EUR 0).

## 2. Report on the Economic Position of the Group

### 2.1 Course of business

#### 2.1.1 Implementation of new product versions

The main focus in 2017 was in line with broad strategic objectives of the group: supporting the direct banking strategy for private individual clients, development of electronic channels for transactions, strengthening credit risk management, consolidate IT infrastructure and secure IT processes.

A key point in 2017 was the focus to enhance the use and security of electronic channels for transaction and communication with business and private clients, particularly through Mobile Banking Application and Electronic Banking Application. Direct Banking web application was deployed in all banks and serves as a connection point with potential clients of the bank, offering an overview of the range of services for private individuals and the possibility of applying online for opening of a current account.

In 2017 Quipu software was constantly updated in numerous banks and expanded with new features so as to keep pace with market trends and local regulatory requirements in the areas of accounting, tax, and reporting or data protection. In 2017 significant resources and effort still went into the migration from our old core banking system *CustomWare* to our new platform (*CustomWare.NET*) in ProCredit Banks, Serbia and Colombia; while the project in Colombia was completed successfully in within the year, the migration in Serbia was in progress and is expected to be completed in Q4 2018. One area of focus continued to be the further development of the Quipu Banking Suite in order to comply with the operational and financial reporting requirements (IFRS9) and the standardisation of reporting across the EU. A special focus was on the further strengthening of credit risk management,

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portfolio management and loan workout activities, in particular the asset quality indicators, risk classification, loan loss provision and collateral valuation process.

The key strategic project in the accounting area is to replace of the existing accounting software (BankWare) with the BankWare.NET software, aimed at better integration with the related systems of the Quipu Banking Suite; the new application will support automated and detailed IFRS accounting in parallel to local statutory accounting, include cost accounting functionality, as well as facilitate financial analyses.

BankWare.NET was piloted at ProCredit Bank Macedonia in 2016 (scheduled to finish in Q1 2018) and the goal is to adjust the developed functionalities to a real accounting environment, to check that the concept meets all requirements of the overall finance area and to identify areas where further fine tuning or new development may be needed.

2017 Quipu continued focusing on expanding their client portfolio to external parties also in the Software Development area. Banco Atlantida and Grupo Pellas, which bought ProCredit Bank El Salvador and Nicaragua, decided to use further Quipu's services for its lending operations and as its third party processor. New external clients for processing of card transactions, were acquired during 2017: UniBank (Ghana), Untu (Zimbabwe) and Ultrared (Panama), whereas some existing clients finished successfully the migration to Quipu Banking System applications: Ibero (Uganda) and Adehyeman Saving & Loans (Ghana).

### 2.1.2 Processing Centre

11 group banks and 13 external banks are currently connected to the Processing Centre. In order to leverage the group's proprietary processing centre, the Processing Centre business development team continues to seek external clients as well as to serve group bank needs. The main priority in terms of new clients is the project with ProCredit Bank Bulgaria, planned to migrate their card processing to Quipu in Q4 2018.

In 2017 Spitamen (Tajikistan) started commissioning Quipu to process transactions using their local cards, VISA cards and ATMs and Quipu Personalisation Centre in Pristina to provide personalisation services. The project with Adehyeman Saving & Loans (Ghana) was postponed to 2018.

The Processing Centre is regularly assessed according to PCI DSS<sup>1</sup> as required by VISA and MasterCard. Since August 2010, the Processing Centre has been certified by the German management systems certification body (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen - DQS) according to ISO 20000 for Service Management of the Processing Centre. Since 2013 the Processing Centre has additionally been certified according to ISO 9001. In 2017 Processing Center obtained the ISO 27001 certification on Information Security Management Systems.

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<sup>1</sup>Payment Card Industry Data Security Standard

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### 2.1.3 Central Data Centre

In 2015 the group launched a programme to gradually centralise the IT infrastructure once it became evident that increasingly more synergies and economies of scale can be achieved at the level of the IT Infrastructure. The centralisation of the technical infrastructure in a hosted location in Frankfurt also made it possible to consolidate operational processes and, consequently, the human resources involved in them.

Until end of 2016 ProCredit Colombia, Albania, Romania and Germany as well as ProCredit Holding and ProCredit Academy were fully centralised and merged into the Group Active Directory Domain and the Central Data Centre. The project in ProCredit Ecuador, which started with the bank moving its Disaster Recovery Site into the Central Data Centre, was extended successfully to full centralisation in Q4 2017. The banks lined up in 2018 are Moldova, Ukraine and Serbia, in close connection with the completion of the CustomWare.NET implementation project.

The centralisation of IT operations by consolidating components will lead to maximize the performance versus cost and will accelerate the product deployment and innovation diffusion by allowing fast replication of successful implementation between banks. Thus, services as identity management services, real time communication, SIERM solution, common information security solutions, back-up and monitoring are offered by Quipu using shared services model.

To ensure the quality and security of the Global IT operations Quipu obtained ISO 20000 certification in IT service Management, ISO 9001 for Quality Management and ISO 27001 for Information Security Management.

### 2.1.4 Staff development

The growth of the company's business is reflected in the development of staffing levels as well. When it was founded, Quipu took over 27 employees from IPC. By the end of 2016, this figure had grown to 183. In 2017 the representative office in Skopje was transformed in a limited company, causing the costs of staff to be booked under costs of purchased service. Thus, the staff of Quipu Skopje is no longer considered for the total staff number, which lead to a number of 170 employees at the end of 2017. In addition, numerous retainer contracts were concluded with freelancers working in the regional offices. Thus, by the end of 2017, Quipu had a combined total staff of 199 (previous year: 216) including both staff members and freelancers.

In the current financial year we intend to increase the number of combined staff with 11.6% mainly on development, maintenance and software quality assurance area with clear goal to ensure data quality throughout additional assurance processes.

## 2.2 Situation

### 2.2.1 Earnings situation

Sales revenues increased with the same trend in 2017 as in the previous year. The original estimations of the Management were exceeded, given that the increase was above the original projection of the Business Plan due to additional implementation projects for the ProCredit Group in 2018.

At the beginning of 2015 it was decided to start centralizing the IT infrastructure, data and services of the ProCredit group with Quipu. For this purpose, a significant number of investments in both hardware and software were made also in 2017, driving an increase in maintenance, support and

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annual subscriptions costs. Depreciation expenses were impacted only partially in 2017, given that some equipment required time to be put into production. Additionally, rent and utilities cost grew due to the expansion of the Data Centre in Frankfurt. Data line costs grew as well due to the connecting of ProCredit bank Ecuador to the Data Centre. Thus in 2017 the operating profit was lower than initially planned.

The following financial performance indicators are used internally for management purposes:

- *Sales revenues*
- *Profit for the year after tax*
- *Return on equity*
- *Equity ratio*
- *Asset tangibility*

As is shown by the following table, the operating result achieved in the financial year 2017 represents a continuation of the company's positive economic development in terms of revenues:

<i>Year</i>	<i>Sales revenues in EUR</i>	<i>Profit for the year after tax, in EUR</i>
2011	10,882,942	404,223
2012	12,888,843	335,211
2013	14,847,658	405,910
2014	15,587,135	2,733
2015	16,962,458	161,398
2016	19,842,373	107,829
2017	22,330,176	149,111

Sales revenues further increased in 2017, by 12.5% or EUR 2,488k (2016: 17%). Thus, the increase in revenues forecast in the previous year's Management Report was achieved. Some projects were delayed or postponed at the request of the group banks. For the current financial year, we expect a further significant increase in sales revenues, by 17% to EUR 26,136k, including hardware sales.

As in the past financial year, a lower portion of the sales, EUR 2,350k or 10.5% (EUR 3,181k in 2016) of the total revenue, was invoiced in USD. The lower amount invoiced in USD compared to 2016 is due to the fact that Banco Mercantil Bolivia terminated the contracts with Quipu in Q3 2017.

Material and administrative expenses increased in comparison to the previous year by 28.8%, or EUR 2,759. This significant increase is due to the transformation of the representative office Quipu Skopje into a limited company, causing the increase of costs of purchased services to EUR 3,360k (2016: EUR 2,321k). Overall, the operating expenses increased by 18%, exceeding significantly the estimation made in last year's Management Report. A slight increase of EUR 288k or 3.3% was recorded in the area of personnel expenses. This amount includes employer's contributions to the BVV pension insurance scheme, introduced in 2011, amounting to EUR 63k (2016: EUR 69k). Depreciation costs continued to grow compared to the previous years, registering a growth of EUR 382k or 25.1% (64.6% in 2016) due to the further investments necessary for the new ProCredit Central Data Centre project. Other expense positions increased within expected ranges. For the current financial year, we project a 17.8% increase in personnel expenses, from EUR 9,004k to EUR 10,608k.

The *profit for the year after tax* amounting to EUR 149,111 (2016: EUR 107,829) translates into a *return on equity* of 6.8% (previous year: 4.9%) and is transferred in accordance with the profit and



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loss transfer agreement concluded with ProCredit Holding. The *equity ratio* of 19.0% (previous year: 22.0%) remains comparable with the industry average.<sup>2</sup>

### 2.2.2 Financial situation

Subscribed capital remained unchanged at EUR 1,000k. Revenue reserves of EUR 1,191k further remained unused in the past financial year.

The EUR 250k credit line granted by Frankfurter Sparkasse was drawn partially in the past financial year.

An additional investment loan agreement in amount of EUR 1,000k (withdrawn in September 2017) was signed with ProCredit Bank AG, in order to finance the further planned investments for the ProCredit Central Data Center project in 2017. The outstanding loan amount was EUR 7,200k at the end of 2017. Additionally, the credit line contract signed with the bank for EUR 1,500k remained valid in 2017.

The company's liquidity situation was at all times appropriate to meet its payment obligations.

### 2.2.3 Assets situation

The value of *fixed assets* remained constant at a value of EUR 6,760k (2016: EUR 6,787k). The figures translate into an *asset tangibility* of 58.6% (2016: 68.0%).

Under *current assets*, the company's receivables and other assets increased significantly, amounting EUR 1,370k (2016: EUR 756k). The increase is due mostly to the outstanding VAT receivables in Quipu Bucharest but also to withholding tax receivables from the Ecuador authorities. The balance sheet position "Cash in hand, balances at German central bank, balances at banks and cheques" decreased significantly to EUR 600k (2016: EUR 1,091).

The net assets, financial position and results of operations were in order at all times during the year under review.

In the course of business, the planned implementation of new product versions in the banks were mostly carried out as scheduled. The person days worked for agreed projects with the banks were recognized as work in progress end of 2017.

Thanks to ongoing re-certifications according to various standards, the processes in the Processing Centre improved further, and again functioned smoothly in the past financial year. The growth in staff numbers exceeded the estimations from the last year's report – 10.6% (2016: 13.1%). This significant increase was necessary in order to assure capacity for the project ProCredit Central Data Centre. Overall, the situation of the company can still be assessed as favourable.

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<sup>2</sup>Source: <http://www.marktundmittelstand.de/nachrichten/finanzierung/eigenkapitalquote-im-mittelstand-steigt-weiter/>

### 3. Report on expected developments and on opportunities and risks

#### 3.1 Report on expected developments

For the 2018 financial year, the Management expects further growth in sales revenue due to planned implementation projects whereas the costs are expected to grow with a lower percentage than previous years, leading to an increase in the profit for the year. In 2018, we are aiming for a substantial increase in sales revenues by 17%, whereas according to the Business Plan the operating costs are projected to grow with only 8%.

We expect an annual profit before profit transfer of EUR 741k (2.8% of annual revenue) for 2018, which will lead to a significant increase of the *return on equity*.

We expect the *equity ratio* for 2018 to decrease moderately due to a new loan disbursement planned in Q2 2018, whereas the *asset tangibility* will remain constant following to the new investments in the ProCredit Central Data Centre.

The group-wide standardisation of IT infrastructure on the basis of software products developed by Quipu, and the further outsourcing of IT services to Quipu, offer significant scope for the generation of additional revenue.

The analysis performed on cost accounting results in the period January 2016-August 2017 revealed deviations between the fees charged by Quipu for the applications *CRM*, *e-Banking* and *DealWare* and the real costs incurred for maintaining and further developing these applications. Thus, starting 2018, the annual fees for these applications list have been increased in order to ensure the appropriate revenue. Starting January 2018, Quipu will change the way implementation fees are charged to its clients by switching from a fixed fee to a time and material (T&M) methodology. T&M will allow us to bill clients for the amount of hours spent on a specific project at hourly rates. The main advantages of this charging model for both Quipu and its clients are transparency, flexibility and the opportunity to adjust requirements, shift directions, replace features, and involve users.

In the current year, implementation of the front office application *Customware.NET*, the treasury application *DealWare*, the *CRM* application but also the new developed *Mobile Banking Application* in the banks will continue. The company expects this to continue generating high demand for Quipu's services. In addition, as the software infrastructure is consolidated across the ProCredit group, further affiliated companies will be adopting the company's software products as from 2018. The company sees additional potential for generating revenues in consistently charging for the services requested, in particular for the on-site implementation of new software versions at the banks, and in the localisation of the standard products.

Quipu has developed a simple and adaptable document flow and electronic archiving application for files attached to the core banking *CustomWare.NET*. It is now being used in four ProCredit banks: Georgia, Ukraine, Albania and Kosovo and plans are to implement the solution to support the loan processes in ProCredit Moldova, and Ecuador. The platform serves as a primary platform for channeling online and physical account opening applications from private clients.

In the Processing Centre, following the implementation of 24/7 Zones in ProCredit Banks, that reached automation of the target of almost 99% by the end of 2016 we expect additional revenues in this area of business in 2018. In addition, the company expects increased capacity utilisation of the Processing Centre's infrastructure both by ProCredit banks and by banks outside the ProCredit group and aim to achieve optimisation of the centralised management of the 24/7 terminal network.



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The biggest challenge in the area of software development lies in the implementation of the *BankWare.NET* software across the Procredit Group. The pilot in Macedonia was postponed from 2017 to Q1 2018. Additionally, implementation projects are planned for Kosovo and Moldova in 2018. In addition to the ongoing enhancement of the existing software products, the focus will be on rolling out the *Mobile Banking application* in all ProCredit Banks, implementing the new *CRM* versions, the expansion of the *e-Banking application* and the provision of continued support to ProCredit Holding with regard to the implementation of uniform *Group IT Infrastructure Standards* at all of the ProCredit banks.

Given the sustainably favourable forecast for the ProCredit group for the current financial year, demand for Quipu's services can be expected to remain constant, as strategic IT software partner.

### 4.2. Report on opportunities and risks

Due to the company's connection to the ProCredit group, its business risks are closely linked to the development of the group. At the same time, the integration of Quipu within the ProCredit group also leads to substantial planning reliability.

At present Quipu is exposed to the following types of risks:

- foreign currency risk
- default risk
- liquidity risk
- market price risks
- operational risks
- sales revenue risks

In cases where these risks are also associated with opportunities, those opportunities are discussed in the respective section.

Quipu uses an *IT Risk Management System* for the Processing Centre. Starting from the 2014 financial year, the company applies ProCredit Holding's *Group Risk Policy* to Quipu.

#### 4.2.1 Foreign currency risk

**Foreign currency risks** result from the need to purchase US dollars every month, at a total volume of about USD 3 million per year, which are used to cover the ongoing monthly operating costs of the Quipu offices in Latin America and Africa. Up to now, no active risk management for open currency positions in the form of hedging has been considered necessary. To limit foreign currency risks, a new pricing model was introduced in 2014 which offers the banks a choice of being invoiced in USD or in EUR for the annual fees due for the use of the software. Furthermore, new contracts with clients in the African market have been negotiated and signed directly in USD.

This created an opportunity insofar as Quipu only had to acquire limited additional US currency for its own use in 2017. This is expected to continue in 2018. At the same time, it reduces the foreign currency risk incurred by the ProCredit banks that switched to USD invoicing, as they will have to buy lower volumes of euros in order to settle their Quipu invoices.

Therefore, the occurrence of this risk is assessed to have low impact on the financial situation.

#### 4.2.2 Default risk

**Default risks** in connection with the invoices issued for services rendered are very transparent and can be ruled out almost entirely, since the bulk of the company's clients come from within the ProCredit group. A moderate risk is still present given that Quipu continues to expand its client portfolio with external banks. Nonetheless, the amount of unpaid invoices to external clients amounted only EUR 289k or 1.3% of the total revenues in 2017, thus representing a minor risk.

The occurrence of this risk is assessed to have high impact on the financial situation.

#### 4.2.3 Liquidity risk

**Liquidity risk** is managed through contracts for the performance of project-related work designed in such a way as to ensure that sufficient liquidity will be available in the form of interim payment instalments received when items of work are completed or at certain predefined intervals. Turnover through the Processing Centre is invoiced on a monthly basis for the previous month. This allows for reliable planning and ensures a regular flow of liquidity.

The changeover to the new pricing system made it possible for the contracts to be designed in such a way that the annual rental charge for the use of the software is payable in advance at the start of the year, unless the bank explicitly requests a different payment schedule.

To cover possible short-term liquidity bottlenecks during 2017, the company has agreed a credit line in the total amount of EUR 1,750k with its two house banks, Frankfurter Sparkasse and ProCredit Bank Germany.

The occurrence of this risk is assessed to have low impact on the financial situation.

#### 4.2.4 Market price risks

**Price risk** is minimised by means of flexible contracts. The prices specified in the new contracts for the use of the software were set on the principle that, based on the current business planning assumptions, the prices can remain unchanged for the next year. In addition, the company can adjust the existing licence and maintenance agreements annually to reflect any possible cost increases.

This now makes it possible to plan for software development in the medium term, as the prospective income can already be calculated today. The occurrence of this risk is assessed to have low impact on the financial situation.

#### 4.2.5 Operational risk

The **operational risk** incurred by the Processing Centre was reduced by ongoing ISO and PCI DSS certifications. The other areas are continuing with the documentation of their procedures and with standardising processes.

The move to a professional data centre further reduced the exposure of the IT infrastructure to operational risks. The ProCredit Central Data Centre project will require special attention on

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procedures and standardised processes in order to avoid operational risks. The company obtained ISO 27001, 20000 and 9001 for both QPC and Cloud Services.

The occurrence of this risk is assessed to have low impact on the financial situation.

### 4.2.6 Sales revenue risks

**Sales revenue risks** were included in the risk profile for the first time in 2013. The sales of implementation services increased moderately in 2017 to EUR 1,416k (2016: EUR 1,312k). In the current year, a 104.1% increase to approximately EUR 2,889k is planned, including projects originally scheduled to be completed in 2017. This is the scale on which the banks must be willing to conclude new contracts with Quipu for the implementation of projects during the current financial year. Also the possible risk that in the future the number of group banks may be reduced and that therefore planned revenues will not be forthcoming cannot be ruled out entirely.

The enlargement of the range of services offered has the advantage that Quipu's services will in future be significantly more transparent for the customers, as the implementation projects will be documented in detail.

The occurrence of this risk is assessed to have high impact on the financial situation. In conclusion it can be stated, however, that the introduction of the new pricing model in 2014 and the accompanying contract design have further reduced the risks to which the company is exposed.

The Management assesses the outlook for the further development of the company's business as highly positive. When ProCredit Holding acquired Quipu, its role as the strategic IT partner of the ProCredit group was underscored and strengthened. This creates a high degree of planning reliability for Quipu, which will continue in the years to come.

Frankfurt am Main, March 20th, 2018  
Quipu GmbH  
The Management

# **Quipu GmbH – 2017 Annual Financial Statements**

**Registered office: Königsberger Str. 1, 60487 Frankfurt am Main  
HRB 90104, Regional Court of Frankfurt am Main**

**consisting of the Balance Sheet, Income Statement and the Notes**

## Annual Financial Statements 2017

### BALANCE SHEET of Quipu GmbH, Frankfurt am Main, as of 31 December 2017

in EUR	31.12.2017	31.12.2016
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Licences, commercial and intellectual property rights and similar rights	1,185,247.08	1,334,383.00
2. Advance payments	-	-
II. Property, plant and equipment		
1. Other equipment, furniture and fixtures	4,845,931.63	4,731,802.00
2. Advance payments equipments	-	537,376.50
III. Financial assets		
1. Shares in subsidiaries	183,562.60	183,562.60
2. Borrowings to affiliated companies	544,793.41	
	6,759,534.72	6,787,124.10
<b>B. Current assets</b>		
I. Inventories		
1. Work in progress	946,979.20	27,100.00
II. Receivables and other assets		
1. Trade accounts receivable (of which, with a remaining term of more than one year: EUR 0.00)	362,859.70	294,478.17
2. Receivables from affiliated companies (of which, with a remaining term of more than one year: EUR 0.00)	147,508.52	170,226.93
4. Other assets (of which, with a remaining term of more than one year: EUR 32,212.16)	860,113.28	291,672.64
	1,370,481.50	756,377.74
III. Cash in hand, balances at German central bank, balances at banks and cheques	599,699.49	1,091,082.87
<b>C. Prepaid expenses and deferred charges</b>	1,862,360.52	1,296,656.62
<b>Total assets</b>	<b>11,539,055.43</b>	<b>9,958,341.33</b>
<b>A. Equity</b>		
I. Subscribed capital	1,000,000.00	1,000,000.00
II. Revenue reserves		
1. Other revenue reserves	1,190,763.60	1,190,763.60
III. Net income for the year	-	-
	2,190,763.60	2,190,763.60
<b>B. Accruals</b>		
1. Accruals for taxes	36,000.00	30,000.00
2. Other accruals	707,241.92	606,360.91
	743,241.92	636,360.91
<b>C. Liabilities</b>		
1. Advance payments received (of which, with a remaining term of up to one year: EUR 0,00; Previous year EUR 0,00)	7,200,000.00	6,200,000.00
2. Trade accounts payable (of which, with a remaining term of up to one year: EUR 980,498.41; Previous year: EUR 544,856.16)	980,498.41	544,856.16
3. Liabilities to affiliated companies (of which, with a remaining term of up to one year: EUR 316,644.87; Previous year: EUR 263,741.11))	316,644.87	263,741.11
4. Other liabilities (of which, for taxes EUR 86,500.51; previous year: EUR 88,610.96) (of which, for social security:EUR 16,671.45; previous year: EUR 0,00)	107,906.63	98,935.52
	8,605,049.91	7,107,532.79
<b>D. Deferred income</b>	-	23,684.03
<b>Total equity and liabilities</b>	<b>11,539,055.43</b>	<b>9,958,341.33</b>

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### INCOME STATEMENT of Quipu GmbH, Frankfurt am Main, as of 31 December 2017

in EUR	(Note)	1. Jan - 31. Dec 2017	1. Jan - 31. Dec 2016
<b>1. Sales revenue</b>	(20)	<b>22,330,176.00</b>	<b>19,835,733.33</b>
<b>2. Increase or decrease the stock of finished and unfinished products</b>		<b>919,879.20</b>	
<b>3. Other operating income</b>	(21)	<b>79,253.92</b>	<b>254,777.21</b>
<i>(of which, from currency translation: EUR 38,648.66; previous year: EUR 93,633.66)</i>			
<b>4. Material expenses</b>			
a) <i>Cost of raw materials, production inputs and goods</i>	(22)	<b>133,659.10</b>	<b>14,530.32</b>
b) <i>Cost of purchased services</i>	(23)	<b>3,359,715.43</b>	<b>2,282,986.14</b>
<b>5. Personnel expenses:</b>	(24)		
a) <i>Wages and salaries</i>		<b>7,429,117.42</b>	<b>7,160,530.08</b>
b) <i>Social insurance contributions and expenses for retirement pensions</i>		<b>1,574,691.69</b>	<b>1,555,128.07</b>
<i>(of which, for retirement pensions: EUR 63,266.57; previous year: EUR 68,848.26)</i>			
<b>6. Depreciation on intangible and tangible fixed assets</b>	(25)	<b>1,901,501.94</b>	<b>1,519,850.77</b>
<b>7. Other operating expenses</b>	(26)	<b>8,859,646.00</b>	<b>7,251,710.57</b>
<i>(of which, from currency translation: EUR 207,962.82; previous year: EUR 155,282.14)</i>			
<b>8. Income from equity holdings</b>		<b>500,000.00</b>	<b>250,000.00</b>
<i>(of which, from affiliated companies: EUR 500,000.00; previous year: EUR 250,000.00)</i>			
<b>9. Other interest and similar income</b>		<b>10,003.12</b>	<b>2,368.98</b>
<i>(of which, from affiliated companies: EUR 9,993.01; previous year: EUR 2,094.68)</i>			
<b>10. Other interest and similar expenses</b>		<b>165,724.93</b>	<b>115,418.14</b>
<i>(of which, from affiliated companies: EUR 165,724.93; previous year: EUR 115,418.14)</i>			
<b>11. Taxes on income and profit</b>	(27)	<b>234,961.10</b>	<b>253,474.42</b>
<b>12. Net income for the year after taxes</b>		<b>180,294.63</b>	<b>144,290.30</b>
13. Other taxes		<b>31,183.46</b>	<b>36,461.68</b>
<b>14. Net income for the year before transfer of profit</b>		<b>149,111.17</b>	<b>107,828.62</b>
15. Profit transferred on the basis of a profit transfer agreement		<b>149,111.17</b>	<b>107,828.62</b>
<b>16. Profit for the year</b>		<b>0.00</b>	<b>0.00</b>



**Quipu GmbH, Frankfurt am Main, as at 31 December 2017**

**Notes for the 2017 financial year**

**Explanations regarding the 2017 annual financial statements**

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## I. BASIC ACCOUNTING PRINCIPLES

### 1) Group affiliation

Quipu GmbH, a medium-sized limited liability company (GmbH), is a subsidiary of ProCredit Holding AG & Co. KGaA, Frankfurt am Main (ProCredit Holding), and is included in the latter's consolidated financial statements. ProCredit Holding prepares the consolidated financial statements for the largest and smallest consolidation scope; they are published in the German Official Federal Gazette. ProCredit Holding is registered with the District Court, Frankfurt am Main, under entry no. HRB 91858.

The Profit and Loss Transfer Agreement between Quipu GmbH and ProCredit Holding AG & Co. KGaA has been converted into a Controlling and Profit and Loss Transfer Agreement. For this reason, the entire profit or loss for the year is transferred to the latter company. Thus an integrated inter-company relationship exists with ProCredit Holding.

### 2) Information about accounting, measurement and disclosure methods

The annual financial statements of Quipu GmbH, Frankfurt am Main, (Quipu GmbH) for the 2017 financial year are prepared according to the provisions of the German Commercial Code and the German Law on Limited Liability Companies.

Intangible fixed assets and tangible fixed assets are valued at acquisition cost or production cost and, to the extent that they are depreciable, their value is reduced by regular depreciation amounts. The scheduled depreciation amounts are based on the expected useful life of the respective asset items and are calculated using the straight line method. The scheduled depreciation period for individual software is 5 years.

Financial assets are entered at acquisition cost. If on the balance sheet date a reduction in value is expected to be permanent, extraordinary write-downs will be applied to the corresponding assets. Write-ups are applied if the reasons for the reduction no longer apply.

Inventories consist of work in progress. Contractually agreed performance that had not been billed by the balance sheet date was measured on the basis of completed person days times the daily rate. The actual value was used for the services provided by the Processing Centre, which are calculated monthly after the fact.

Receivables and other assets are entered at acquisition cost in compliance with the lower of cost or market value principle.

Cash reserves and receivables from credit institutions are entered at the nominal amounts.

Prepaid expenses consist of expenditures before the balance sheet date that represent expenses for a certain period after this date.

The equity capital was entered at the nominal value.

The provisions take into account all legal or factual obligations vis-à-vis third parties that can be identified on the balance sheet date, and the amounts of which are deemed uncertain based on a business assessment. Provisions are entered at the amount of the amount payable that will be required based on a reasonable business assessment (sec. 253 (1) German Commercial Code

## Annual Financial Statements 2017

(HGB)). In the financial year, most of the provisions have a term of less than one year and are not discounted (sec. 253 (2) HGB).

Liabilities are entered at the amount to be paid.

The option to enter software development costs on the assets side pursuant to sec. 248 (2) HGB is not utilised.

The income statement is prepared according to the total cost method (sec. 275 (2) HGB).

All amounts are shown in euros. In the balance sheet for Quipu GmbH, currency items are measured at the average rate of exchange at the end of the reporting period (sec. 256a HGB). The exchange rate on 31 December 2017 was EUR 1 / USD 1.1993. Income and expenses from the conversion of these currency items are added under other operating income / other operating expenses. Expenses and income in foreign currency are converted at the transaction rate.

Quipu GmbH utilises the size-dependent exemption from sec. 293 HGB and does not prepare consolidated financial statements.

## II. INFORMATION REGARDING THE BALANCE SHEET

### A. FIXED ASSETS

#### 3) Intangible assets

Intangible assets consist mainly of software licenses that have been purchased. A detailed overview of the development of intangible assets is shown in the asset schedule (Annex 1 to the Notes).

#### 4) Tangible assets

The continuation of the centralisation project with the ProCredit Group (ProCredit Global Data Center) once again led to increased investments in fixed assets in 2017. Tangible assets are comprised of technical equipment and servers, office furniture and equipment, company vehicles and tenant installations. Regarding the development of tangible assets, we refer to the asset schedule (Annex 1 to the Notes).

#### 5) Shares in affiliated companies

Quipu GmbH maintains the following shareholdings in affiliated companies:

## Annual Financial Statements 2017

Name of subsidiary	Address	Subscribed capital incl. capital reserve (EUR)	Revenue reserves and other reserves (EUR)	Profit (Loss) for the year (EUR)
		31.12.2017	31.12.2017	2017
Quipu Shpk, Prishtina, <b>Kosovo</b>	Rexhep Mala 16 Prishtina, Kosovo	5,000.00	106,605.00	-65,019.00
Quipu S.A., San Salvador, <b>El Salvador</b>	Avenida La Revolución No. 178 Colonia San Benito, San Salvador, El Salvador	92,927.80	105,828.47	14,758.75
Quipu Ltda., Bogotá, <b>Colombia</b>	Calle 37 A No. 16-25 Bogotá, Colombia	80,593.74	78,027.89	23,632.36
Quipu Doeel Skopje, <b>Macedonia</b>	Ui. Chedomir Miderovikj No. 31 Skopje, Macedonia	5,041.06	4,572.42	28,334.05

Quipu Shpk, Prishtina (Kosovo), is active in the field of bank card personalisation for the Eastern European, Latin American and African markets. The two Latin American companies provide services for ProCredit banks in Central and South America. Quipu Doeel, Skopje (Macedonia), is responsible for providing services to the ProCredit banks in the European region.

The shareholdings during the reporting period were as follows:

Subsidiary	Equity exposure as of 01.01.2017	Acquisitions in 2017	Disposals in 2017	Net book value			
				as of 31.12.2017		as of 31.12.2016	
					Share in %		Share in %
Quipu Shpk, Prishtina, <b>Kosovo</b>	5,000.00	0.00	0.00	5,000.00	100.0%	5,000.00	100.0%
Quipu S.A., San Salvador, <b>El Salvador</b>	92,927.80	0.00	0.00	92,927.80	99.4%	92,927.80	95.0%
Quipu Ltda., Bogotá, <b>Colombia</b>	80,593.74	0.00	0.00	80,593.74	98.5%	80,593.74	98.5%
Quipu Doeel Skopje, <b>Macedonia</b>	5,041.06	0.00	0.00	5,041.06	100.0%	5,041.06	100.0%
<b>Total</b>	<b>183,562.60</b>	<b>0.00</b>	<b>0.00</b>	<b>183,562.60</b>		<b>183,562.60</b>	

## B. CURRENT ASSETS

### 6) Work in progress

Services provided by the Processing Center are always calculated at the beginning of the following month. This resulted in a figure of EUR 406,249.20 for work in progress for December 2017. The remaining amounts relate to already rendered but not yet calculated services for on-going projects, which are only calculated after completion as per the contract.

### 7) Trade receivables

Of the outstanding trade receivables, EUR 103,311.50 were not due, and EUR 277,103.61 were due on the balance sheet date. A 100% value adjustment was allocated for a receivable from BIAC Congo in the amount of 17,555.41; a moratorium agreement is in place for this receivable. Of the outstanding receivables, EUR 137,543.12 were received by the time the balance sheet was prepared.

## Annual Financial Statements 2017

### 8) Receivables from affiliated companies

These consist of receivables from subsidiaries and shareholders.

The receivables from proprietors concern VAT due from ProCredit Holding as a consequence of the integrated inter-company relationship (EUR 111,415.91; previous year: EUR 95,226.93).

Receivables from subsidiaries (EUR 36,092.61); previous year: EUR 75,000.00) consist mainly of cost transfers for hardware and software, and expired loan interest.

### 9) Other assets

in EUR	31.12.2017	31.12.2016
Tax refunds due	818,940.67	214,150.41
Deposits	32,212.16	27,225.12
Other	8,960.45	50,297.11
<b>Total</b>	<b>860,113.28</b>	<b>291,672.64</b>

Tax reclaims mainly consist of receivables from tax authorities in Romania (EUR 391,871.40) for VAT, and Ecuador (EUR 425,517.17) for withholding taxes.

### 10) Cash in bank

Of the cash in bank, EUR 296,652.89 relates to receivables from affiliated companies.

## C. DEFFERALS AND ACCRUALS

### 11) Prepaid expenses and other current assets

in EUR	31.12.2017	31.12.2016
Rent	139,949.72	120,652.76
Insurance	32,195.26	21,387.03
Training	7,647.43	1,041.89
Maintenance	1,667,357.43	1,151,533.46
Other	15,210.68	2,041.48
<b>Total</b>	<b>1,862,360.52</b>	<b>1,296,656.62</b>

## A. SHAREHOLDERS' EQUITY

### 12) Subscribed capital

As at 31 December 2017, the subscribed capital was held by ProCredit Holding (100%).

## Annual Financial Statements 2017

### 13) Other profit reserves

The other profit reserves result from the retention of net profits prior to the control and profit/loss transfer agreement from the years 2008 - 2010.

### 14) Net profit for the year

On the basis of the control and profit-loss transfer agreement concluded on 21 July 2011, the result in the amount of EUR 149,111.17 (previous year: EUR 107,828.62) is transferred to ProCredit Holding.

## B. PROVISIONS

### 15) Other provisions

in EUR	31.12.2017	31.12.2016
Accruals for holiday	286,770.74	261,375.94
Rental expenses and decommissioning commitments	123,369.30	138,252.70
Other invoices	190,371.83	120,422.27
Outstanding invoices with employees	28,810.05	12,250.00
Employers' liability insurance contributions, charge for not employing disabled persons and international health insurance	42,920.00	39,060.00
Annual financial statements	35,000.00	35,000.00
<b>Total</b>	<b>707,241.92</b>	<b>606,360.91</b>

## C. LIABILITIES

### 16) Liabilities to banks

Liabilities to banks consist solely of liabilities to ProCredit Bank AG, Frankfurt am Main.

<b>Total amount of credit liabilities</b>	<b>7,200,000.00</b>
-out of which with a remaining period until 1 year	0.00
-out of which with a remaining period of 1-5 years	6,956,756.84
-out of which with a remaining period of more than 5 years	243,243.16

### 17) Trade payables

This item includes EUR 229,552.65 in trade payables to affiliated companies of the ProCredit Group (previous year: EUR 41,581.23).



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### 18) Liabilities to affiliated companies

This item includes liabilities related to invoices for services rendered by Quipu S.A. in El Salvador, Quipu Ltda, Columbia, and Quipu S.h.p.k. Kosovo, as well as liabilities to shareholders.

Liabilities to shareholder included expenses from the profit/loss transfer to ProCredit Holding in the amount of EUR 149,111.17 (previous year: EUR 107,828.62).

### 19) Other liabilities

Liabilities from taxes consisted solely of the liability from wage and church taxes as at 31 December 2017.

Liabilities related to social security amounted to EUR 16,671.45.

## III. NOTES TO THE INCOME STATEMENT

### 20) Sales revenues

The majority of sales revenues is generated from the provision of IT services to the ProCredit Group. The IT services comprise the provision of the banking software for ProCredit banks, and the resale of computer equipment and software.

### 21) Other operating income

in EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Income from rental charges passed on	6,689.40	6,640.02
Income from reversal of accruals	31,073.97	154,498.53
Income from currency translation	38,648.66	93,633.66
Income from insurance compensations	2,841.89	0.00
Other	0.00	5.00
<b>Total</b>	<b>79,253.92</b>	<b>254,777.21</b>

### 22) Raw materials and consumables, and purchased goods

The item raw materials and consumables, and purchased goods mainly consists of expenses for purchased hardware, most of which was directly resold to the ProCredit Group.

### 23) Expenses for purchased services

Expenses for purchased services consist of payments for services to independent professionals and for services purchased from subsidiaries.

## Annual Financial Statements 2017

### 24) Personnel expenses

During the 2017 financial year, Quipu GmbH had on average 167 employees (2016: 172). As at 31 December 2017, the total number of employees at Quipu GmbH was 170 (2016: 183).

As at 31 December 2017, Quipu GmbH had two managing employees and 168 salaried employees.

### 25) Amortisation and write-downs of intangible fixed assets and tangible assets

A detailed overview of the write-downs can be found in the asset schedule (Annex 1 to the Notes).

### 26) Other operating expenses

in EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Operating lease expenses	1,500,964.32	1,434,794.16
Maintenance, exp. for software and hardware	2,537,918.24	2,068,452.77
Travel expenses	1,130,123.27	1,216,967.21
Services provided by foreign subsidiaries (Latin America)	1,138,663.50	588,427.62
Legal and advisory expenses	1,099,088.38	628,662.49
Charges to be passed on for services received	144,246.98	144,821.95
Communication	315,773.95	314,675.71
Other personnel expenses	259,083.25	230,643.30
Expenses from currency translation	207,962.82	155,282.14
Other administrative expenses	199,052.45	211,509.95
Entertainment and hospitality expenses	162,918.39	127,603.68
IT materials	55,868.35	35,307.54
Accounting expenses	37,603.49	57,166.07
Insurance	47,711.07	34,050.98
Disposal of fixed assets	4,770.00	3,345.00
Lost receivables	17,897.54	0.00
<b>Total</b>	<b>8,859,646.00</b>	<b>7,251,710.57</b>

Legal and consulting costs consist of consulting services from Quipu Shpk and ProCredit Holding AG & Co. KGaA (EUR 551,881.68; previous year: EUR 414,758.28), expenses for the company's audit (EUR 31,327.09; previous year: EUR 31,217.33) and other legal and consulting costs (EUR 515,879.61; previous year: EUR 182,632.88).

### 27) Income taxes

Taxes on income include foreign withholding taxes, which relate to the result of the Regional Office in Kiev (Ukraine) (EUR 42,100.31; previous year EUR 30,000.01), sales revenues generated in the Congo (EUR 192,326.26; previous year EUR 207,195.36) and income taxes for the Regional Office in Accra (Ghana) (EUR 398.36; previous year EUR 453.17).

#### IV. ADDITIONAL INFORMATION

##### 28) Other financial obligations

Quipu GmbH has assumed obligations of EUR 2,958,058.56 from rental contracts that were concluded at arm's length conditions.

Interest obligations from loan agreements concluded at arm's length conditions amount to EUR 540,102.42.

##### 29) Total auditor fee

The costs for the audit totalled EUR 31,327.09 in 2017. The company did not utilise any other auditor services.

##### 30) Subsequent events report

Events of particular importance did not occur after the closing date.

##### 31) Management

Dr. Gian Marco Felice, Frankfurt am Main, was the Managing Director of Quipu GmbH during the reporting period. Dr. Gian Marco Felice holds a doctorate in astrophysics. Single power of attorney is held by Andrei Georgescu, Frankfurt am Main.

The total remuneration of the managing directors pursuant to section 285 (9a) HGB is not disclosed, as the individual managing director's remuneration would be revealed (section 286 (4) HGB).

The Managing Director and authorized representative each possess the sole right of representation on behalf of the company.

Frankfurt am Main, 29. May 2018

Quipu GmbH  
The Management

## Statement of fixed assets as of 31. December 2017

in EUR	Acquisition cost						Accumulated depreciation			Net book values	
	As of: 01.01.2017	Additions	Disposals/ Write-downs	Re- classifications	As of: 31.12.2017	As of: 01.01.2017	Additions	Disposals/ Write-downs	As of: 31.12.2017	As of: 31.12.2016	
<b>I. Intangible assets</b>											
1. Licences, commercial and intellectual property rights and similar rights	2,484,530.18	375,217.48	391,207.31	0.00	2,468,540.35	1,150,147.18	524,306.40	391,160.31	1,283,293.27	1,334,383.00	
	2,484,530.18	375,217.48	391,207.31	0.00	2,468,540.35	1,150,147.18	524,306.40	391,160.31	1,283,293.27	1,334,383.00	
<b>II. Property, plant and equipment</b>											
1. Other equipment, operating and office furniture and fixtures	8,751,836.65	1,200,568.28	442,769.06	295,479.89	9,805,115.76	4,020,034.65	1,377,195.54	438,046.06	4,959,184.13	4,731,802.00	
2. Prepayments, operating and office equipment	537,376.50	0.00	241,896.61	-295,479.89	0.00	0.00	0.00	0.00	0.00	537,376.50	
	9,289,213.15	1,200,568.28	684,665.67	0.00	9,805,115.76	4,020,034.65	1,377,195.54	438,046.06	4,959,184.13	5,269,178.50	
<b>III. Financial assets</b>											
1. Shares in subsidiaries	183,562.60	0.00	0.00	0.00	183,562.60	0.00	0.00	0.00	0.00	183,562.60	
2. Borrowings to affiliated companies	0.00	544,793.41	0.00	0.00	544,793.41	0.00	0.00	0.00	0.00	0.00	
	183,562.60	544,793.41	0.00	0.00	728,356.01	0.00	0.00	0.00	0.00	183,562.60	
<b>Summe Anlagevermögen</b>	<b>11,957,305.93</b>	<b>2,120,579.17</b>	<b>1,075,872.98</b>	<b>0.00</b>	<b>13,002,012.12</b>	<b>5,170,181.83</b>	<b>1,901,501.94</b>	<b>829,206.37</b>	<b>6,242,477.40</b>	<b>6,787,124.10</b>	