GREEN FOR GROWTH FUND
SOUTHEAST EUROPE

INVESTING IN ENERGY EFFICIENCY
AND RENEWABLE ENERGY

ANNUAL REPORT 2015

GROWING

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KEY FIGURES 2015

Total portfolio outstanding (in EUR): 307 million

Partner institutions the GGF has invested in to date: 32

Partner institutions the GGF has financed and/or provided with technical assistance: 37

MISSION

THE MISSION OF THE GREEN FOR GROWTH FUND, SOUTHEAST EUROPE (GGF) IS TO CONTRIBUTE, IN THE FORM OF A PUBLIC-PRIVATE PARTNERSHIP WITH A LAYERED RISK/RETURN STRUCTURE, TO ENHANCING ENERGY EFFICIENCY AND FOSTERING RENEWABLE ENERGY IN THE SOUTHEAST EUROPE REGION, INCLUDING TURKEY, AND IN THE EUROPEAN NEIGHBOURHOOD REGION, PREDOMINANTLY THROUGH THE PROVISION OF DEDICATED FINANCING TO BUSINESSES AND HOUSEHOLDS VIA PARTNERING WITH FINANCIAL INSTITUTIONS AND DIRECT FINANCING.

Total investor commitments (in EUR): 368 million

Metric tons of CO_2 saved annually through GGF-funded energy efficiency and renewable energy investments: 331 thousand

GWh saved annually through GGF-funded energy efficiency and renewable energy investments: 1,276

Investors and donors to date who have committed funds to the GGF: 14

GGF Technical Assistance Facility projects to date: 156

Target countries of the GGF: 13

KEY FIGURES 2015

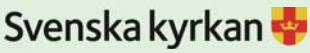
Total portfolio outstanding (in EUR): 307 million

Partner institutions the GGF has invested in to date: 32

Partner institutions the GGF has financed and/or provided with technical assistance: 37

Investors

THE GGF IS SUPPORTED BY LEADING DONORS, INTERNATIONAL FINANCIAL INSTITUTIONS AND PRIVATE INVESTORS.



Letter from the Chair

Dear Investors and Partners

On behalf of the Board of Directors, I am happy to present to you this 2015 Annual Report of the Green for Growth Fund, Southeast Europe. The theme for this year's report, which marks the sixth year of operations of the Fund, is "growth". We believe this is a fitting topic given the GGF's record growth during 2015 across a number of key metrics for the Fund: portfolio, number of partner institutions, measures financed, environmental impact, private capital raised, and total commitments. The continued success of the GGF validates the vision of the Fund's initiators, KfW and the European Investment Bank, and its shareholders, the European Commission, the BMZ, EBRD, IFC, FMO, OeEB, and increasingly, private investors, to create a professionally-managed platform to leverage public funds with private capital to address the critical issue of climate change by reducing energy consumption and CO_2 emissions.

The most visible sign of the Fund's growth in 2015 was in its portfolio, which reached EUR 307.1 million at year-end following EUR 93.6 million in disbursements to 11 financial institutions, renewable energy projects and, in a new milestone, to the Fund's first corporate borrower, a builder of energy efficient housing in Georgia. Of course, portfolio growth is a means to an end – the implementation of energy efficiency and renewable energy projects – and 2015 was a record year in this regard as well. The Fund's partner institutions financed over 4,400 projects during the year, generating a substantial positive environmental impact equal to removing 221 thousand cars from the world's roads.

The GGF has also increased its capital available for continuing this growth in the form of new commitments from an existing key shareholder, FMO, and through a significant notes placement with private investors, which brought the Fund's private sector investments to almost 10 % of its total resources. Importantly, these notes were purchased at an attractive price for the Fund, reflecting the GGF's solid track record and sound financial fundamentals. We see this trend continuing into 2016, with new private notes to be placed at benchmarks that allow the GGF to grow and thrive despite challenging markets.

2015 ended on a positive note, with the COP 21 in Paris signaling a new level of political leadership and global cooperation for tackling climate change. The GGF is one part of this effort, one that has shown that with the right approaches, capital, and know-how, real progress can be made. In 2016, the Fund will explore new markets for expansion and refine its tools in existing markets to further its growth and environmental impact, and build on its success. The Fund's broadened scope and unique combination of impact, return, and risk mitigation will enable this true public-private partnership to attract and leverage new sources of capital to achieve its environmental objectives.

We hope you enjoy reading this report, and welcome your continued interest and support.

CHRISTOPHER KNOWLES
Chairman of the Board of Directors

GROWING IMPACT AND OUTREACH

EUR 368 MILLION

COMMITTED BY INVESTORS

THE GREEN FOR GROWTH FUND CONTINUES TO MOVE FROM SUCCESS TO SUCCESS BY SUPPLYING AN INCREASING NUMBER OF PARTNER INSTITUTIONS AND ASSOCIATED PROJECTS WITH FINANCING FOR REDUCING CO_2 EMISSIONS AND ENERGY USE.

Born in a period of crisis, the GGF has emerged as a powerful force in green finance and continues to provide vital funding for projects and partners striving to mitigate climate change and energy use.

PAST LESSONS GUIDE TODAY'S DECISIONS

Built for Success

For six years, the Green for Growth Fund, Southeast Europe, has fostered nascent markets for energy efficiency (EE) and renewable energy (RE). The Fund works primarily with the financial sector, while also helping implement projects with direct investments. The GGF has set – and met – ambitious goals, but these successes were by no means assured upon the Fund's creation. At the time, Southeast Europe was mired in the depths of the global financial crisis, demand for investments was limited, green energy awareness was quite low in the financial sector and among the general population, and private investors shied away from countries seen as high-risk in a still unproven sector.

This report outlines the various measures of the GGF's success, including the growth of its investor base, portfolio size, outreach, geographic breadth, and most importantly, environmental impact. First, we would like to show how the Fund's structure accounted for the aforementioned challenges so we were able to grow into one of the largest sources of EE and RE financing in the region.

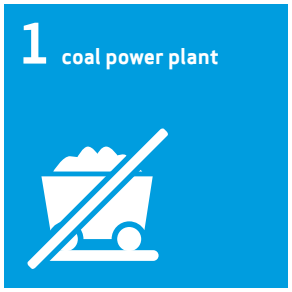
Structured for Growth

The GGF is a multi-tranche investment fund with a layered risk-return structure. This construct attracts a wide range of donors and investors, all with specific demands on geography, leverage, risk-appetite, and returns. The donors, the European Commission and the German Federal Ministry for Cooperation and Development (BMZ), accept a first-loss position with modest returns in exchange for strong leverage of their capital through other funding that multiplies the environmental impact of their investment. International financial institutions supply the bulk of the Fund's capital and seek mezzanine or senior equity risk positions with upside potential through complementary dividends. They view the GGF as a useful platform to coordinate and complement their green energy finance. Finally, private investors – almost 10 % of total capital at year-end 2015, and forecast to reach 15 % or more in 2016 – seek high levels of risk protection and market returns. This risk-reward segmentation has grown the GGF's initial capital base of EUR 100 million to over EUR 360 million at year-end 2015.

The Right Approach for the Region

The GGF attracts private investors with its proven, effective and efficient approach for executing green energy projects in challenging markets. In six years, the Fund has fine-tuned this approach by increasing the types of projects available for funding, and by adding expertise in renewable and efficient energy. Critical support comes from our companion Technical Assistance Facility; its pool of local and international experts helps clients internalize know-how and make green energy finance an integral and strategic part of their business. This crucial transfer of knowledge between institutions, regions, stakeholders, and experts provides steady increases in on-lending and impact. Thus, the GGF becomes more attractive for investors and investees, further spurring the cycle of more growth and higher impact.

ENERGY SAVINGS



The energy saved in 2015 by the GGF's investments could replace one medium-sized coal power plant.

Growing Through Diversification

The GGF sees diversification as a great strength for cutting risk exposure to individual partner institutions or countries and for cross-pollinating ideas. Accordingly, in 2012 the Fund expanded to the European Eastern Neighbourhood Region by adding five new countries to the originally mandated eight. The GGF provides capital, technical assistance, or both, in these 13 countries. With 32 partner institutions in 10 of the countries, the Fund has built a differentiated portfolio of microfinance institutions, small regional banks, large commercial banks, corporate borrowers, leasing companies, and renewable energy projects. This diversification lets us support growth by responding to demand-driven opportunities across a range of institutions and countries, and increase impact by transferring best practices from countries or partner institutions.

The Path Forward

With a strong track record and stable foundation, the GGF remains well-positioned to grow in the coming years and improve the metrics explored in this report. The Fund plans to expand its portfolio and dive deeply into select segments and markets. The GGF Board has decided to extend the Fund into six countries in the Middle East and North Africa. This expansion, set for approval in 2016, is expected to attract new investors with a focus on this critical region and deliver added levels of impact and diversification to the Fund.

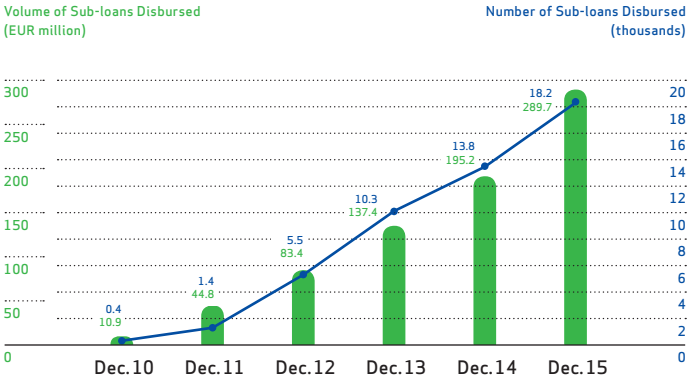
"The European Commission, a founding investor in the GGF, is very pleased to see its continued impact and the Fund's capacity to use the EU investment to leverage private capital in line with the Commission's strategy for the region."

CATHERINE WENDT
Acting Director for DG NEAR, Western Balkans, European Commission

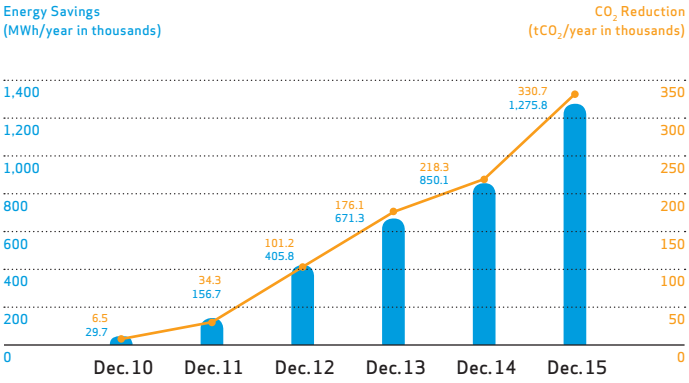
The GGF's innovative approach to green energy finance is increasing environmental impact and client outreach.

GROWTH IN IMPACT, OUTREACH, AND INVESTORS

SUB-LOANS DISBURSED
(cumulative since inception)



ENERY SAVINGS AND CO_2 REDUCTION

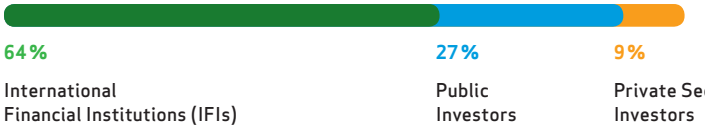


The Green for Growth Fund, Southeast Europe, is running at full power, with impressive results in 2015 according to all metrics. The most important of these, however, are impact and outreach – this is where the Fund's advances in areas such as structuring, stakeholder coordination, product development, and technical assistance combine to deliver growing positive environmental impact to a broad range of clients, the core mission of the Fund. The GGF's success in financing measures that reduce energy consumption and CO_2 emissions continues to produce lasting effects; measures implemented by end-borrowers in 2010 – the Fund's first year of operation – are still providing savings today, creating an ever-increasing level of positive impact for the Fund.

The GGF financed EUR 94.5 million in measures in 2015, adding an impressive 4,400 end-borrowers. As shown in the upper left graphic, this means that since the Fund's inception over 18,000 households and businesses have benefited from its capital. The adjoining graphic shows how these investments have translated into energy and CO_2 savings, bringing the annual impact of the measures financed since the GGF's inception to nearly 1.3 million MWh and more than 330,000 tons of CO_2. The measures in 2015 alone are reducing energy consumption by 426,000 MWh a year, and CO_2 emissions by 112,000 metric tons per annum.

To finance this impact and outreach, the Fund has increasingly grown its funding base to include not only new public investors and international financial institutions, but also private investors. In its six years of operation, total capital commit-

FUNDING BY TYPE OF INVESTORS



as of Q4 2015

CO_2 SAVINGS

1.9 million
one-way passenger flights

To cut the same amount of CO_2 output as the GGF's investments to date, you would have to cancel 1.9 million one-way passenger flights from Frankfurt to London.

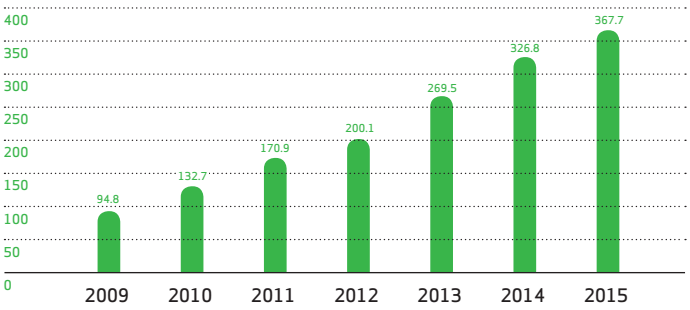
"The BMZ has long supported the GGF as it has grown into a regional driver for green energy finance. We view its success as a validation of both the public-private partnership model and our financial sector approach to energy efficiency and renewable energy development."

DIRK SCHATTSCHNEIDER
Head of the Division for South-Eastern and Eastern Europe, South Caucasus
Federal Ministry for Economic Cooperation and Development – BMZ

ments have steadily risen from just under EUR 100 million to over EUR 360 million at year-end 2015 (and nearly EUR 400 million as of mid-2016). At the same time, private investors have already increased their share to 12 % in 2016, a portion expected to rise to 15–20 % by year-end.

The GGF is particularly pleased to welcome like-minded investors to the Fund. In 2015, GLS Bank, Germany's first bank with a socio-ecological mandate, invested EUR 22 million in the Fund from both its own account and those of its clients. In early 2016, the Church of Sweden invested EUR 10 million in the GGF. Having investors that share the Fund's mission to mitigate climate change ensures the GGF can continue its important work on a long-term, sustainable basis.

CAPITAL COMMITMENTS SINCE INCEPTION



The GGF was initiated in 2009 with the mission to promote energy efficiency and foster renewable energy in eight countries of the Western Balkans and Turkey. The Fund's success has led it to new frontiers.

EXPANDING THE FUND'S HORIZON

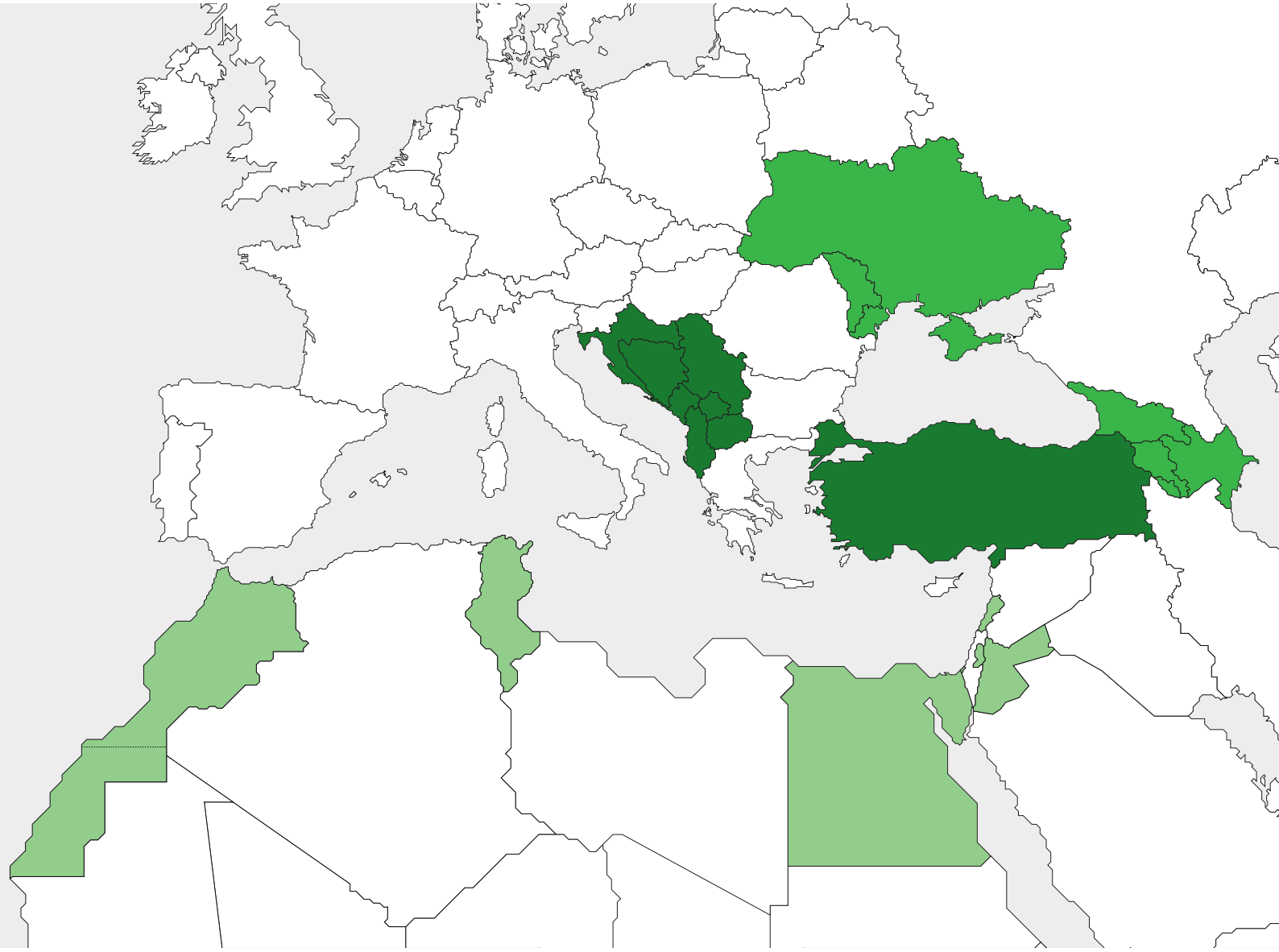
The Green for Growth Fund, Southeast Europe was initiated in 2009 with the mission to promote energy efficiency and foster renewable energy in eight countries of the Western Balkans and Turkey. The GGF, the first fund of its kind dedicated to green energy finance, has since built a solid portfolio in these markets through investments, technical assistance activities, or both.

In view of the growing success and accumulated expertise, the GGF's Board commissioned independent research in 2012 into the possibility of expanding into the European Eastern Neighbourhood Region (ENR-East). The study, complemented by the Investment Advisor's internal research, concluded that three countries in the region – Armenia, Azerbaijan, Georgia – along with Moldova and Ukraine would benefit from the Fund's unique approach to green energy finance. Their inclusion would both supplement and strengthen existing initiatives in the region, which is part of the EU's Neighbourhood Partnership. By late 2012, the first investments were concluded in the European Eastern Neighbourhood Region. By 2014, ENR-East accounted for almost one-quarter of the GGF's portfolio, providing important geographic diversification as well as new opportunities for outreach and impact. With 13 target partners, the GGF had become an important channel for energy efficiency/renewable energy finance across a broad spectrum of economies.

Success Breeds Further Growth

In late 2014, the Board began exploring ways to once again broaden the Fund's geographic scope. The vibrant Middle East-North Africa region, already a focal area for the European Union and other key GGF stakeholders, exhibits many of the characteristics of the GGF's core region, the Western Balkans, which also face energy-inefficient industries, a high reliance on imported fossil fuels and low market penetration for renewable energy. An expansion into this new region is in perfect alignment with the GGF's overarching mission to help save energy and reduce CO_2 emissions. A regional overview prepared by the Investment Advisor indicated that six markets – Egypt, Jordan, Lebanon, Morocco, the Palestinian Territories and Tunisia – would provide the greatest opportunity for the GGF to both incrementally and cost-effectively leverage the successes achieved in the Western Balkans to date. The Board, in close consultation with GGF stakeholders, green-lighted the expansion in early 2016. This most recent development – once approved by all shareholders – brings the span of the GGF's operations to 19 markets ranging from Morocco in the West, to Azerbaijan in the East.

As the GGF continues to expand geographically, the Fund's mission to drive green energy finance gains more momentum as well.



phase 1 –	initiated 2009 Southeast Europe	Albania, Bosnia and Herzegovina, Croatia, Kosovo*, FYR Macedonia, Montenegro, Serbia, Turkey
phase 2 –	initiated 2012 ENR-East	Armenia, Azerbaijan, Georgia, Moldova, Ukraine
phase 3 –	projected 2016 MENA	Egypt, Jordan, Lebanon, Morocco, Palestinian Territories, Tunisia

* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of independence.

GROWING ENERGY EFFICIENCY

1,276 GWh

ENERGY SAVINGS IN 2015

REDUCING ENERGY USE IS A PRIMARY GOAL OF THE GREEN FOR GROWTH FUND, SO IT FINANCES PARTNERS AND PROJECTS WHO DO THE SAME.

Despite economic and political challenges in the GGF target region, energy efficiency remains the focus of GGF partners and their clients. This again shows that cutting energy use has benefits beyond cost savings.

SUCCESS IN A TOUGH ENVIRONMENT

The Green for Growth Fund, Southeast Europe has continued to expand and deepen its engagement in green energy to promote investment in energy efficiency (EE), which accounts for roughly three-quarters of the Fund's portfolio. This focus allows the GGF to generate impact in the most efficient way possible – the least cost solution is always to reduce consumption rather than create more green sources of production. Each watt of energy saved, the so-called "negawatt", is a watt that never needs to be generated.

106.5 million
LED light bulbs

The annual energy savings of the GGF portfolio could operate 106.5 million LED light bulbs for 8 hours a day for a year.

GGF-financed EE measures touch upon virtually all aspects of daily life. Thanks to the Fund, a homeowner in Georgia can wake up in a warm and cozy apartment, commuters in Armenia can commute their low-emissions compressed natural gas cars, and a worker in Turkey can produce goods using state-of-the art, low energy equipment. At the same time, consumers in Serbia can eat vegetables irrigated with solar-energy driven water pumps (see p. 24). While people may not see energy savings as they happen, they will certainly enjoy the greater comfort and increased welfare of these improvements while benefiting from lower costs that enable them to invest in their own futures.

Finding New Paths to Green

The GGF continues to seek new, innovative ways to improve efficiency. Typically, a new approach is identified based on market research and knowledge, and it is then conducted as a non-standard measure, meaning each investment must be evaluated and the energy savings potential calculated individually. In 2015, 65 such evaluations, or energy audits, were completed, bringing the overall total since the start of the Fund's operations to 224. Once a pattern is detected, or sufficient demand is observed, the Fund seeks to standardize these measures to make them easy to understand and facilitate our partner institutions in financing the investments.

A case in point is the construction of new, energy efficient housing (as opposed to the renovation and refurbishment of existing homes). In 2014, the GGF reported on its new baseline approach for markets that have yet to implement building certification programs, an approach which enabled us to finance such construction via one of our Georgian partner banks. In 2015, the Fund took this approach a step further by directly financing such construction. The GGF worked with the IFC to jointly monitor the environmental impact of the buildings both during and after construction, and the adherence to international standards for worker safety.

Looking forward, the Fund is funding its first "green mortgages" to provide long-term, affordable financing that goes the final step by making sure once these green buildings are constructed, homeowners can purchase them with appropriate financing tools. Through this ongoing cycle of innovation, standardization, and implementation, the GGF seeks to remain on the leading edge of green energy finance for years to come.

The GGF booklet *"Save Energy, Save Costs, Develop Your Business"* is available in seven languages, and the informative publication serves as a popular teaching tool for SME clients of the Fund's partner institutions.

SAVING ENERGY 'BY THE BOOK'

A Halkbank AD Skopje loan officer meets with a client.

Activities for raising awareness and enabling market activities were stepped up in 2015 as a way to raise the profile of energy efficiency and renewable energy and to demonstrate successful investments in projects in these areas amongst small and medium businesses. Throughout the year, the GGF Technical Assistance Facility offered a number of workshops on these topics for clients of partner institutions.

The TA Facility also produced a detailed booklet for small and medium enterprise borrowers titled *"Save Energy, Save Costs, Develop Your Business."** The publication contains many popular energy-saving measures – categorized by business sectors – that spell out energy savings calculations as well as the commercial benefits of such investments. The booklet acts as a useful reference document for owners and managers of SMEs who are clients of GGF partners.

In response to the high demand, the booklet has been translated into seven languages and is being distributed in cooperation with the partner institutions throughout the Fund's countries of operation.

Going Public

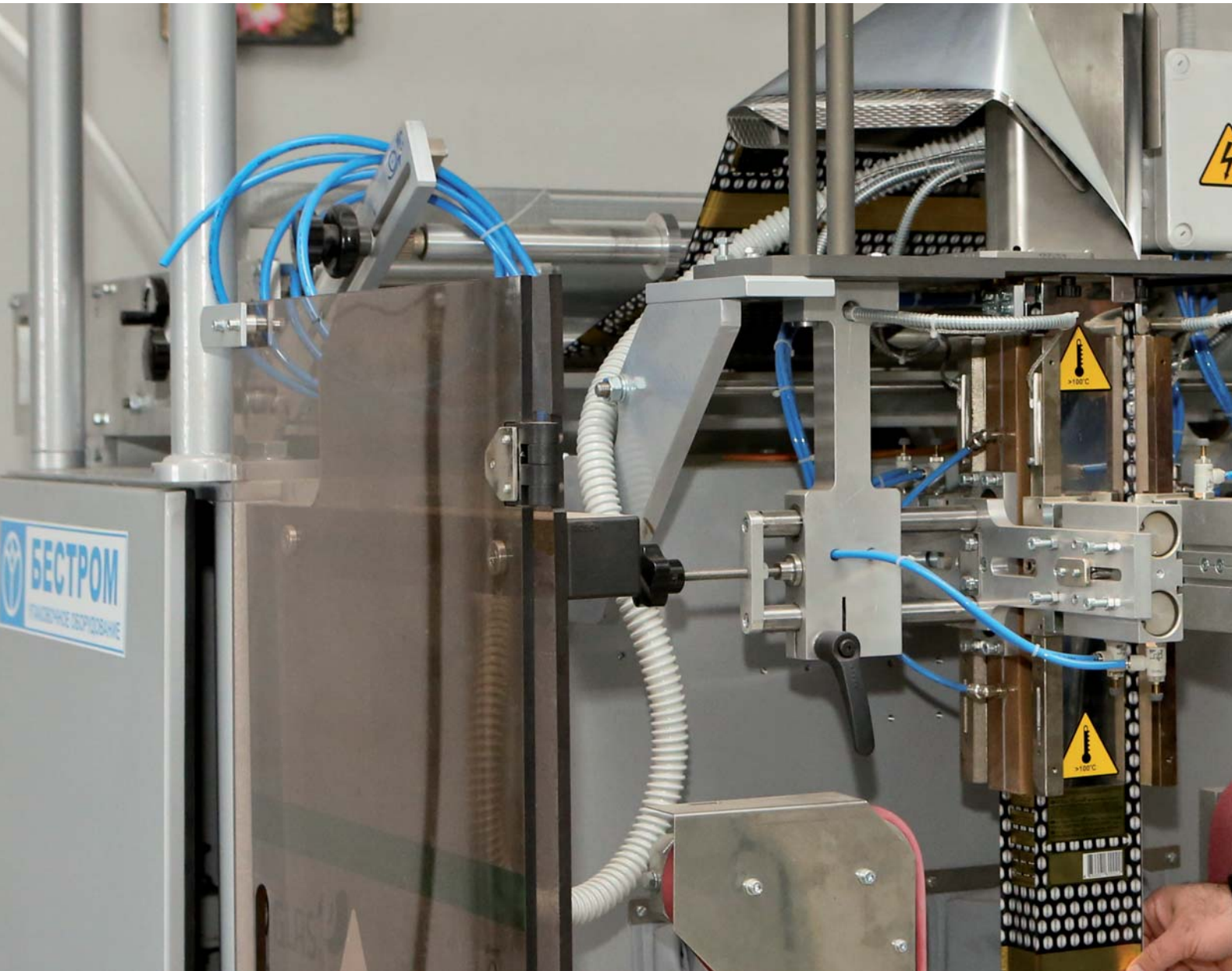
The booklet's popularity as a useful teaching tool was evident at public events organized by the GGF in various countries, and partner institutions referenced the work at meetings with a number of clients potentially interested in taking loans related to energy efficiency. One example of a partner employing the booklet is Halkbank AD Skopje in Macedonia (see photo), a GGF partner since 2010, which widely uses the information to help its business clients identify energy savings opportunities.

* Available at www.ggf.lu

The GGF supports energy-efficient production in a range of sectors. In Yerevan, Armenia, funding enabled a long-standing medium-sized coffee producer to increase productivity and reduce energy use, essential components of sustainable development.

INCREASED IMPACT

THE NEW EFFICIENT PACKAGING MACHINE FURTHER SUPPORTS A STRONG MARKET POSITION WHILE ENSURING HIGH-QUALITY PRODUCTION. THIS ENABLES COFFEE MAKER PARISIAN SURCH FACTORY TO REINFORCE THE REPUTATION THE BRAND HAS BUILT UP OVER THE PAST YEARS.



Since 2012, the GGF has invested EUR 22.2 million in Armenia, EUR 3.7 million of which has gone to ACBA Leasing. With the support of the GGF Technical Assistance Facility, ACBA Leasing launched a new Green Leasing brand that is positioning the company in a unique way in the market as an EE and RE leasing service provider and is supporting multiple customer segments, ranging from micro-scale clients to large corporations.

One of ACBA Leasing's clients is Tigran Hovsepyan, the owner of Parisian Surch Factory, a well-established coffee production company in Yerevan. The company had been facing challenges arising from market competition with other Eastern European countries and needed to examine solutions for alleviating the financial burden of increasing energy costs. With a EUR 70,000 lease in hand, the company acquired a new coffee packing machine that provides high energy efficiency and increased productivity. The new machine finishes 1,200 packs an hour, a 400 % efficiency increase compared to the old machine. Not only does this translate into a considerable reduction in energy consumption and costs, but Mr. Hovsepyan is also sure the process improvement will boost the company's competitiveness and support his plans to expand to other markets.

The energy optimization of the process enhances environmental and efficiency impact via

- Reduced energy consumption – up to four times less energy consumed
- Reduction in labor and energy costs through higher productivity
- Reduced maintenance costs and less downtime
- Strengthening of the competitiveness of the company

THE GGF ANNUAL REPORT 2015 »RENEWABLE ENERGY«

GROWING RENEWABLE ENERGY

331 THOUSAND

METRIC TONS CO_2 REDUCTION BY GGF-FOSTERED PROJECTS IN 2015

AS THE WORLD FACES THE SPECTER OF CLIMATE CHANGE, THE GGF FINANCES PARTNERS AND PROJECTS WORKING TO HALT SOCIETY'S CONTRIBUTION TO RISING TEMPERATURES.

In 2015, the use of renewable energy continued to grow, but the increase was at a slower rate as national governments reexamined their policies.

RENEWABLE ENERGY

Introduction

In 2015, the GGF continued to develop its portfolio of renewable energy (RE) investments, both through providing financing to financial institutions in the region and continuing to develop its pipeline of direct investments in this sector. However, growth in the RE portfolio was somewhat limited in 2015.

While the COP 21 meeting in Paris in December 2015 demonstrated a global commitment to increasing clean energy, and the total percentage of RE as a generation source continues to grow every year, very real challenges still exist in many countries, including in much of the GGF's target region. The greatest problem lies in the requirement that most RE investments have some sort of subsidized support in the form of a feed-in-tariff or other incentive mechanism that requires governments to allocate scarce resources to RE projects. Most administrations in the target region are committed to reaching the 20-20-20 goals of the EU, even formally agreeing to such targets as members of the European Energy Community, but the political and economic reality of such commitments often makes them more difficult to implement than anticipated, especially during tough economic times.

RE developments in 2015 slowed noticeably in some countries in the target region as the result of a more positive development – some governments have been reviewing their environmental and social policies. This is particularly the case in

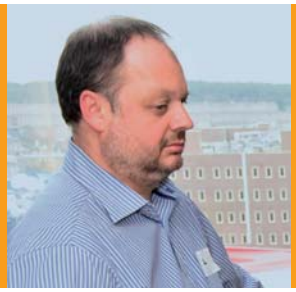
You would have to take 221,000 cars off the road to eliminate the same amount of CO_2 as the GGF's investments.

Southeast Europe and Turkey, areas with growing awareness of the importance of careful planning and implementation of – for example – hydropower, on both a regional and local level. The GGF continues to support best practice methodologies in developing hydropower projects in the target region, not only with its own investments, but also through studies and educative initiatives scheduled in 2016.

Moving forward, the GGF expects to directly support those RE projects whose developers are committed to best practices. In addition, with the Fund's support, many smaller, low-impact RE projects are being financed by local financial institution partners. This approach increases the Fund's overall impact while keeping its investments sustainable in all regards.

The GGF TAF continues to assist its partner institutions in meeting high environmental and social requirements that are part of financing agreements for renewable energy projects.

LIVING UP TO HIGH STANDARDS



A workshop for "Ensuring high environmental standards" in Turkey

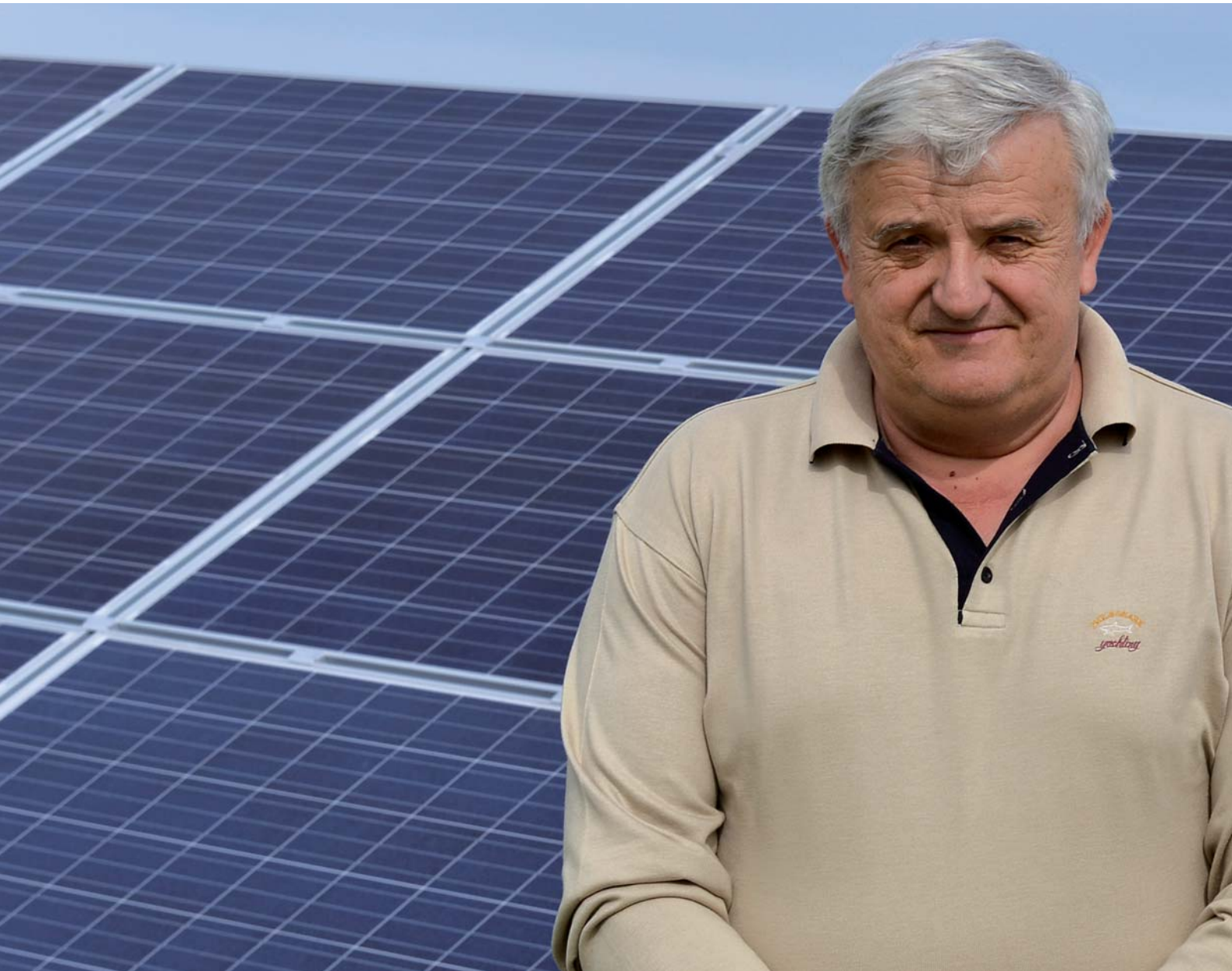
The GGF Technical Assistance Facility organized an environmental and social (E&S) training event at Odea Bank, its new partner institution in Turkey, which successfully invests in renewable energy projects in the country. As part of the Bank Audi Group, Odea Bank has been a leader in implementing good E&S governance and has created an integrated Environmental & Social Management System (ESMS) for all its operations. The bank has established a dedicated E&S team as part of its credit administration operations that acts at the branch level as an intermediary between relationship managers and the ESMS officer located at the head office.

The TA Facility provided tailored training for both ESMS officers from the bank and other select staff engaged in credit allocation. The training covered a range of topics, including an introduction to international best practices in E&S governance, and classes focused on the Fund's E&S policy and requirements for financial partner institutions. Against the backdrop of the applicable local regulations for renewable energy projects in Turkey, GGF trainers presented Odea Bank representatives with an overview of the different renewable energy technologies and explained typical investment-related E&S risks. The training concluded with two interactive case studies in which participants analysed E&S risks and identified the various types of red flags that can pop up when applying the tools. ESMS officers from Odea Bank also joined trainers for a visit to a project site to identify potential E&S shortcomings. In addition, the trainers also supported the bank in conducting meetings with project sponsors and developers for assessing the E&S-related impacts of the project. Finally, the trainers helped the bank prepare assessment reports covering compliance with E&S standards and requirements. The TA Facility will provide much more E&S training as even the most committed financial institutions require ongoing upgrades and adjustments to their environmental and social management systems and capacity.

A solar-powered irrigation drip system in Begeč, Serbia, offers the potential for increasing the income of small farms through reduced operating costs and improved productivity. The stand-alone energy system generates an estimated 9,800 kWh per year.

SUN-WATERED VEGETABLES

SETTING AN IMPORTANT EXAMPLE FOR OTHER FARMERS IN THE REGION WITH A 7 KW SOLAR-POWERED IRRIGATION DRIP SYSTEM IN BEGEČ, SERBIA



In 2015, the GGF signed a EUR 20 million loan agreement with Beograd-based ProCredit Bank a.d., Serbia's leading green lender for retail and business clients. ProCredit is using some of this funding to support small-scale farmers such as Marko Čarnić, who grows vegetables in Begeč. A 2-year, EUR 30,000 loan has allowed Mr. Čarnić to install a solar-powered irrigation system that reduces his operating expenses and increases crop income. Solar power is expected to completely replace the diesel currently fueling the system, which irrigates six hectares of farmland. Mr. Čarnić said his typical diesel consumption is 3,000 liters for the six hectares each season; replacing this with solar would result in an estimated payback period of 2.5 years for the system. Mr. Čarnić has lauded the project and expressed his high level of satisfaction with the system. In fact, he said he will likely replicate the project on other tracts of his some 200 hectares of farmland.

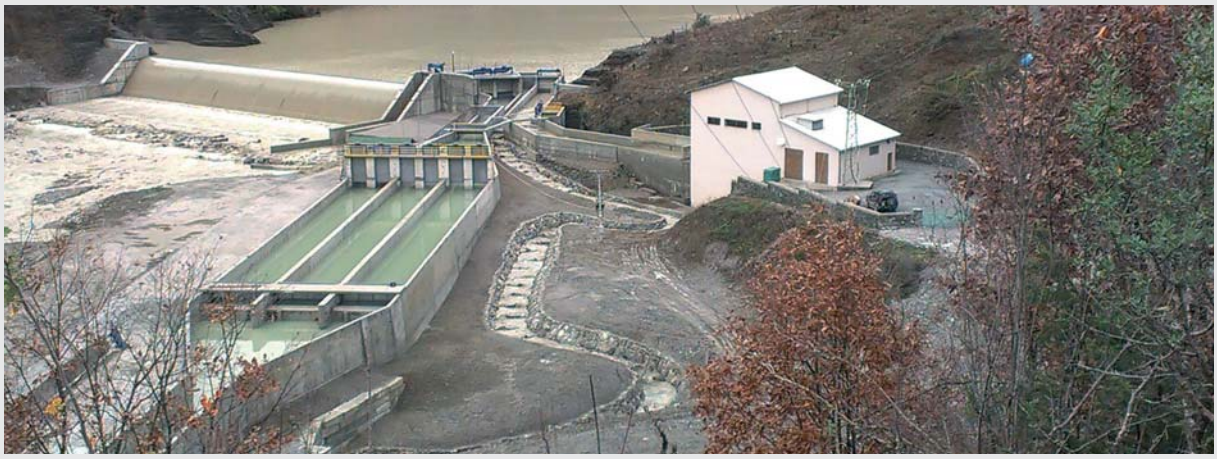
With simple operation and maintenance and no fuel requirements, the solar-powered irrigation drip system is cleaner, more reliable and more inexpensive than conventional pumps.

Advantages include:

- Saving about 3,000 liters of fuel per year
- Optimized water usage through a drip system and increased soil protection
- Eliminating CO_2 emissions for the irrigation and reducing primary energy consumption
- Reducing pollution and the risk of diesel leaks in the fields
- Significant cost reductions transformed Mr. Čarnić's farm into one of the most competitive in the region

MONITORING AND REPORTING

Monitoring and reporting offer key tools for lenders and other stakeholders. They track the past, present, and expected stages of a project, assess impact, indicate strengths, and identify financial, technical and environmental threats as well as provide information on other critical areas of a project.



The GGF has in place numerous checks and controls to ensure transparent, robust monitoring and reporting of all of its investments, both through financial institutions and with direct investments in projects. Previous annual reports have examined in detail the monitoring of our financial institutions' investments, for example, via the industry-leading eSave tool. With the commissioning of the GGF's first renewable energy plant, the Lengarica small hydropower plant in Albania, the focus lies on the specific monitoring and reporting for our direct investments in renewable energy (RE) projects.

The basis for monitoring and reporting activities for RE projects is set as early as the negotiation stage, when the monitoring plans are agreed upon along with the reporting obligations for the project. These two elements – plans and reports – must be consistent as the main purpose of the reports is to track project compliance according to the strategies, standards, and goals set by the plans. This includes, for example, certain financial reporting, a technical plan describing how a plant will perform during its operational lifespan, and an environmental and social (E&S) monitoring plan, which tracks how a project complies with the GGF's environmental and social requirements, which are based on EU and international best practices. One of the borrower's most important commitments is providing the reports in a timely manner so that the Fund can closely monitor adherence to its high standards.

For the Lengarica hydropower project, the GGF has required strong E&S monitoring standards – earlier for the construction period and now for the operating period. Such monitoring ensures that the plant is operated sustainably, leaving biodiversity intact and with minimal impact on the local population.

Periodic reporting is complemented by site visits that are often related to the completion of construction or operation milestones such as the commissioning of a plant. During these visits, the borrower presents the status of the project to the lenders and their technical and environmental and social advisors.

ENVIRONMENTAL IMPACT

The environmental impact of the GGF exceeds far beyond the baseline goal of a 20 % reduction in both energy consumption and CO_2 emissions.

With active support from the GGF Technical Assistance Facility for developing innovative products and strategic approaches, the Fund's partner institutions (PIs) have been increasingly successful in placing energy efficiency (EE) and renewable energy (RE) loans with clients. In 2015, PIs significantly increased the volume of sub-loans disbursed, with the total equaling nearly one-quarter of the cumulative volume distributed to date. Since inception, the Fund has financed nearly 18,500 investments in EE and RE measures. As shown in the table below, the most common types of measures financed are energy-efficient, process-related equipment for businesses and building improvements – primarily insulation and modern windows – for both households and enterprises.

CO_2 REDUCTION AND ENERGY SAVINGS (SINCE INCEPTION)

As of 31 December 2015

Since its launch, the GGF has financed measures currently reducing energy use by over 1.2 million MWh annually and cutting CO_2 output by more than 330,000 metric tons each year. These decreases in energy consumption and CO_2 emissions are more than double the GGF's 20 % target, and the measures taken will continue to yield substantial environmental benefits and economic savings long after repayment of the loans.

MEASURE	CO_2 reduction (tCO_2/year)	CO_2 reduction (%)	Energy savings (MWh/year)	Energy savings (%)
Agricultural equipment	24,054	24	103,076	26
Building	164,460	61	669,562	55
Complex heat supply and distribution systems	7,789	52	30,325	45
Energy service and supply business *	–	–	–	–
Household devices	290	34	804	33
Improvements in processes, process-related equipment	54,866	33	206,594	35
Lighting	77	40	213	40
Vehicles	2,558	20	7,305	12
Sub-total Energy Efficiency	**254,095**	–	**1,017,879**	–
Use of RE by households and businesses	12,838	93	49,466	95
Use of RE for commercial energy generation	63,808	100	208,435	99
Sub-total Renewable Energy	**76,646**		**257,901**	
Total	**330,741**	**52**	**1,275,780**	**49**

* The supply of energy efficient equipment is eligible for financing by the GGF. However, to ensure that there is no double counting of savings when this equipment is actually purchased and installed, the GGF takes the conservative approach of assigning no savings to the financing of the supplier. Savings are assessed and calculated only from the point at which the equipment is put into operation by the end-user.

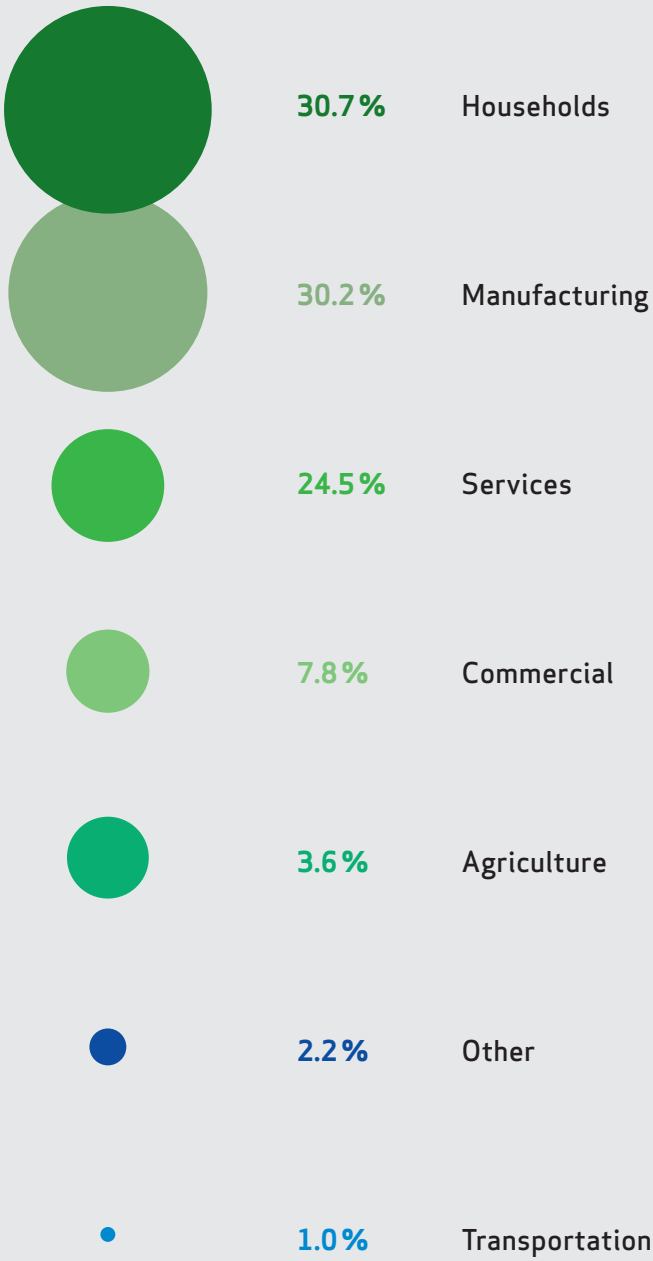
MEASURES FINANCED

Since inception in December 2009 (based on loan amount disbursed)

32.8 %	Improvements in processes, process-related equipment
30.9 %	Buildings
19.1 %	Use of renewable energy for commercial energy generation
7.0 %	Energy service and supply business
3.7 %	Agricultural equipment
3.4 %	Use of renewable energy by households and businesses
1.7 %	Vehicles
1.2 %	Complex heat supply and distribution systems
0.2 %	Lighting
0.0 %	Household devices

SECTORS FINANCED

Since inception in December 2009 (based on loan amount disbursed)



THE GGF ANNUAL REPORT 2015 »GOVERNANCE«

GROWING SUSTAINABLY

37 PARTNER INSTITUTIONS

WORKING TOGETHER

WHEN IT COMES TO SUCCESS, ONE MUST CREDIT THOSE WHO HAVE PAVED THE WAY TO THAT DESTINATION. THE GUIDANCE, SUPPORT, INNOVATION, TRUST AND CANDOR OF OUR PARTNERS HAS MADE US WHAT WE ARE TODAY.

Letter from the Investment Management Team

The Investment Management team (from left to right): Florian Meister, Dr. Thomas Schiller, Elvira Lefting, Lloyd Stevens, Maja Gizdić, Jens Giltjes, Sylvia Wisniwski, Thomas Albert, Holger Roentgen

On behalf of all the colleagues in the Investment Management team at the Green for Growth Fund, it is our pleasure to offer this brief review of the year just completed, and to share our perspective on what has made the GGF the dynamic and effective growth story it is today. Like any successful enterprise, our accomplishments stem from a combination of a number of factors, individuals and institutions, all working together to continue the Fund's mission of mainstreaming green energy finance in its regions of operation. We are proud of our role in this endeavor and the milestones reached by the Fund in 2015.

As always, impact stands at the forefront: Here, it is in the form of megawatts of primary energy that went unconsumed and tons of CO_2 that were never emitted thanks to investments supported by the GGF. With nearly EUR 300 million in measures financed – ranging from windows replaced in Bosnia and Herzegovina to tractors purchased in Ukraine – the GGF has funded over 18,000 sub-loans to households, small businesses, agricultural enterprises, and large manufacturers, while at the same time fostering responsible renewable energy in both the Western Balkans and the European Eastern Neighourhood Region. Activities implemented during 2015 brought our annualized impact to 1,276 GWh of energy savings, and 331,000 metric tons of CO_2 reduction. Given the Fund's strict and transparent monitoring and reporting regime, we are confident these figures are not only reliable, but also quite likely conservative.

EUR 368 million

committed by Investors

1,276 GWh

energy savings in 2015

What about the GGF has enabled such steady growth and strong results year after year? One key driver has been the strong commitment of the Fund's investors, led by the initiators – the EIB and KfW – and the capable governance bodies appointed by the shareholders. The invaluable guidance these bodies provide in shaping the strategy of the Fund and overseeing its operations has built us into a leading provider of green energy finance. The GGF investors and donors not only supply patient, long-term capital, but also unparalleled market knowledge and depth.

Within the framework set by stakeholders, the Investment Management team has developed a unique set of customized approaches for the Fund's partners and markets. These methods draw their strength from a local approach rooted in our network of offices and professionals throughout the regions we serve. Our investment and technical assistance teams work hand-in-hand to provide the best possible solution for our client's needs, on attractive – but commercial – terms. Time and again our partner institutions express their appreciation about the chance to work with people "who truly speak their language", in all senses of the phrase.

Keeping with topic of languages, the number spoken by the Fund is set to increase: We plan to expand operations into six countries in the Middle East and North Africa, or MENA region, thereby adding Arabic- and French-speaking partner institutions. One of our main activities in 2015 was studying these new

markets and preparing the Fund to bring our proven approach to these countries. Working with the governance bodies and the shareholders, the Fund has crafted a strategy that will facilitate a smooth launch in the countries. We also note that while the MENA region may be new to the Fund, the Investment Management team has come to know it intimately after more than five years of work through its full-fledged presence in Egypt and coverage of all six countries. With the expansion slated for finalization in mid-2016, it is possible that by the time you read this, the first investments will have already been made and the first impact will have been generated in the region.

As we pursue these new markets and increased diversification, we will at the same time maintain and sharpen our focus on the GGF's existing markets, digging ever deeper to identify new and innovative approaches for maximizing impact and delivering healthy financial results to the Fund's shareholders and note investors. We generated excellent returns for the Fund's investors in 2015, the second consecutive year of complimentary dividends and a substantial contribution to the companion Technical Assistance Facility, a trend expected to continue. While we recognize challenges in the Fund's disparate markets and remain vigilant in guarding against undue risks, we believe continued growth and profitability are attainable.

331,000 metric tons CO_2

reduction by GGF-fostered projects in 2015

As we step into 2016, we recognize increased desire from both investors and investees to work with a proven structure like the GGF. These new partners will bring with them new demands, but also new expertise and knowledge, enriching the Fund and its portfolio of products and instruments. The prospects for the Fund remain as promising as ever, and we in the Investment Management team are excited to continue to play our part in its success.

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Vice President
Oppenheim Asset Management Services

DR. THOMAS SCHILLER
Managing Director
MACS Management and Consulting Services (Technical Advisor)

LLOYD STEVENS
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ELVIRA LEFTING
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Board of Directors (from left to right): Jan Blum, Peter Hobson, Hubert Cottogni, Marion Hoenicke, Christopher Knowles (Chairperson), Syed Aftab Ahmed, Gerhard Engel, Christoph Tiskens

BOARD OF DIRECTORS

Christopher Knowles, Chairperson
Syed Aftab Ahmed
Hubert Cottogni
Marion Hoenicke
Gerhard Engel
Peter Hobson
Jan Blum
Christoph Tiskens

INVESTMENT COMMITTEE

Tony Myron, Chairperson
Stephan Leudesdorff
Michael Neumayr
Dirk Roos

TECHNICAL ASSISTANCE COMMITTEE

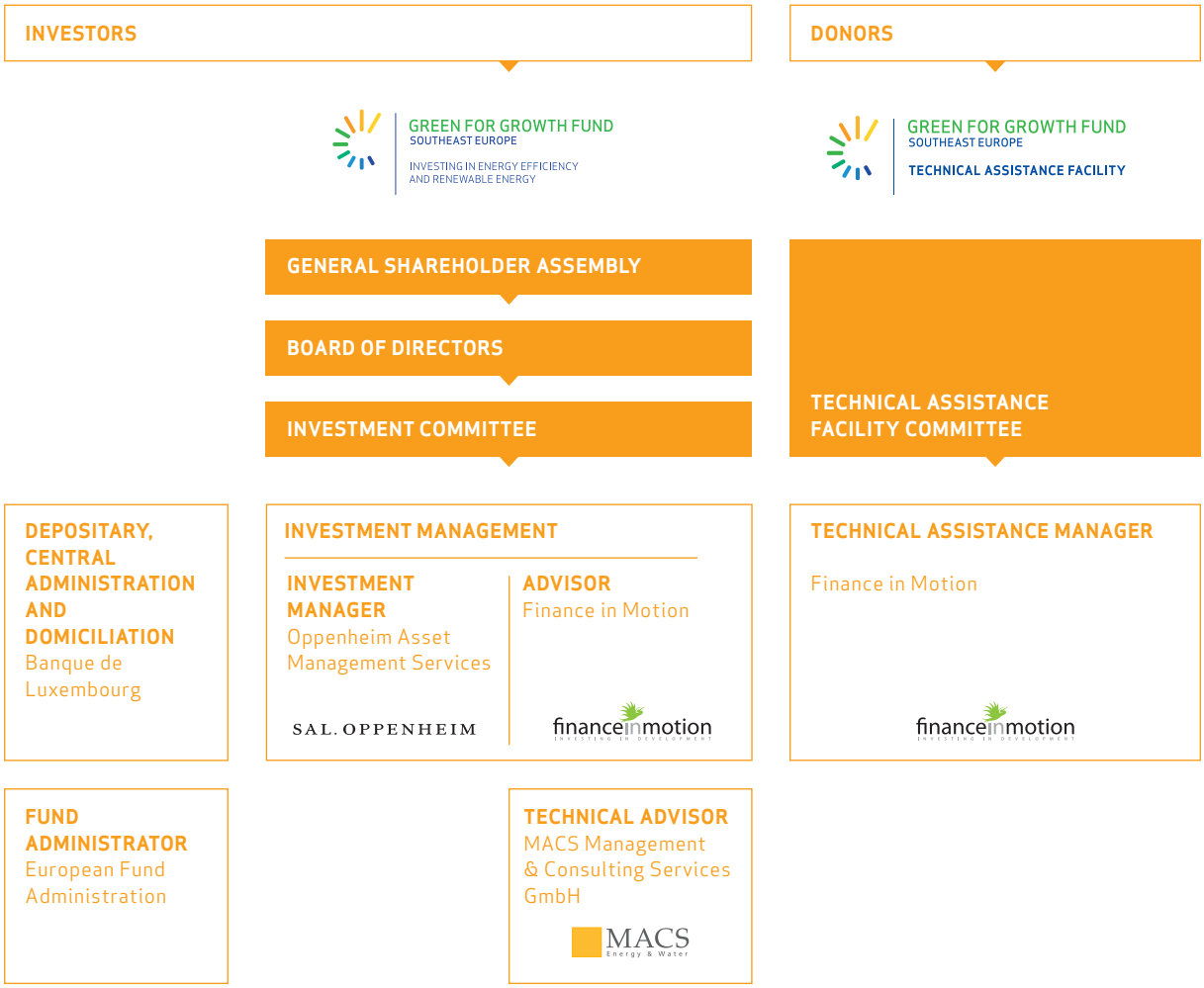
Stephan Leudesdorff, Chairperson
Dirk Roos
Yannis Tsakiris

GOVERNANCE

The GGF's multi-tiered governance structure ensures strong oversight at all levels, providing effective, prudent and transparent management that meets the highest international standards.

The investors and donors of the Green for Growth Fund, Southeast Europe and the accompanying Technical Assistance Facility have implemented a layered governance structure that ensures the completion of the mission – reducing energy consumption and CO_2 emissions – while efficiently adhering to industry-leading practices. Within the overall framework and counsel provided by donors and shareholders, the Board and its committees set policies and guidelines to achieve maximum impact with the Fund's resources. The professional management team, leveraging its expertise and local knowledge, strives to make the stakeholders' vision a reality.

INSTITUTIONAL STRUCTURE



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