



**ProCredit**  
H O L D I N G

# A profitable, development-oriented commercial banking group for SMEs with focus on Eastern Europe

June 2017



## Summary

- ▶ A profitable, development-oriented commercial banking group for SMEs with focus on Eastern Europe
- ▶ Headquartered in Frankfurt and supervised by the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank
- ▶ Mission of promoting sustainable development with ethical corporate culture and long-term business relationships
- ▶ Track record of high quality loan portfolio
- ▶ Profitable every year since creation as a banking group in 2003
- ▶ Listed at Frankfurt Stock Exchange since Dec-16
- ▶ Approved member of the Social Stock Exchange since May-17

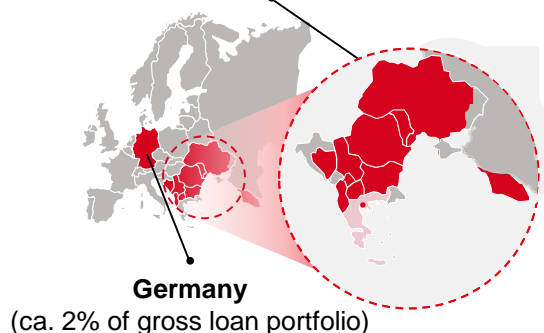
## Key figures Q1 2017 and FY 2016

<b>Total assets</b> <b>EUR 5,525m</b> <small>EUR 5,668m</small>	<b>Customer loan portfolio<sup>(1)</sup></b> <b>EUR 3,720m</b> <small>EUR 3,629m</small>	<b>Deposits/loans<sup>(2)</sup></b> <b>91%</b> <small>96%</small>
<b>Number of employees<sup>(5)</sup></b> <b>3,967</b> <small>4,078</small>	<b>Profit of the period</b> <b>EUR 12m</b> <small>EUR 61m</small>	<b>RoAE</b> <b>7.0%<sup>(3)</sup></b> <small>9.6%</small>
<b>CET1 ratio (fully loaded)<sup>(4)</sup></b> <b>12.3%</b> <small>12.4%</small>	<b>Rating (Fitch)</b> <b>BBB (stable)<sup>(9)</sup></b>	

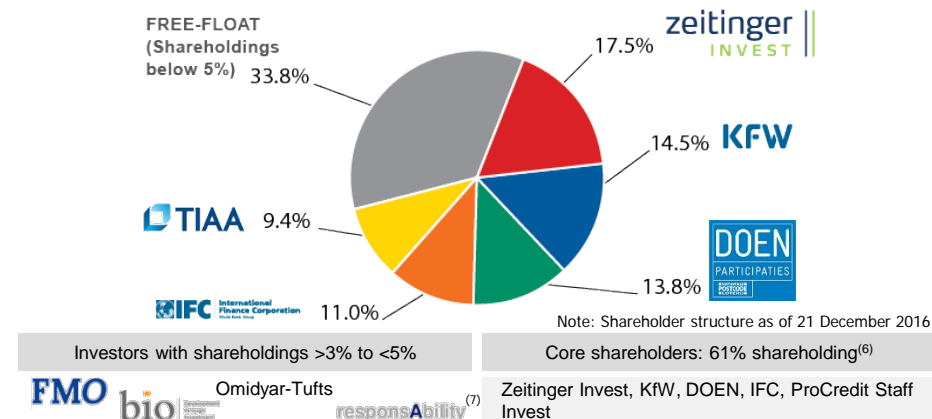
## Geographical distribution

**South Eastern Europe and Eastern Europe**  
(ca. 90% of gross loan portfolio)

**South America<sup>(8)</sup>**  
(ca. 8% of gross loan portfolio)




## Reputable development-oriented shareholder base



Notes: As of 31 December 2016 and as of 31 March 2017; (1) Continuing operations only; (2) Customer deposits divided by customer loan portfolio; (3) Annualised; (4) Full Rating Report as of 08.12.2016; (5) Shareholders of the general partner entity (does not include ProCredit Staff Invest 3 GmbH & Co. KG); (6) Aggregate of different investment entities, each with a shareholding below 3%; (7) The South America segment also includes the institution "Administración y Recuperación de Cartera Michoacán S. A" (ARDEC) in Mexico, 0.2% of Group assets; (9) Full Rating Report as of 08.12.2016



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- 
- 1** Young, modern and highly integrated banking group for SMEs with established positions in core markets
  - 2** Strong international and local reputation as an international development-oriented commercial banking group
  - 3** Highly experienced team with strong commitment to ethical corporate culture
  - 4** Solid risk profile due to high diversification
  - 5** Impressive financial track record in terms of stability and profitability
  - 6** Further potential through growth opportunities and cost efficiencies

# “Hausbank” for SMEs serving their typical banking needs



**ProCredit Bank**

Comprehensive service as “Hausbank”

## Products

### Simple loan and deposit products

- ▶ Full range of business loans (loan size range typically EUR 30k to EUR 3m)
- ▶ Deposits

### Supplementary financial services

- ▶ E-banking
- ▶ Card services
- ▶ Liquidity management
- ▶ Documentary business
- ▶ Personal banking services

## Customers

### Target customers with high potential: SMEs

- ▶ SMEs with formalised structures and sustainable business models
- ▶ Focus on agriculture and manufacturing
- ▶ Yearly revenues between EUR 50k to over EUR 2,000k

### Typical SME client (Serbia)

- ▶ Vegetable cultivation (300 ha, 31 FTEs)
- ▶ Long-term relationship
- ▶ Regular financing of working capital and fixed assets

Most recent project:  
Solar panels to power irrigation of agricultural land



#### **Loan volume PCB**

Total financing since 2011	Outstanding loan amount
EUR 864k	EUR 549k

#### **Credit limit**

short-term	long-term	total limit
EUR 150k	EUR 600k	EUR 750k

#### **Utilisation of PCB services**

- Current account (EUR, RSD)
- Domestic and International payments
- e-Banking

Revenue	Account turnover
EUR 70k (monthly)	EUR 103k (monthly)

## Value-added

### Significant benefits for clients...

- ✓ Access to full range of relevant banking services
- ✓ Valuable in countries with high level of informality and lack of transparency
- ✓ Trustful long-term relationships

### ...and for ProCredit

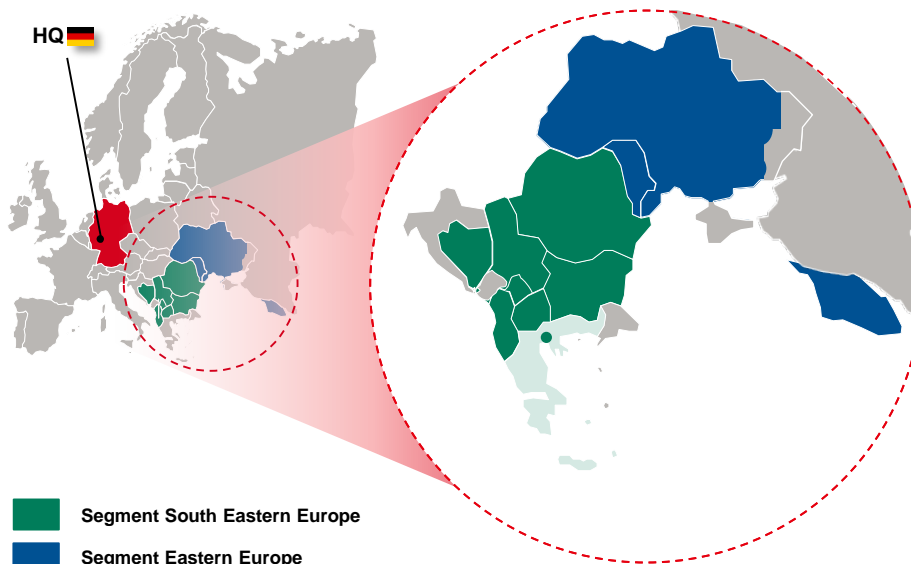
- ✓ Understanding of clients' financial needs and risks
- ✓ Additional stable revenues
- ✓ Customer deposits



# Focused positioning in selected markets in Eastern Europe

## Overview of ProCredit's footprint in Eastern Europe

Country	Bulgaria	Serbia	Kosovo	Romania	Macedonia
Share of PCH loan portfolio <sup>(1)</sup>	18%	17%	13%	6%	7%
GDP CAGR 13-15 <sup>(2)</sup>	2.3%	-0.6%	2.3%	3.3%	3.6%
Loan/ GDP ratio 2015	60%	42%	35%	30%	50%



Country	Albania	Bosnia & Herzegovina	Georgia	Ukraine	Moldova
Share of PCH loan portfolio <sup>(1)</sup>	4%	4%	9%	9%	3%
GDP CAGR 13-15 <sup>(2)</sup>	2.3%	1.9%	3.7%	-8.2%	1.8%
Loan/ GDP ratio 2015	40%	42%	50%	47%	33%

Note: (1) As of 31-Mar-17; Residual share of gross loan portfolio comprising Germany and South America; (2) Based on GDP in constant prices; (3) Start of operations in 2016;  
Sources: RBI CEE Research Report June 2016, International Monetary Fund, National banks of respective countries

## Strong reputation in attractive Eastern European markets...

- ▶ A leading bank for SMEs, with unique focus on this client group
- ▶ Strong reputation as early Western entrant in many Eastern European markets
- ▶ Banking sector still underdeveloped; Western banks focusing away from Eastern European markets
- ▶ Solid GDP growth in 2015, mainly in Eastern Europe, driven by
  - Accommodative macroeconomic policies
  - Falling unemployment rates
  - Rising real wages

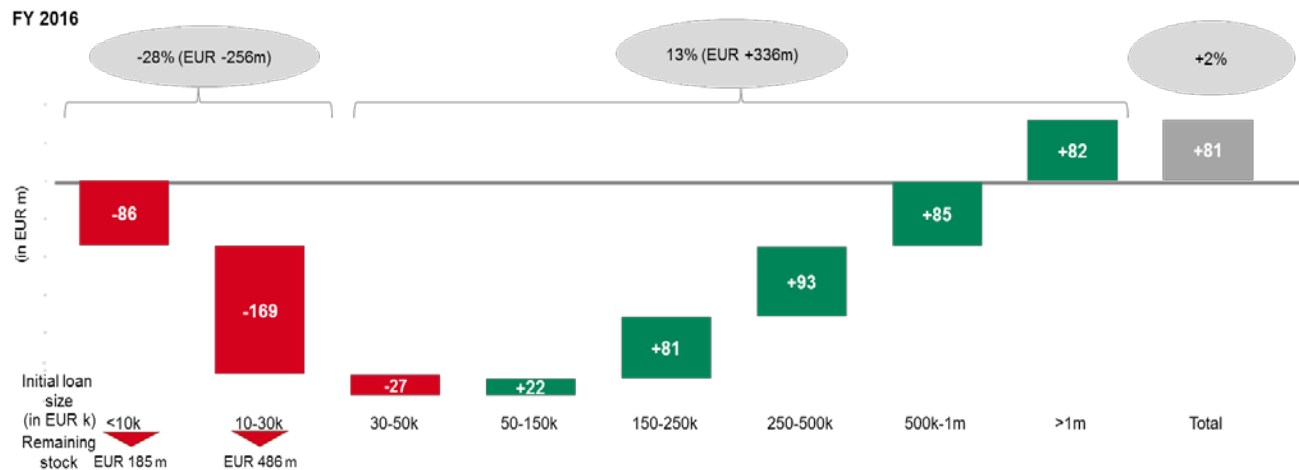
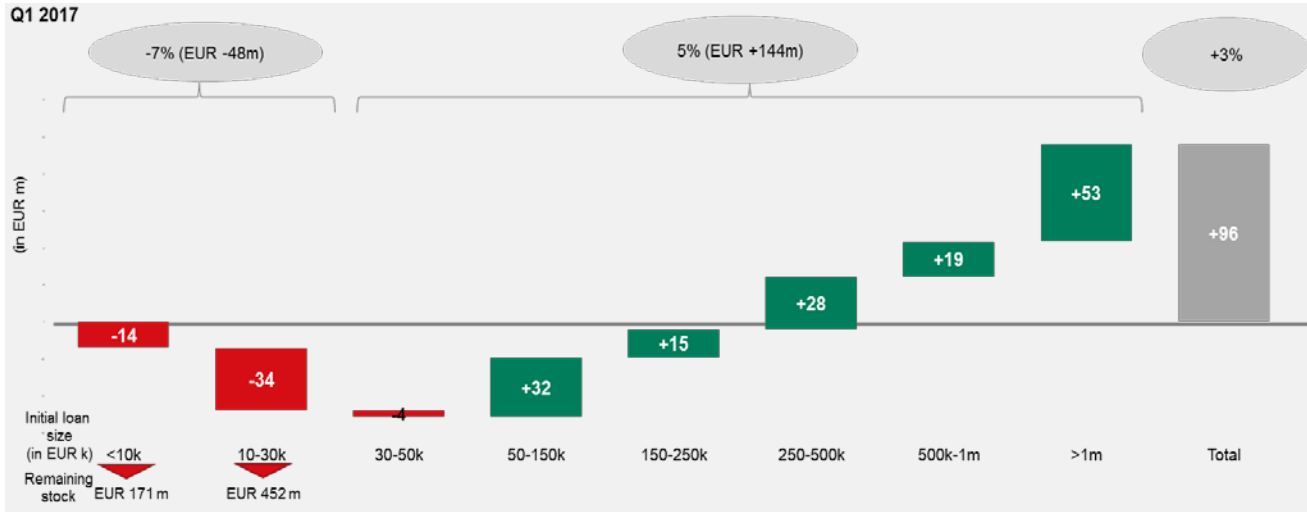
## ...where SMEs are inadequately served

- 1 Inadequately served client group**
  - SMEs demand longer-term lending relationships and less hierarchical lending procedures
  - SMEs not a priority for competitor banks
- 2 Complexity increases barriers to success**
  - SMEs demand high level of expertise and flexibility – traditional scoring models cannot always be applied
- 3 Development impact**
  - SMEs as drivers of job creation and sustainable development



# Strongly growing with target SME clients

## Loan volume growth split by initial loan size



Note: Loan volume growth split by initial loan size in all segments

## Commentary

- ▶ ProCredit offers its SME clients a variety of loan and deposit products
- ▶ Loan size range typically EUR 30 k to EUR 3 m
- ▶ Refocus to new core category of SME loans (> EUR 30 k) well on track
- ▶ Strong growth achieved in core customer segments<sup>(1)</sup>
  - 5% in Q1 2017 (not annualised)
  - 13% in 2016
  - 18% in 2015
- ▶ Decrease in non-core loan categories (< EUR 30k) expected to be largely completed in 2017





# Modern platform, investments executed – more benefits to come

## Efficient network



Redesign of branch network to 57 selected, strategic locations



All 207 service points and all branches equipped with 24/7 self-service areas



Mobile staff, regularly visiting business clients on-site

## Strong IT platform



Self-developed, state-of-the-art IT systems through subsidiary Quipu



High investments in automation and e-banking

## High investments in “brain power”



Yearly investments of > EUR 10m in staff training and selection(1)



Establishment of own academies for intensive training of employees

- ▶ Significant reduction in administration and personnel costs
- ▶ Competitive, modern market appearance
- ▶ Comprehensive coverage of clients

- ▶ Unique in-house IT capabilities
- ▶ High customer value through modern group-wide e-banking software
- ▶ Significant reduction of personnel-intensive cash transactions

- ▶ High qualification as a major driver of low credit risk
- ▶ Highly motivated employees with strong skills to serve SME clients
- ▶ Less employees handle more clients

Note: Continuing operations only; (1) On average for 2013-2016



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# The development-oriented approach as the foundation of ProCredit's strong reputation

## ProCredit has an ethical corporate mission...

- ▶ Development also means
  - Fostering democracy and free speech
  - Respect for fellow human beings
  - Social justice
  - Ecological awareness and ethical behaviour
- ▶ Aiming for a sustainable contribution to economic, social and environmental development
- ▶ Education and empowerment of employees
- ▶ Corporate responsibility also accredited by external parties:



## ...backed by a mix of development-oriented and government-backed core shareholders...



- ▶ Long-term mission lock supported by organisational set-up as KGaA (Kommanditgesellschaft auf Aktien) and reputable shareholder base
- ▶ Ideal blend of entrepreneurial spirit and catalytic public support

## ...and reflected in how ProCredit does business

### Fostering entrepreneurs and SMEs



- ▶ Focus on SMEs as drivers of economic growth and employment in emerging countries
- ▶ Strong leverage in terms of job generation and prosperity

### Social responsibility



- ▶ No focus on consumer lending
- ▶ No complex products
- ▶ Promotion of price and banking sector transparency
- ▶ Rigorous approach regarding AML and informal clients

### Environmental responsibility



- ▶ State-of-the-art standards for environmental impact of ProCredit's lending operations
- ▶ Focus on promotion of "green" investments
- ▶ Strict exclusion lists

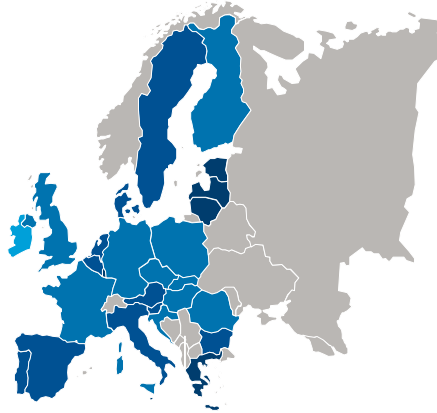
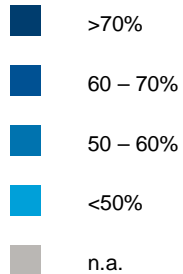
Notes: (1) Only includes ProCredit Staff Invest 1 GmbH & Co. KG and ProCredit Staff Invest 2 GmbH & Co. KG



# Focus on SMEs as drivers of economic growth and employment in emerging countries

## Importance of SMEs for economic growth<sup>(1)</sup>

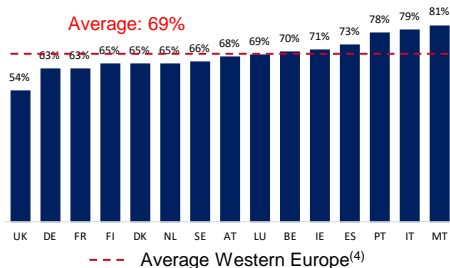
Relative contribution of SMEs to non-financial Value Added, in 2015<sup>(2),(3)</sup>



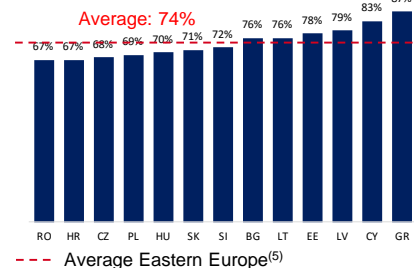
## Importance of SMEs for employment<sup>(1)</sup>

Employment by SMEs/ total employment (% as of 2015)

### Western Europe



### Eastern Europe



Note: (1) Sources: Eurostat, European Commission Annual report on European SMEs 2015/2016 based on National statistics offices and DIW Econ; (2) Across EU member states, in 2015; (3) Value added defined as nominal GDP growth in the non-financial business sector; (4) UK= United Kingdom, DE= Germany, FI= Finland, FR= France, DK= Denmark, SE= Sweden, NL= Netherlands, LU= Luxembourg, AT= Austria, BE= Belgium, IE= Ireland, ES= Spain, PT= Portugal, IT= Italy, MT= Malta; (5) RO= Romania, HR= Croatia, PL= Poland, CZ= Czech Republic, HU= Hungary, SK= Slovakia, SI= Slovenia, BG= Bulgaria, LT= Lithuania, EE= Estonia, LV= Latvia, CY= Cyprus, GR= Greece

## Commentary

- ▶ SMEs account for a significant share of Value Added<sup>(3)</sup> across all countries within the EU
- ▶ On average, SMEs represent 57% of Value Added<sup>(3)</sup>
- ▶ Number of SMEs relative to size of economy particularly high in Central and Eastern Europe
- ▶ SMEs account for the majority of employment in each EU member state
- ▶ In total, SMEs in the EU28 employed c. 90 million people, ie. 67% of total employment (74% in Eastern Europe)





# “Green loans” as key pillar of business model

## Environmental engagement is based on three pillars

1

### Internal environmental management

- ▶ Continuous monitoring and improvement of own energy and resource consumption

2

### Management of environmental risk in lending

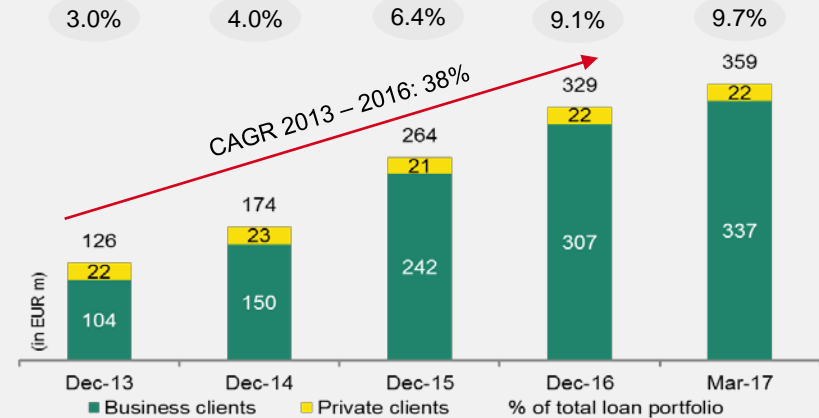
- ▶ Granting of loans only to applicants whose activities are in line with ethical principles
- ▶ Exclusion list includes inter alia
  - Underground mining
  - Charcoal production
  - Logging activities and trade of forestry products (except sustainably managed forests)

3

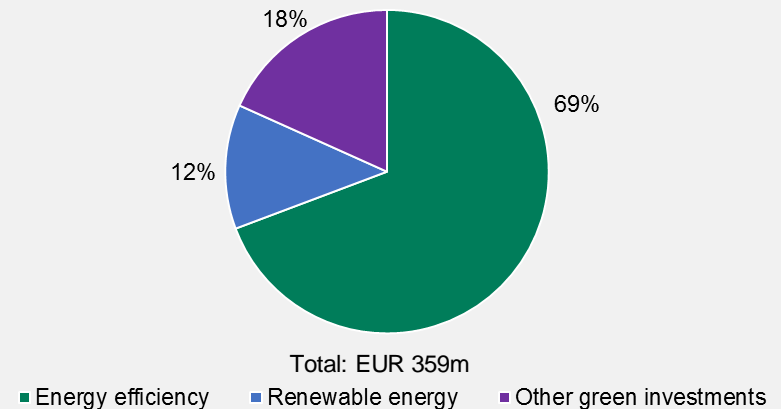
### Green finance / green loans

- ▶ Credit products for investments in
  - Energy efficiency
  - Renewable energies
  - Other environmentally-related activities
- ▶ Mid-term ambition of min. 10% of the total loan portfolio (currently at 9.7%)

## Strong growth of the green loan portfolio<sup>(1)</sup>



## Green loan portfolio by use of proceeds<sup>(2)</sup>



Note: (1) Continuing operations as of December 2016; (2) As per 31-Mar-2017



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# Long-standing and well interconnected management teams at group and local level

## Experienced management collaborating at Holding and local level

**Borislav Kostadinov**



16

- ▶ Credit risk management
- ▶ Environmental management
- ▶ Communications
- ▶ Investor relations

**Dr. Anja Lepp**



32<sup>(1)</sup>

- ▶ Risk control
- ▶ Financial risk
- ▶ Operational risk
- ▶ AML

**Sandrine Massiani**



10

- ▶ Human resources
- ▶ IT
- ▶ Business support
- ▶ Compliance & legal
- ▶ Internal audit

**Dr. Gabriel Schor**



34<sup>(1)</sup>

- ▶ Finance and controlling
- ▶ Treasury and funding

## Local ProCredit banks<sup>(2)</sup>

**34 management board members**

- On average 13 years of experience within ProCredit
- 21 female/ 13 male

### Collective training...



- ▶ Central training in Fürth
- ▶ English as lingua franca (> 50 courses p.a.)
- ▶ Regular specialist events and regional meetings

### ...as catalyst for a shared vision and teamwork...

- ▶ Common set of values
- ▶ Closely-knit network
- ▶ Rapid diffusion of best practices

### ...supported by clear framework

- ▶ Strict common operating standards and policy guidelines
- ▶ Strong, standardised MIS reporting
- ▶ Holding management with supervisory board seats at local banks involved in strategic business processes

 Years of experience within ProCredit;  Seat at supervisory board of local bank; Notes: (1) Including experience with Internationale Projekt Consult GmbH; (2) Not including ProCredit Bank Germany; (3) Overall average of all local ProCredit banks



# The corporate culture is the base of a unique approach to employee selection

**ProCredit's corporate mission is the foundation of its business ethics...**

► **"Bankers who don't conform to the banker stereotype":**

- Values-based approach and critical political awareness
- Social and intellectual competence
- Not reducing "success" to monetary amounts



**...with a multistage and highly selective approach to hiring employees...**

- Unique approach compared to the norm in ProCredit's key markets, where "who you know" often counts more than what your potential is
- Only **c.2%** of applicants receive an offer<sup>(1)</sup>

First selection phase

Assessment day

2-week focus session

6-month entry programme

**...committing employees to a unique corporate culture**

- Very attractive employer
- Build up of knowledge within the organisation
- Strong discussion culture with flat hierarchies

- Transparent, standardised salary system
- No performance-based bonus payments
- Market-oriented salaries
- Cap of senior management pay

- Managers and staff as shareholders (**5.2%** of shares outstanding as of 21 December 2016)



*Note: (1) Relating to applicants of the first selection phase versus admissions to the 6-month entry programme, excluding direct hires*







# Continuous training in centralised academy is the cornerstone of ProCredit's corporate culture



Note: (1) In relation to participants of six-month ProCredit entry programme



# Key company highlights

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# High loan quality based on trustful long-term relationships and prudent risk management

## Selected SME clients



Construction materials producer - Georgia

- ▶ Bedegi, founded in 1999, chose the ProCredit Bank in Georgia in 2003 to take out its first loan to enlarge its site
- ▶ In the 13 years since then, the client has used a wide range of banking services tailored to its different stages of development
- ▶ *"I always feel that ProCredit Bank is **there to support me.**"*

*Koba Liparteliani, Founder Bedegi Ltd.*



Agriculture Romania



Photovoltaic equipment producer Moldova



Soap producer Ukraine



Kitchen and office furniture Serbia



Medicinal and aromatic herbs Albania



Textile manufacturing Bulgaria

## Business client advisers (BCAs) with key focus on clients and risk

- ▶ Comprehensive internal BCA training fosters high staff qualification
- ▶ Clients receive individual attention from specialised BCAs who
  - Truly understand the client, its situation and (risk) profile
  - Diligently assess the legitimacy of their clients' income and avoid over-indebting them
  - Provide advice on the entire range of banking services
- ▶ BCAs thus act as key drivers of low default risk and key facilitators of mutually beneficial client relations
- ▶ Clear positioning as high quality advisory service allows build up of clients' trust as base for successful and long-term relationships

- ▶ BCAs as "first line of defence" for managing risk

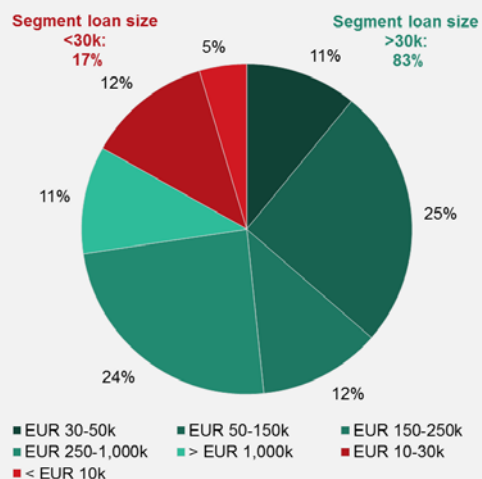
- ▶ True client centricity instead of bonus-driven "sales personnel"



# Low concentration risk and high diversification by geography, loan size and sector

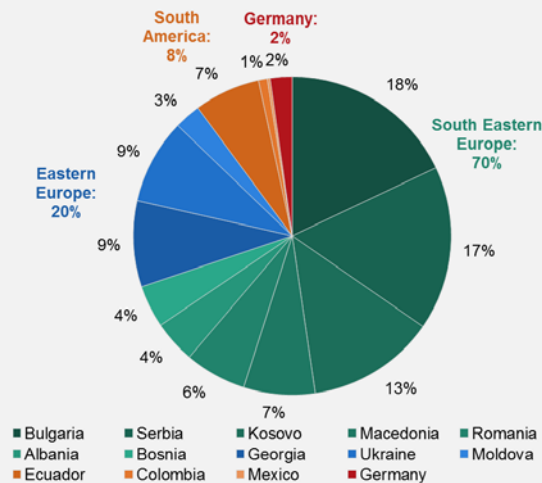
Loan portfolio by initial loan size<sup>(1)</sup>

In % of outstanding principal<sup>(2)</sup>



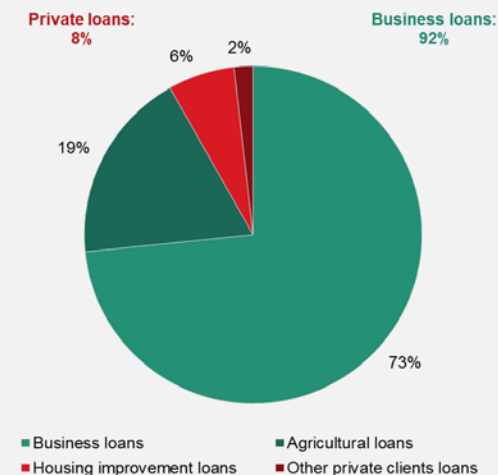
Loan portfolio by geographical segments<sup>(1)</sup>

In % of customer loan portfolio



Loan portfolio by sector<sup>(1)</sup>

In % of customer loan portfolio



## Commentary

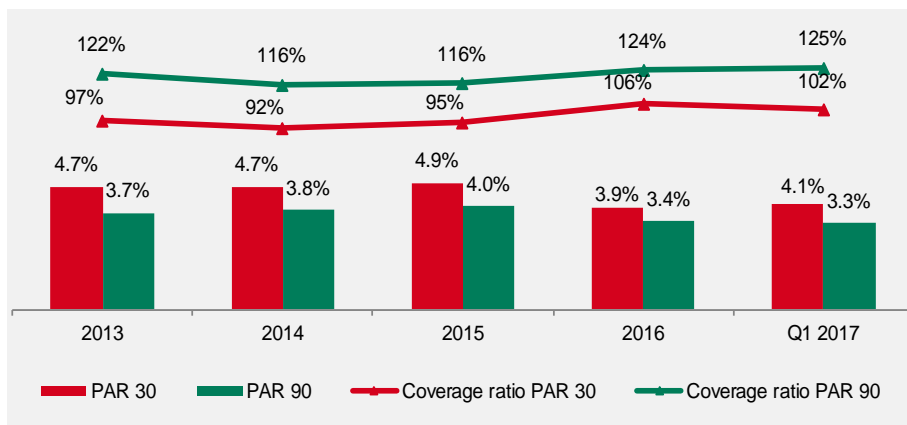
- ▶ C. 91%<sup>(1)</sup> of the customer loan portfolio comprising business clients
- ▶ Private lending clients mainly extremely small businesses with characteristics of a private individual (c. 9%<sup>(1)</sup> of the customer loan portfolio)
- ▶ 10 largest loans amounting to 1.6%<sup>(1)</sup> of customer loan portfolio
- ▶ Strong sector and geographical diversification through footprint in 13 countries<sup>(1)</sup>

Notes: Loan portfolio by initial loan size in % of total outstanding principal (EUR 3,700m as per 31-Mar-17); Loan portfolio by geographical segments in % of total customer loan portfolio (EUR 3,720m as per 31-Mar-17);  
 (1) Excluding assets held for sale, as per 31-Mar-17, Thessaloniki branch's loan portfolio part of ProCredit Bank Bulgaria loan portfolio, the South America segment also includes the institution "Administración y Recuperación de Cartera Michoacán S. A" (ARDEC) in Mexico, which is not assigned to a separate segment due to its negligible share (0.2%) of the Group's assets; (2) Customer loan portfolio adjusted for accrued interest, deferred fees and other claims to customers

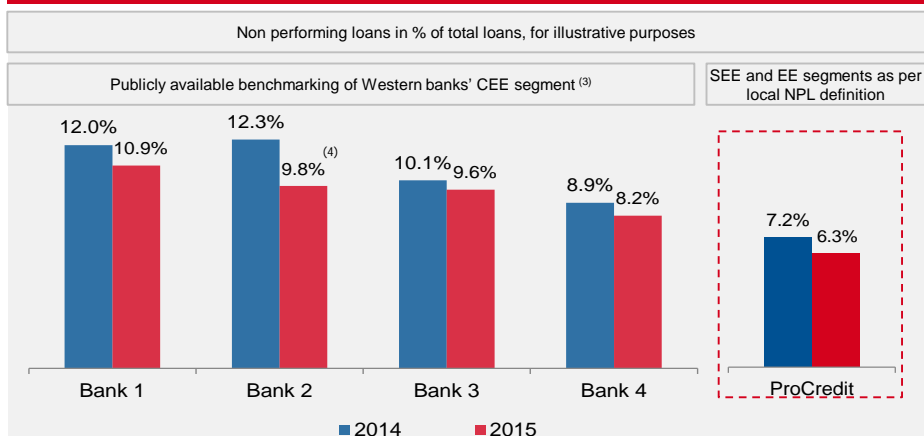


# Very solid risk profile despite a challenging operating environment

## Group loan portfolio at risk and coverage ratios



## Non performing loans in Eastern Europe<sup>(2)</sup>



Notes: (1) Net write-offs to gross loan portfolio ratio; (2) In % of total loans; Western banks' NPL ratio as per RBI CEE Research Report June 2016 based on aggregated data of CEE subsidiaries and comprising individual banks' CEE segment (Bank 1: Poland, Slovakia, Russia, Czech Republic, Romania, Hungary, Slovenia, Croatia, Bulgaria, Serbia, Bosnia and Herzegovina, Albania, Ukraine, Belarus. Bank 2: Czech Republic, Slovakia, Romania, Croatia, Hungary and Serbia. Bank 3: Poland, Czech Republic, Slovakia, Russia, Croatia, Bulgaria, Hungary, Slovenia, Romania, Serbia, Bosnia and Herzegovina. Bank 4: Czech Republic, Russia, Romania, Bulgaria, Poland, Slovenia, Croatia); Data of ProCredit includes SEE and EE segment, NPL ratio based on local definition of ProCredit banks; (3) Source: RBI CEE Research Report June 2016; (4) Decline partly driven by sale of NPL in Croatia, Romania and Hungary

## Commentary

- ▶ Constantly low portfolio at risk, slightly improved since 2013
- ▶ PAR 30 and PAR 90 well covered by loan loss provisions
- ▶ High coverage ratios underlining ProCredit's prudent risk management
- ▶ Continuous monitoring of loan portfolio, with PAR 30 and PAR 90 as key reporting triggers
- ▶ Net write-offs at continuously low level<sup>(1)</sup>
  - **-0.1%** in Q1 2017
  - **0.7%** in 2016
  - **0.9%** in 2015
  - **0.9%** in 2014
- ▶ ProCredit well positioned compared to peers in Eastern European markets regarding loan portfolio quality
  - Even in the aftermath of the financial crisis both net write-offs and provisioning expenses remained at a moderate level
- ▶ Operating environment and asset quality in most markets improving

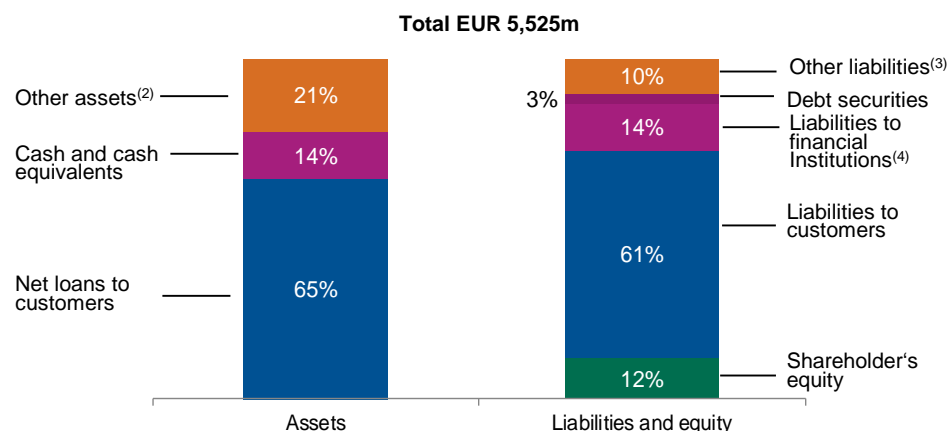


# Transparent and focused business model reflected in solid balance sheet structure

## Key financing figures<sup>(1)</sup>

Solid CET1 ratio (fully loaded)	12.3%
Very strong leverage ratio (fully loaded)	10.1%
High self-funding ratio <sup>(2)</sup>	91%
Long-standing investment grade rating (Fitch)	BBB (stable)

## Composition of balance sheet<sup>(1)</sup>



Notes: (1) As per 31-Mar-17; (2) Customer deposits to loan ratio; (2) including Assets held for sale and subordinated debt; (3) including Liabilities related to assets held for sale; (4) including Liabilities to banks and Liabilities to International Financial Institutions

## Commentary

- ▶ Simple balance sheet structure with very limited speculative lines of business
  - Assets largely comprise net loans to customers (65% of assets)<sup>(1)</sup>
  - Liabilities largely comprise customer deposits (61% of liabilities and equity)<sup>(1)</sup>
- ▶ High and stable customer deposits to loans ratio
- ▶ Majority of institutional funding in the form of
  - Long-term loans from international development banks
  - German institutional investors
- ▶ Comprehensive risk management approach for main risks
  - Full implementation of MaRisk
  - AML policy stricter than legally required
  - Foreign currency risk closed locally; risk limited to foreign equity holdings (largely offset by corresponding changes in RWAs)

# Key company highlights

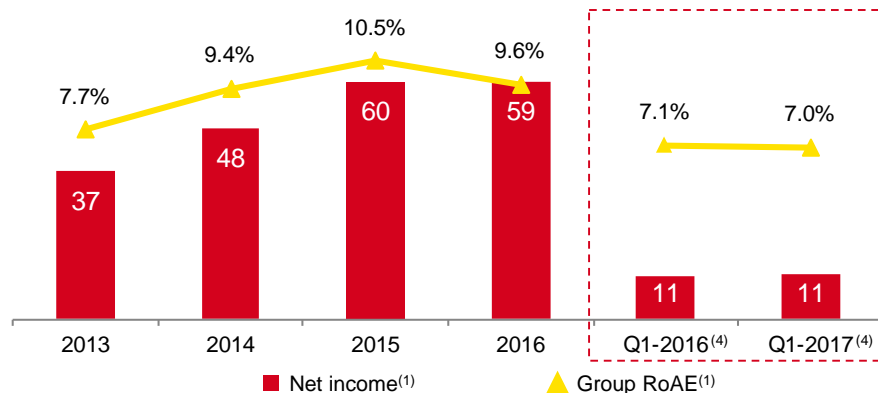
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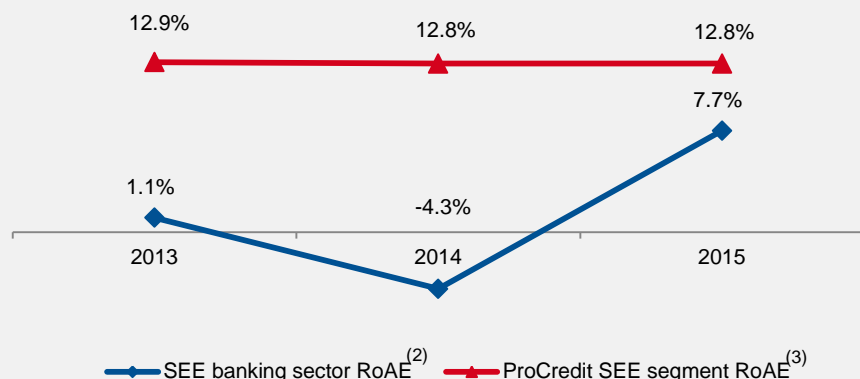
# Profitable in every year since creation as a banking group

## Net income and return on average equity

In EUR m



## RoAE of ProCredit SEE versus SEE banking sector



Notes: (1) Excl. non-controlling interest; (2) Includes Romania, Bulgaria, Croatia, Serbia, Bosnia and Herzegovina and Albania; (3) Includes Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Romania and Serbia. Source: RBI CEE Research Report June 2016; (4) Annualised

## Commentary

- ▶ Strong RoAE<sup>(4)</sup> of **7.0%** Q1 2017
- ▶ Solid results despite lower net interest income, but significantly decreased personnel and administrative costs
  - Staff reduction in the course of strategic repositioning
  - Branch network restructuring
  - Increased automation and optimisation of processes
- ▶ Very strong RoAE in important South Eastern Europe segment, despite continuously high ratio of non-performing loans across the banking sector in South Eastern Europe (>10%)
- ▶ Higher and significantly more stable profitability than average of the South Eastern European banking sector

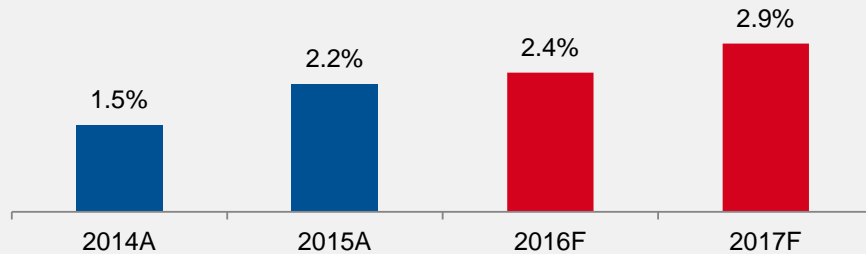


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- 4** Solid risk profile due to high diversification
- 5** Impressive financial track record in terms of stability and profitability
- 6** Further potential through growth opportunities and cost efficiencies

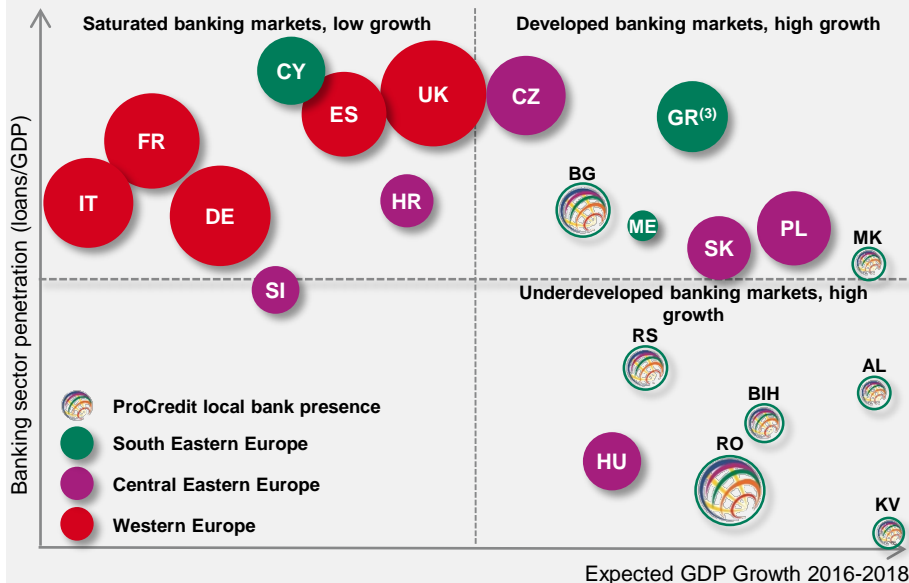


# Growth opportunities in core markets

## Real GDP growth in South Eastern Europe<sup>(1)</sup>



## Significant potential ahead<sup>(2)</sup>



Notes: (1) Includes Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Macedonia, Greece, Kosovo, Montenegro, Romania and Serbia. Source: EBRD; (2) IT= Italy, FR= France, DE= Germany, SI= Slovenia, ES= Spain, HR= Croatia, UK= United Kingdom, CZ= Czech Republic, BG= Bulgaria, HU= Hungary, RS= Serbia, ME= Montenegro, GR= Greece, RO= Romania, SK= Slovakia, BIH= Bosnia and Herzegovina, PL= Poland, MK= Macedonia, KV= Kosovo, AL= Albania. Size of circles representing total amount of loans in respective country (loans comprehend non-financial business sector, public sector and household sector loans to residential/non-residential customers, Euro zone countries' loans including non-financial sector corporate and household loans). Sources: IMF, Countries' respective national banks; (3) ProCredit Thessaloniki branch part of ProCredit Bank Bulgaria

## Commentary

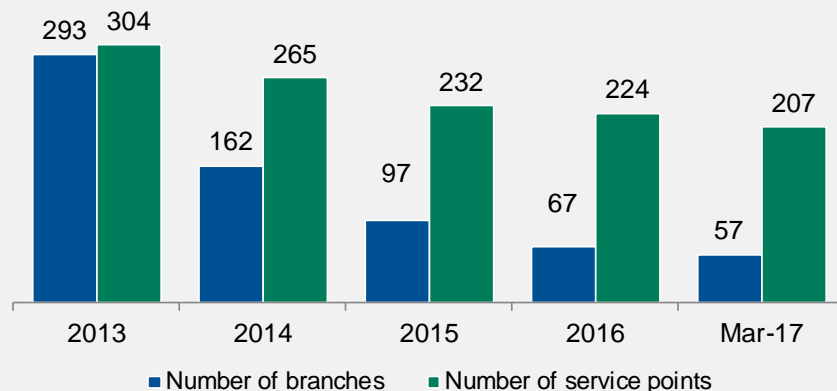
- ▶ Economies of target markets are gradually improving
- ▶ South Eastern European countries among the fastest growing economies in Europe with real GDP growth of 2.2% in 2015
- ▶ Banking markets in South Eastern Europe with improving asset quality and balance sheet growth picking up

- ▶ High potential in South Eastern Europe due to
  - Expected high GDP growth
  - Still underdeveloped banking sector
- ▶ Competitive situation in South Eastern Europe favorable as
  - Competition remains weak due to ongoing consolidation
  - Western banks focusing away

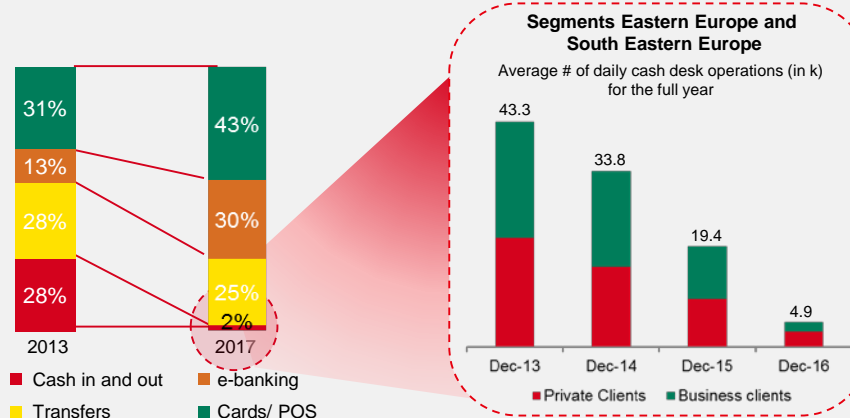


# Efficient platform built for scale effects and growing automation

## Branch and service points network



## Transactions by number



Note: Figures shown for transactions by number relating to all banks including those held as discontinued operations

## Commentary

- ▶ Efficiency gains through quality positioning
  - Focus on locations with the largest potential for ProCredit's "Hausbank" concept
  - Branches in prime locations increasing visibility in the market
- ▶ Better trained BCAs able to handle more complex SME clients
- ▶ More business (transactions, turnover, trade finance, deposits and fees) per BCA as important lever for growth and efficiency



- ▶ Scale effects through automation
- ▶ Significant decrease of cash desk transactions
- ▶ Shift of standardised transactions and services to 24/7 service points and e-banking as foundation for further efficient growth
- ▶ Card transactions and e-banking developing, especially in Eastern Europe
- ▶ Roll-out of 24/7 service points mostly finalised



**A Key company highlights 3**

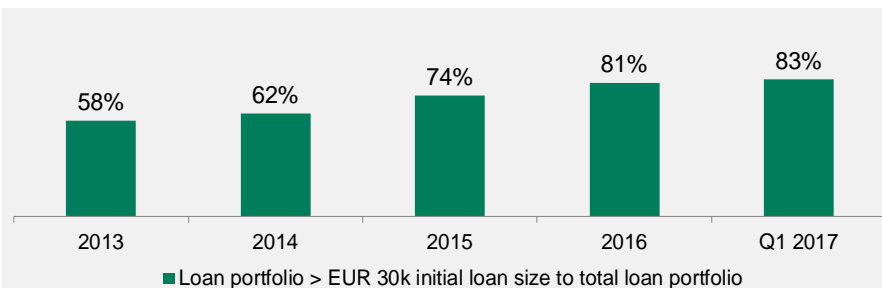
**B Financial overview 26**

**C Strategic outlook 30**

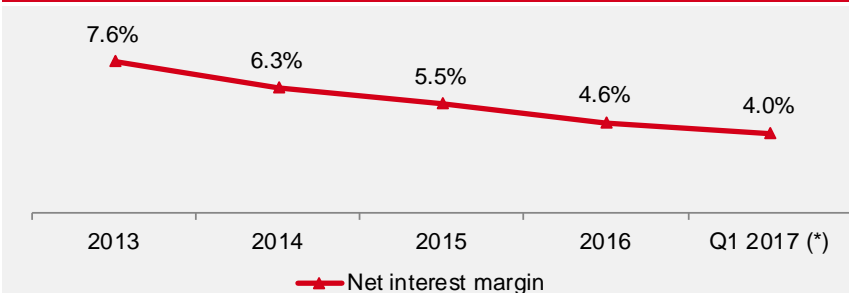
**Appendix**

# Resilience through continuous sharpening of business model towards SMEs

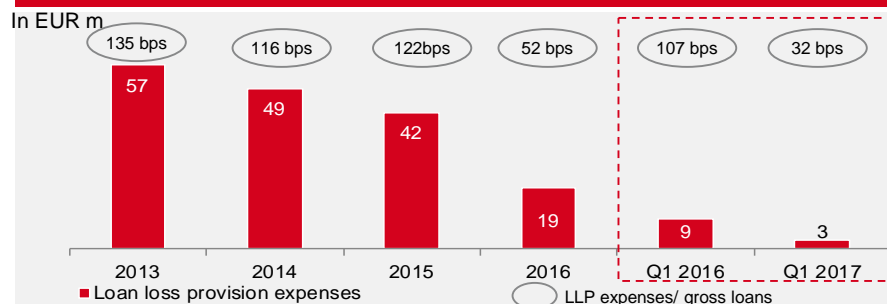
## Sharpening of business model towards SMEs...



## ...impacting margins...



## ...accompanied by lower cost of risk



## Commentary

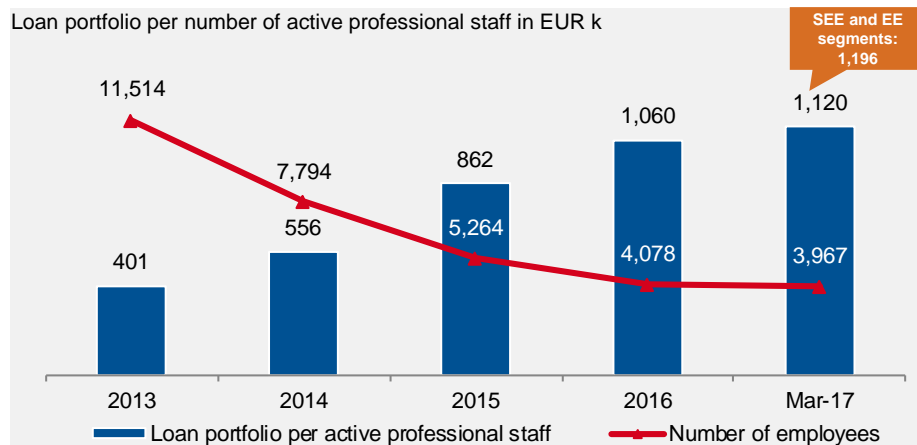
- ▶ Strong increase in share of loan sizes > EUR 30k due to
  - Strategic focus on SMEs (+13% in 2016, +5% in Q1 2017)
  - Significantly decreased volume of loans < EUR 30k (-28% in 2016, -7% in Q1 2017)
  
- ▶ Decrease in net interest margins as a result of the prevailing low interest environment, but also given the strategic specialisation on SMEs
  
- ▶ Trustful long-term business relationships and highly qualified, specialised staff resulting in high quality loan portfolio and low risk provision expenses

Notes: (\*) Annualized; Continuing operations only; Cost of risk defined as expenses for allowances on loans and advances to customers to average gross loan portfolio

# Highly disciplined cost management

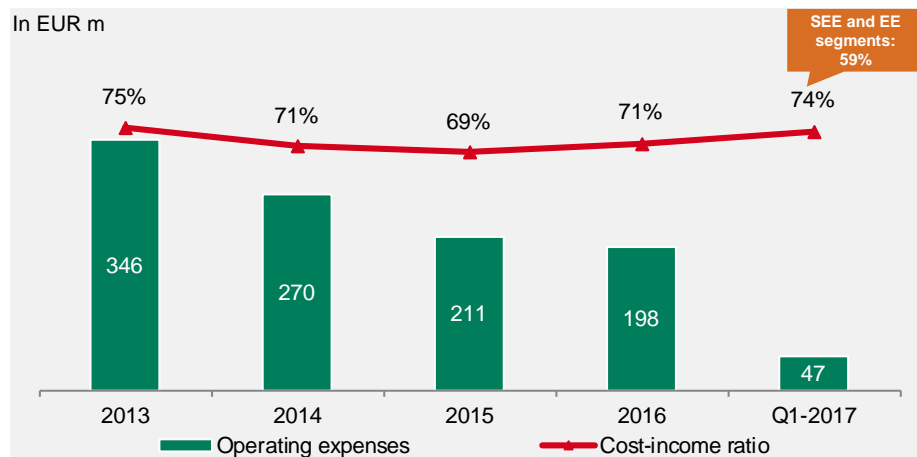
## Significantly improved efficiencies...

Loan portfolio per number of active professional staff in EUR k



## ...resulting in a steadily decreasing cost-income ratio

In EUR m



## Commentary

- ▶ Significant reduction of overall staff in the past 3 years: -66% from 11,514 as of Dec-13 to 3,967 as of Mar-17, resulting in:
  - Very lean, efficient organisation with little overhead
  - Increasing loan portfolio per active professional staff (+180% from Dec-13 to Mar-17)
- ▶ Costs adjusting quickly, resulting in a strong and consistent decrease of cost base
- ▶ South Eastern Europe and Eastern Europe segments with cost-income ratio of 59%



# Overview of key ratios

	2015	2016	Q1-2017
<b>Business operations:</b>			
Net interest margin	5.5%	4.6%	4.0% <sup>(1)</sup>
Cost-income ratio	68.9%	71.3%	73.8%
<b>1</b> Change in loan portfolio > EUR 30,000	18.3%	13.0%	4.9%
Ratio of customer deposits to loan portfolio	92%	96%	91%
<b>2</b> Return on average equity	10.5%	9.6%	7.0% <sup>(1)</sup>
<b>Loan portfolio quality:</b>			
<b>3</b> Loan loss provisions ratio <sup>(2)</sup>	1.2%	0.5%	0.1%
Net write-off ratio <sup>(1)(3)</sup>	0.9%	0.7%	-0.1%
Impaired loans <sup>(4)</sup>	8.2%	6.3%	6.3%
Loans in PAR 30	4.9%	3.9%	4.1%
Loans in PAR 90	4.0%	3.4%	3.3%
Coverage ratio Impaired	56%	66%	65%
Coverage ratio PAR 30	95%	106%	101%
<b>Capital and dividends:</b>			
CET 1 ratio	10.2%	12.4% <sup>(5)</sup>	12.3% <sup>(5)</sup>
Total capital ratio	12.1%	15.7% <sup>(5)</sup>	15.2% <sup>(5)</sup>
<b>4</b> Leverage ratio	8.6%	9.8% <sup>(5)</sup>	10.1% <sup>(5)</sup>
Book value per share (in EUR)	11.73	12.07	12.35
Dividend payout ratio <sup>(7)</sup>	33%	n.a.	n.a.

Notes: (1) Annualized; (2) Allowance for losses on loans and advances to customers as % of customer loan portfolio; (3) Net write-offs: Quotient of net write-offs for the period and customer loan portfolio for continuing operations; (4) Impaired loans in % of customer loan portfolio; defined as exposures more than 30 days past due plus other signs of impairment (e.g. breach of covenants, initiation of proceedings); (5) Fully loaded; (6) Dividend payout ratio relating to the respective financial year, irrespective of actual payout of dividends in subsequent year

Commentary
<b>1</b> Very strong growth in Q1 2017 in core loan categories
<b>2</b> High level and stability of profitability despite difficult economic environment
<b>3</b> Consistently decreasing cost of risk and low net write-off ratio reflecting high quality loan portfolio
<b>4</b> Strong leverage ratio reflecting focused business model and simple balance sheet structure



**A**                      **Key company highlights**                      **3**

**B**                      **Financial overview**                      **26**

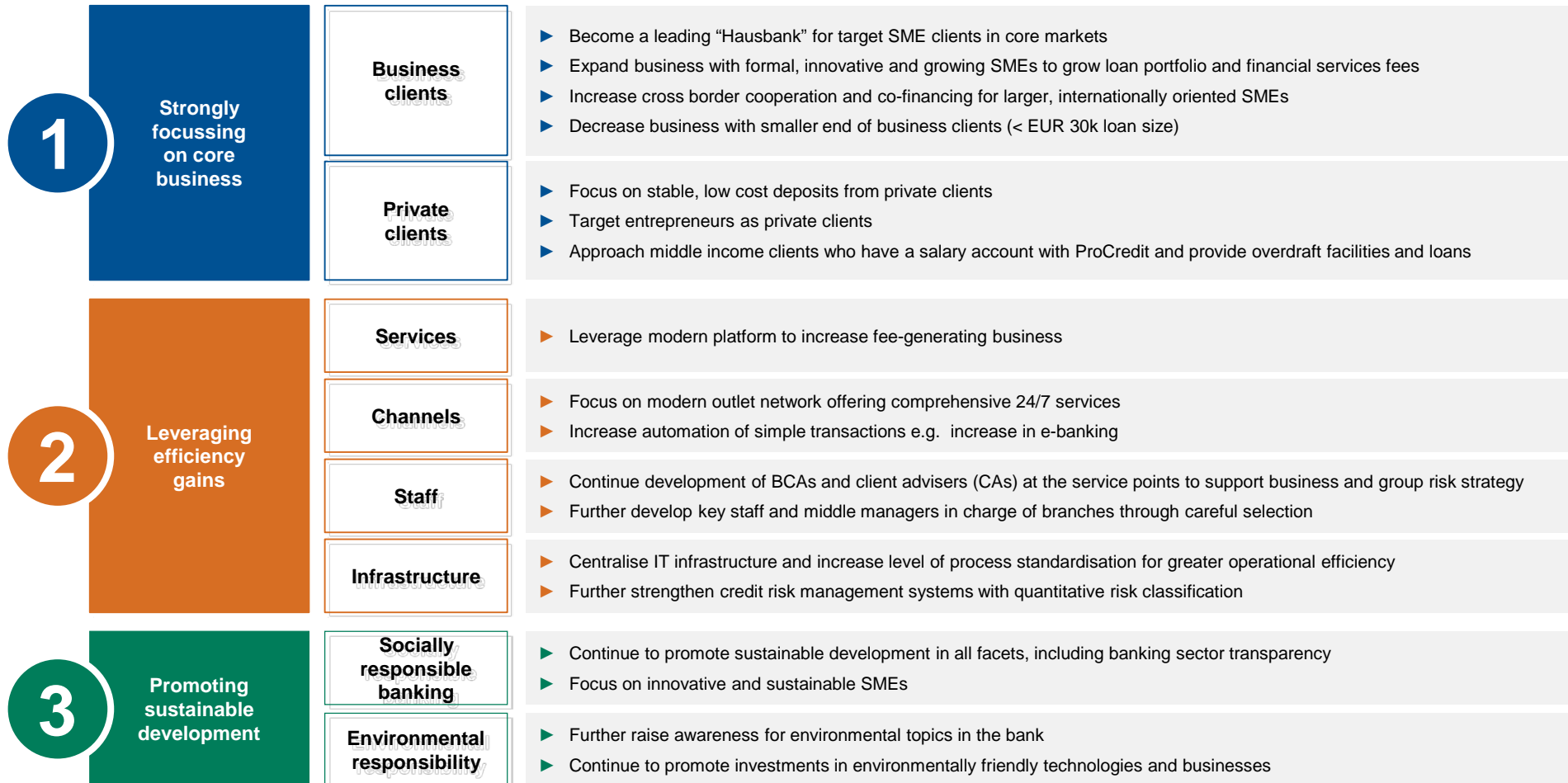
**C**                      **Strategic outlook**                      **30**

**Appendix**



# Strategy focused on further growth with SMEs and additional efficiency gains

## Key strategic outline



# Further execution of strategy as enabler of profitable growth

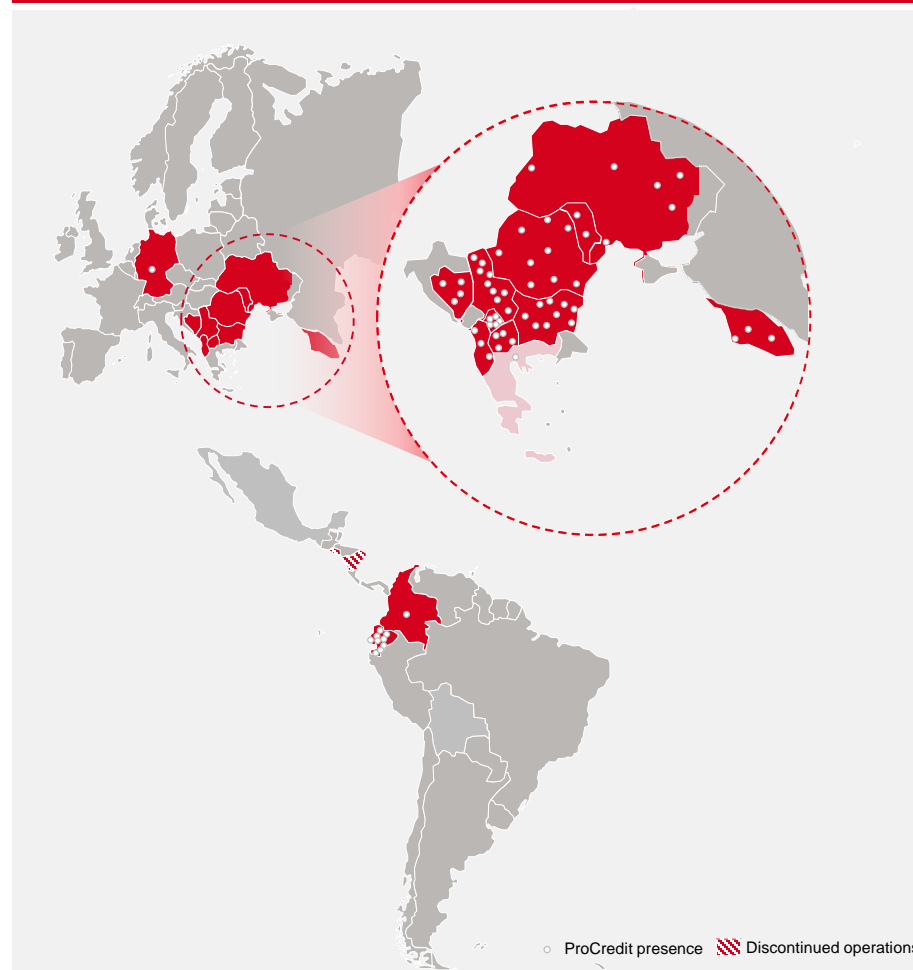
## Continued growth of gross loan portfolio in core SME category

- ▶ Strong growth of loan portfolio in core categories of loans > EUR 30k
- ▶ Decrease in non-core loan categories (< EUR 30k) expected to be largely completed in 2017

## 2017 and mid-term outlook

- |   |                       |
|---|-----------------------|
| ▶ Growth of the gross loan portfolio in the target loan categories (>EUR 30,000)  | <u>2017:</u><br>c.10% |
| ▶ Growth of the total gross loan portfolio  | 5 – 8%                |
| ▶ Return on average equity (RoAE)   | 7 – 9%                |
| ▶ CET1 ratio (fully-loaded)   | >13%                  |
| ▶ Dividend payout ratio   | 1/3 of profits        |
| ▶ In the mid-term <sup>(1)</sup> , we see potential for c. 10% p.a. growth of the gross loan portfolio, a cost income ratio (CIR) < 60%, and a return on average equity (RoAE) of c.10% |                       |

## Regional footprint



Notes: (1) Taking into consideration a stabilising political, economic and operating environment



<b>A</b>	<b>Key company highlights</b>	<b>3</b>
<b>B</b>	<b>Financial overview</b>	<b>26</b>
<b>C</b>	<b>Strategic outlook</b>	<b>30</b>

## Appendix

# Income statement

In EUR m	Q1-16	Q1-17
Interest and similar income	85.1	73.0
Interest and similar expenses	24.4	21.7
<b>2 Net interest income</b>	<b>60.7</b>	<b>51.3</b>
Allowance for losses on loans and advances to customers	9.4	3.0
<b>3 Net interest income after allowances</b>	<b>51.3</b>	<b>48.4</b>
Fee and commission income	14.2	14.1
Fee and commission expenses	3.5	3.4
<b>Net fee and commission income</b>	<b>10.7</b>	<b>10.7</b>
Result from foreign exchange transactions	2.0	2.7
Net result from financial instruments at fair value through profit and loss	-0.4	0.0
Net result from available-for-sale financial assets	0.3	0.0
Net other operating income	-2.7	-0.6
<b>Operating income</b>	<b>61.2</b>	<b>61.1</b>
Personnel expenses	21.8	21.7
Administrative expenses	25.4	25.6
<b>4 Operating expenses</b>	<b>47.3</b>	<b>47.3</b>
<b>Profit before tax</b>	<b>13.9</b>	<b>13.8</b>
Income tax expenses	3.9	4.3
<b>Profit of the period from continuing operations</b>	<b>10.0</b>	<b>9.5</b>
Profit of the period from discontinued operations	1.1	2.3
<b>1 Profit of the period</b>	<b>11.0</b>	<b>11.9</b>
Profit attributable to equity holders of the parent company	10.6	11.4
Profit attributable to non-controlling interests	0.5	0.5

Commentary
<b>1</b> Consolidated profit of EUR 11.9 million slightly above previous year's level; profit from continuing operations largely stable in Q1-2017 compared to Q1-2016
<b>2</b> Continued decrease in NII primarily result of strategic shift away from very small loans to SME loans as well as prevailing low interest rate environment
<b>3</b> Strong decrease in risk provisioning expenses due to improvement in portfolio quality and higher income from previously written-off loans
<b>4</b> Lower administrative expenses, as a result of reduced and modernised branch network compensated by increased salaries in line with SME strategy and increased IT investments

# Balance sheet

In EUR m	Dec-16	Mar-17
<b>Assets</b>		
Cash and cash equivalents	937	773
Loans and advances to banks	287	264
Financial assets at fair value through profit and loss	0	0
Available-for-sale financial assets	250	207
1 Loans and advances to customers	3,629	3,720
Allowance for losses on loans and advances to customers	-151	-154
Property, plant and equipment	157	156
Other assets	97	100
2 Assets held for sale	461	458
<b>Total assets</b>	<b>5,668</b>	<b>5,525</b>
<b>Liabilities</b>		
Liabilities to banks	318	325
Financial liabilities at fair value through profit or loss	1	1
3 Liabilities to customers	3,475	3,367
Liabilities to International Financial Institutions	499	444
Debt securities	144	143
Other liabilities	19	17
Provisions	16	15
Current tax liabilities	1	1
Deferred tax liabilities	2	2
Subordinated debt	171	172
2 Liabilities related to assets held for sale	368	368
<b>Total liabilities</b>	<b>5,014</b>	<b>4,855</b>
<b>Equity</b>		
Subscribed capital	268	268
Capital reserve	115	115
Legal reserve	0	0
Retained earnings	325	337
Translation reserve	-62	-59
Revaluation reserve from available-for-sale financial instruments	0	1
Equity attributable to equity holders of the parent company	646	661
Non-controlling interest	8	9
4 <b>Total equity</b>	<b>654</b>	<b>670</b>
<b>Total equity and liabilities</b>	<b>5,668</b>	<b>5,525</b>

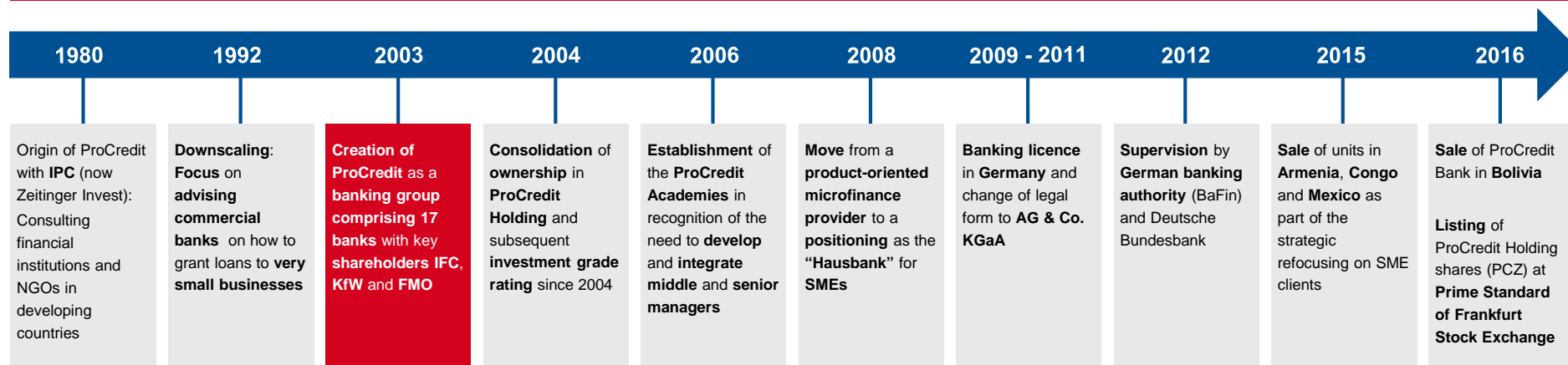
## Commentary

- 1 The strong growth in the loan portfolio was offset by the reduction in surplus liquidity reserves resulting in slight decrease of total assets
- 2 Assets/ Liabilities held for sale include Banco ProCredit El Salvador and ProCredit Nicaragua (Banco Los Andes ProCredit Bolivia deconsolidated in Dec-16, ProConfianza Mexico deconsolidated in Jan-16)
- 3 Slight decrease of liabilities to customers in Q1-2017 compared to end-2016 primarily due to sight deposits placed at year-end
- 4 Increase in equity due to retained earnings as well as positive effects from reduction of currency translation reserve

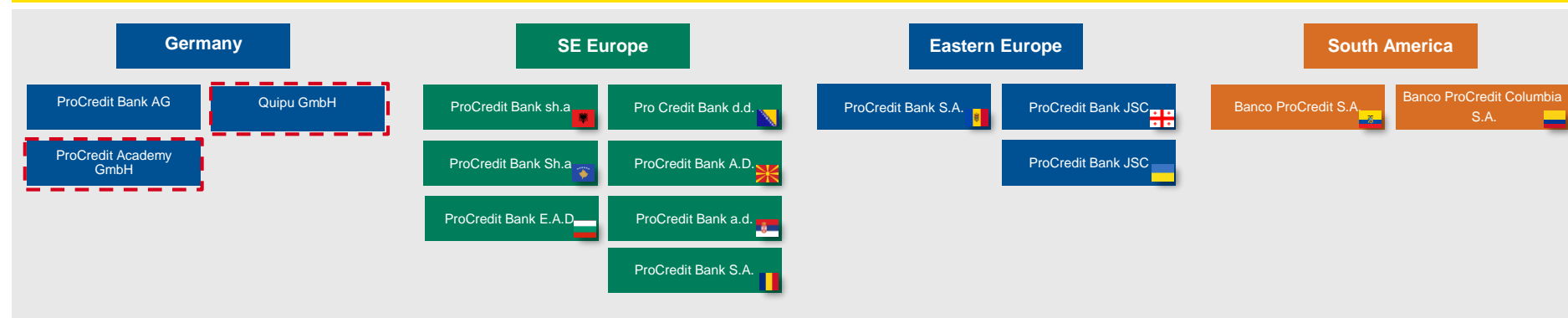



# ProCredit has continuously developed its business model since foundation in 2003

## Key historic milestones



## Organisational and holding structure<sup>(1)</sup>

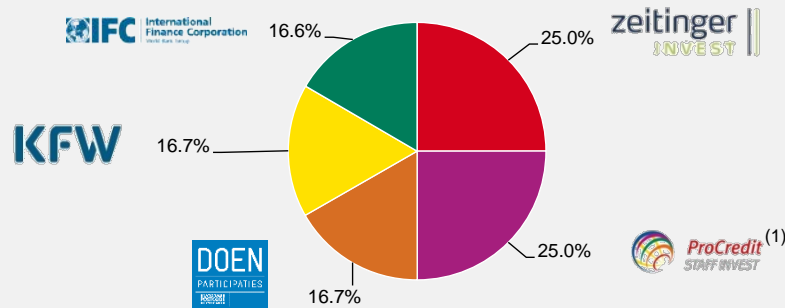


Notes:  Non-bank subsidiaries; (1) Sorted by reported segments; Nicaragua and El Salvador not included (held as assets available for sale)

# Shareholder structure ensuring long-term mission-lock

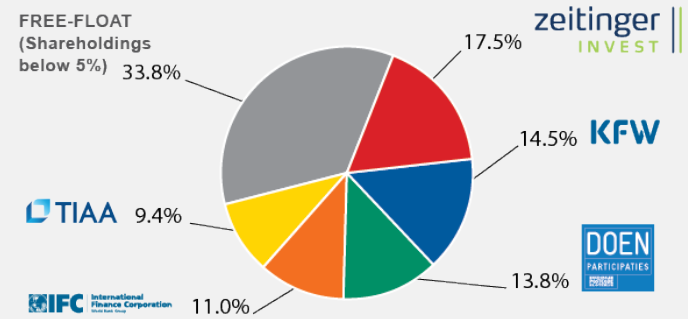
## Shareholder structure of ProCredit General Partner AG

1



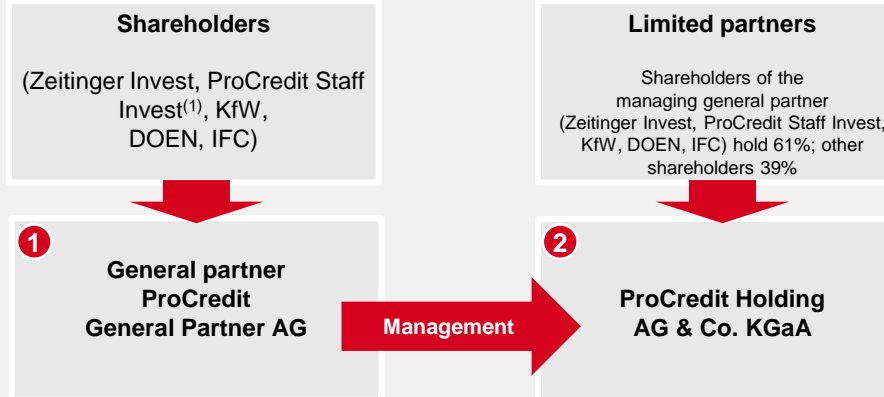
## Shareholder structure of ProCredit Holding & Co. KGaA

2



Shareholder structure as of 21 December 2016

## Organisational structure



Notes: (1) Includes ProCredit Staff Invest 1 GmbH & Co. KG and ProCredit Staff Invest 2 GmbH & Co. KG only

# Social Stock Exchange Membership

## ProCredit Holding Impact Report 2016

- ▶ Approval as member of the Social Stock Exchange (SSX) following the ratification of the Impact Report by the independent SSX Admissions Panel in May-17
- ▶ Impact Report details the social impact of the group focusing on three main areas of positive impact:

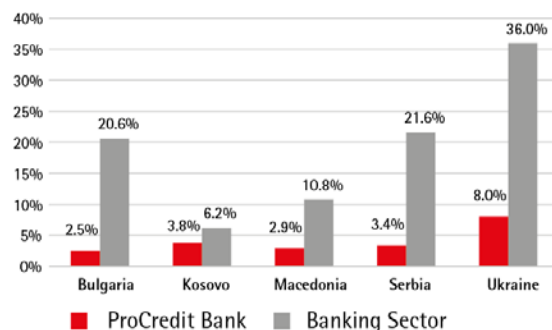


1

### Providing financial services for SME clients in transition countries

98% of our loan portfolio is in development or transition countries (in terms of volume).

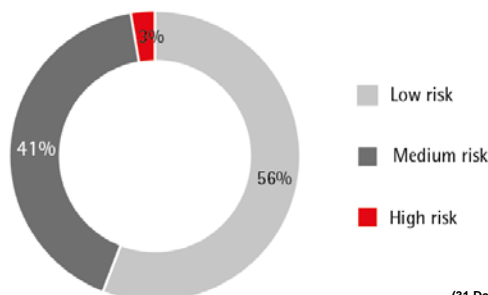
#### Non-performing loan (NPL) ratios of selected ProCredit banks



2

### Enhancing environmental awareness and protection in transition economies

#### Business and agricultural loan portfolio volume by environmental risk category



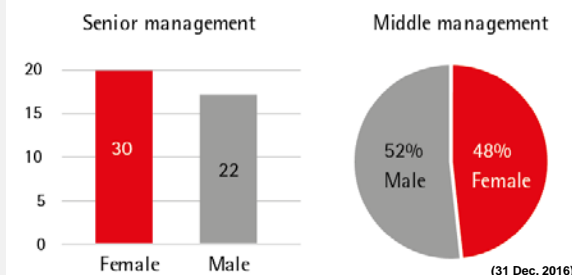
(31 Dec. 2016)

ProCredit banks monitor the environmental and social risk of their SME loan portfolio; more than half of the group's loan portfolio is in the low environmental and social risk category.

3

### Developing human resources in transition economies

#### Number of female staff in management positions



(31 Dec. 2016)

#### Amount invested in staff training



#### Hours of English courses delivered



Source: ProCredit Impact Report 2016

# Comprehensive “Hausbank” service benefitting ProCredit’s SME clients (I/II)

## AI Sistem doo and ProCredit Bank Serbia



- ▶ AI Sistem has been a client of ProCredit Bank since 2007
- ▶ The company produces and installs aluminium and PVC constructions in residential, business and industrial buildings
- ▶ The company operates in Serbia, with significant share of its products being exported
- ▶ To finance supplies for new business opportunities abroad, AI Sistem requested a EUR 250,000 loan from ProCredit Bank Serbia
- ▶ In addition, the client works with ProCredit for international payments, e-banking and via usage of a visa business card. He also uses a credit limit given by ProCredit, which allows for greater operating and financial flexibility
- ▶ The company currently employs 55 people
- ▶ Given the investment based on the loan from ProCredit, AI Sistem currently plans to train 10 high school graduates who will then be eligible for permanent employment



# Comprehensive “Hausbank” service benefitting ProCredit’s SME clients (II/II)

## Aliana OOD and ProCredit Bank Bulgaria



- ▶ Aliana OOD is a leading textile manufacturer led by Vassil and Rositsa Zahariev
- ▶ Founded in 1993, the company today is a top producer of silicone polyester wadding and silicone down
- ▶ The company currently has 160 employees and exports a large share of its products to the EU
- ▶ In 2013, ProCredit Bank Bulgaria began working with the client. Since then, they have expanded significantly and have invested in several energy efficiency projects. To date, total borrowing from ProCredit Bank Bulgaria amounts to EUR 2,250,000
- ▶ One part of their energy investment plan was to insulate their production facilities and to replace energy-intensive drying equipment for batting with more efficient models
- ▶ The investments have resulted in lower production prices, as well as new customers. In addition, turnover increased by approximately 20% in 2014
- ▶ Aliana OOD uses several ProCredit services, such as bank cards, e-banking and payroll services, alongside regular visits of the new 24/7 zones





# “Green loans” help clients to make an environmental impact with their business (I/II)

## Fernuci FPC and ProCredit Bank Moldova



- ▶ Fernuci FPC is a leading producer of organic walnuts and an exporter of shelled walnuts for the European food retail and manufacturing industry
- ▶ The company has 19,000 walnut trees on approximately 90 ha of land. Additionally, it purchases walnuts from regional farmers and thus positively contributes to the local economy
- ▶ ProCredit Bank Moldova has been Fernuci's FPC main financial partner since April 2015
- ▶ Aware of the importance of promoting and supporting water-saving technologies, the bank financed the company's investment in a drip irrigation system for the walnut orchard with a green loan of EUR 300,000
- ▶ The system is expected to reduce water consumption by up to 70%, diminish weeds, reduce the risk of plant diseases and maximise crop yield

*“Growing a walnut orchard is a highly capital-intensive activity. It was only logical for us to invest in technologies that would support the rapid growth of the trees and secure an early commercial harvest. ProCredit Bank supported us in the investment in a state-of-the-art irrigation system which improves both productivity and the quality of the nuts.”*

*Robert Sporschill, co-owner of Fernuci FPC*



**ProCredit**  
HOLDING

# “Green loans” help clients to make an environmental impact with their business (II/II)

## EKO-GRUP and ProCredit Bank Macedonia



- ▶ EKO-GRUP was established in 2006 as a consultancy company in agriculture, rural development and environmental protection
- ▶ In 2009, it started producing organic food and now offers more than 50 processed organic fruit and vegetable products
- ▶ EKO-GRUP produces its own vegetables, but also cooperates with a number of local farmers to obtain the most suitable organic products for processing
- ▶ For consumers, EKO-GRUP offers a variety of premium organic and gourmet products and the possibility to purchase them either at a supermarket chain or online at their convenience
- ▶ ProCredit supports EKO-GRUP in its business by offering financing and other modern banking services

*“We pay attention to the technology and equipment that we use for food processing. We have invested in energy-efficient equipment, and we use biomass pellets for the process of baking the peppers. As a result, we have cut our electricity consumption by up to three quarters.”*

*Goran Angelovski, owner of EKO-GRUP*

# Information regarding financial figures in this presentation

**Q1-2017:**

- Financial data for three-month period ended March 31, 2017, as shown in the unaudited interim consolidated financial statements for the three-month period ended March 31, 2017.
- Entities classified as discontinued operations: Banco ProCredit El Salvador and Banco ProCredit Nicaragua in the balance sheet-related information and in the profit and loss-related information.

**FY 2016:**

- Financial data for the fiscal year ended December 31, 2016, as shown in the consolidated financial statements as of and for the fiscal year ended December 31, 2016.
- Entities classified as discontinued operations: Banco ProCredit El Salvador and Banco ProCredit Nicaragua in the balance sheet-related information, and ProConfianza Mexico, Banco ProCredit El Salvador, Banco ProCredit Nicaragua, and Banco Pyme Los Andes ProCredit Bolivia in the profit and loss-related information.

**FY 2015:**

- Financial data for the fiscal year ended December 31, 2015, as shown in the consolidated financial statements as of and for the fiscal year ended December 31, 2016.
- Entities classified as discontinued operations: ProConfianza Mexico, Banco ProCredit El Salvador, and Banco ProCredit Nicaragua in the balance sheet-related information, and ProConfianza Mexico, Banco ProCredit El Salvador, Banco ProCredit Nicaragua, Banco Pyme Los Andes ProCredit Bolivia, ProCredit Bank Armenia, and ProCredit Bank Congo in the profit and loss-related information.

**FY 2014:**

- Financial data for the fiscal year ended December 31, 2014, as shown in the consolidated financial statements as of and for the fiscal year ended December 31, 2015.
- Entities classified as discontinued operations: ProConfianza Mexico, Banco ProCredit El Salvador, Banco ProCredit Nicaragua, ProCredit Bank Congo, and ProCredit Bank Armenia in the profit and loss-related information.

**FY 2013:**

- Financial data for the fiscal year ended December 31, 2013, as shown in the consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- Entities classified as discontinued operations: ProCredit Ghana, Banco ProCredit Honduras, and Banco ProCredit Mozambique in the profit and loss-related information.

*Note: Unless indicated otherwise*



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