A profitable, development-oriented commercial group of banks with a focus on SMEs in South Eastern and Eastern Europe

UniCredit/Kepler Cheuvreux 18th German Corporate Conference, Frankfurt, 22 January 2019
ProCredit – A unique approach to banking

► “Hausbank” for SMEs
► Direct banking offer for private clients
► Headquartered in Frankfurt and supervised by BaFin and Bundesbank
► Track record of high-quality loan portfolio
► Profitable every year since creation as a group of banks in 2003
► Successful first capital raise since listing (Feb.’18)

Customer loans: €4.3bn
CET 1 ratio: 14.5%
9M 2018 total loan portfolio growth: 10%
ProCredit banks: 13

Shareholder structure:
- TIAA: 8.6%
- IFC: 10.0%
- KFW: 12.5%
- Zeitinger: 17.0%
- Other: 38.7%

Notes: See page 18 of this presentation
### 9M 2018 and Outlook 2018

<table>
<thead>
<tr>
<th>Key Metric</th>
<th>Actual 9M 2018</th>
<th>Guidance 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of the total loan portfolio</td>
<td>10%</td>
<td>12 - 15(^{(1)})</td>
</tr>
<tr>
<td>Return on Average Equity (RoAE)</td>
<td>7.7(^{(2)})</td>
<td>7.5 - 8.5%</td>
</tr>
<tr>
<td>CET1 ratio (fully loaded)</td>
<td>14.5%</td>
<td>&gt; 13%</td>
</tr>
<tr>
<td>Cost-income ratio (CIR)</td>
<td>70.1%</td>
<td>&lt; 70%</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>1/3 of profits</td>
<td>1/3 of profits</td>
</tr>
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In the medium term, assuming a stable political, economic and operating environment, we see potential for around 10% p.a. growth in the total loan portfolio, a cost-income ratio (CIR) of < 60%, and a return on average equity (RoAE) of about 10%.

Notes: See page 18 of this presentation
How ProCredit does business

- True customer focus as “Hausbank” for SMEs
- Continuous training of employees
- Prudent risk management
- Development orientation
True customer focus as “Hausbank” for SMEs

- >90% business loans
- Simple loan and deposit facilities
- Trustful long-term relationships and true understanding of clients’ needs and risks
- Business Client Advisers’ focus: clients and risk

“I always feel that ProCredit Bank is there to support me.”

Construction materials producer - Georgia

Producer of tool systems for CNC machines - Bulgaria

Windows and doors producer - Romania

Dairy farm - Albania
Continuous training of employees

ProCredit Onboarding Process

- For new employees
- 6-month training (1 practical and 2 theoretical modules)

Continuous training

- Salary also linked to training level
- “Up-or-out” in first two years, long-term prospects thereafter

International management development in Germany

- ProCredit Management Academy (3 years)
- ProCredit Banker Academy (1 Year)

- Enables rapid diffusion of best practices
- Results in a closely-knit management network
- Integrates employees into a unique corporate culture
Prudent risk management

Diversified loan portfolio\(^{(1)}\)

- South America: 6%
- Germany: 2%
- Eastern Europe: 22%
- South Eastern Europe: 69%

Consistently low net write-offs\(^{(2)}\)

- 2008: 6%
- 2010: 4%
- 2012: 2%
- 2014: 1%
- 2016: 0%
- Sep-18: 0.7%

Notes: See page 18 of this presentation
Development orientation

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 to minimise the environmental impact of ProCredit’s lending operations
► Focus on promotion of “green” investments
► Strict exclusion lists

Notes: See page 18 of this presentation
Excellent positioning for profitable growth

Focused group profile

Strong growth dynamics

Modern network and platform built for scale

Profitable every year since creation
Key facts: Focused group profile on SMEs

Focused growth in SME loan categories

- Dec-13: 46%
- Dec-17: 80%
- Sep-18: 84%

Decrease in overall branch network

- Dec-13: 645 service points, 328 branches
- Dec-17: 118 service points, 71 branches
- Sep-18: 102 service points, 47 branches

Decrease in number of total group staff

- Dec-13: 11,514
- Dec-17: 3,328
- Sep-18: 3,116

Regional focus on South Eastern Europe and Eastern Europe

- Dec-13: 71%
- Dec-17: 92%
- Sep-18: 92%

SEE and EE as % of gross loan portfolio

Decrease in number of cash desk transactions

- Dec-13: 28%
- Dec-17: 2%
- Sep-18: 1%

Increase in loan portfolio per total group staff

- Dec-13: 363
- Dec-17: 1,175
- Sep-18: 1,383

Notes: See page 18 of this presentation
Strong volume growth in core loan categories

9M 2018

Initial loan size (in EUR) | < 50k | 50-250k | 250-500k | 500k-1.5m | > 1.5m | Total
---|---|---|---|---|---|---
< 50k | -122 | +134 | +126 | +138 | +129 | +406
> 1.5m | +10% 

FY 2017

Initial loan size (in EUR) | < 50k | 50-250k | 250-500k | 500k-1.5m | > 1.5m | Total
---|---|---|---|---|---|---
< 50k | -287 | +137 | +133 | +191 | +116 | +289
> 1.5m | +8% 

Notes: See page 18 of this presentation
Modern network and platform built for scale

- Modern network and customer experience
- Digital private client offer for a standard monthly fee
- State-of-the-art IT systems developed by own IT subsidiary

44 Branches in selected strategic locations
58 Service points, all equipped with 24/7 self-service areas

www.procreditbank-direct.com
Profitable every year since creation as a banking group

- Strong track record of profitability
- > 9% average RoAE since 2005 (3)
- High stability of returns despite the strategic exit from some markets over the years

Group net income and RoAE

- Net income continued operations
- Group RoAE

Notes: See page 18 of this presentation
### 2018 results at a glance

#### Income statement

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<tbody>
<tr>
<td><strong>Net interest income</strong></td>
<td>153.0</td>
<td>141.8</td>
<td>47.1</td>
<td>48.0</td>
<td>-7%</td>
</tr>
<tr>
<td><strong>Provision expenses</strong></td>
<td>4.5</td>
<td>1.4</td>
<td>1.0</td>
<td>0.3</td>
<td>-69%</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>33.3</td>
<td>37.3</td>
<td>12.6</td>
<td>13.3</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Net result of other operating income</strong></td>
<td>5.3</td>
<td>0.9</td>
<td>-2.0</td>
<td>1.5</td>
<td>-86%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>187.1</td>
<td>178.6</td>
<td>56.6</td>
<td>62.6</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>140.1</td>
<td>126.1</td>
<td>41.8</td>
<td>42.6</td>
<td>-10%</td>
</tr>
<tr>
<td><strong>Operating results</strong></td>
<td>47.0</td>
<td>52.4</td>
<td>14.9</td>
<td>19.9</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Tax expenses</strong></td>
<td>10.5</td>
<td>11.5</td>
<td>2.8</td>
<td>5.7</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Profit of the period from continuing operations</strong></td>
<td>36.4</td>
<td>40.9</td>
<td>12.1</td>
<td>14.3</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Profit of the period from discontinued operations</strong></td>
<td>-0.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-101%</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>35.8</td>
<td>40.9</td>
<td>12.1</td>
<td>14.3</td>
<td>14%</td>
</tr>
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#### Key performance indicators

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<tbody>
<tr>
<td><strong>Change in customer loan portfolio</strong></td>
<td>5.6%</td>
<td>10.2%</td>
<td>5.9%</td>
<td>1.1%</td>
<td>4.6pp</td>
</tr>
<tr>
<td><strong>Cost-income ratio</strong></td>
<td>73.1%</td>
<td>70.1%</td>
<td>72.5%</td>
<td>67.8%</td>
<td>-3.0pp</td>
</tr>
<tr>
<td><strong>Return on equity(1)</strong></td>
<td>7.1%</td>
<td>7.7%</td>
<td>6.5%</td>
<td>7.8%</td>
<td>0.6pp</td>
</tr>
<tr>
<td><strong>CET1 ratio (fully loaded)</strong></td>
<td>13.3%</td>
<td>14.5%</td>
<td>14.6%</td>
<td>14.5%</td>
<td>1.2pp</td>
</tr>
</tbody>
</table>

#### Additional indicators

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</thead>
<tbody>
<tr>
<td><strong>Net interest margin(1)</strong></td>
<td>3.9%</td>
<td>3.3%</td>
<td>3.4%</td>
<td>3.3%</td>
<td>-0.6pp</td>
</tr>
<tr>
<td><strong>Net write-off ratio(1)(2)</strong></td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.2pp</td>
</tr>
<tr>
<td><strong>Impaired loans(3)</strong></td>
<td>5.4%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Credit impaired loans (Stage 3)(4)</strong></td>
<td>-</td>
<td>3.5%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Coverage impaired portfolio (Stage 3)(4)</strong></td>
<td>-</td>
<td>92.0%</td>
<td>90.2%</td>
<td>92.0%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Book value per share</strong></td>
<td>12.1</td>
<td>12.3</td>
<td>12.2</td>
<td>12.3</td>
<td>1%</td>
</tr>
</tbody>
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Notes: See page 18 of this presentation
Long-standing and well-interconnected management teams at group and local level

Experienced management collaborating at Holding and local level

Borislav Kostadinov
- Credit risk management
- Investor relations
- Communications
- Environmental management and impact reporting
- AML and fraud prevention
- Legal

Sandrine Massiani
- Human resources
- IT and business support
- Risk management:
  - Risk control
  - Financial risk
  - Operational risk
- Compliance
- Internal audit

Dr Gabriel Schor
- Supervisory reporting and capital planning
- Reporting and controlling
- Accounting and taxes
- Treasury
- Funding

Local ProCredit banks(2)

34 key management members

On average 14 years of experience with ProCredit | 19 female/15 male

Collective training…
- Central training in Fürth
- English as lingua franca
- 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

Notes: See page 18 of this presentation
Key management of the ProCredit banks in South Eastern / Eastern Europe and South America

- **Average age:** 39
- **Average years with ProCredit:** 14
- **30 ProCredit Management Academy graduates**
- **19 female/15 male**
Slide 1
(1) The South America segment also includes the recovery unit “Administración y Recuperación de Cartera Michoacán S. A” (ARDEC) in Mexico, 0.1% of Group assets.
(2) Shareholder structure according to the voting right notifications and voluntary disclosure of voting rights as published on our website www.procredit-holding.com
(3) fully loaded

Slide 2:
(1) Taking into consideration no significant FX volatility
(2) Annualised

Slide 6
(1) Loan portfolio by geographical segments in % of total customer loan portfolio (EUR 4,300m as of 30-Sep-18) excluding recovery unit “ARDEC” in Mexico; Thessaloniki branch’s loan portfolio part of ProCredit Bank Bulgaria loan portfolio
(2) Net write-offs to customer loan portfolio, excluding interest accrued under IFRS 9 from PAR 90 loans, which is fully provisioned for

Slide 7
(1) Source: ProCredit Group Impact Report 2017

Slide 9
Note: All related figures and ratios for Dec-13 relate to the subsidiaries as shown in the consolidated financial statement as of 2013
(1) Loan portfolio > EUR 50k initial loan size in % of customer loan portfolio by outstanding principal

Slide 10
Note: Loan volume growth split by initial loan size in all segments and excluding recovery unit “ARDEC” in Mexico

Slide 12
(1) Excl. non-controlling interests
(2) Annualised
(3) RoAE since 2005 and publicly available in “Bundesanzeiger”

Slide 15
Note: P&L-related figures and ratios, unless indicated otherwise, are based on continuing operations; i.e. excluding Banco ProCredit El Salvador and Banco ProCredit Nicaragua for 2017; Return on average equity and CET1 ratio for 2017 include discontinued operations
(1) Annualised
(2) Net write-offs to customer loan portfolio, excluding interest accrued under IFRS 9 from PAR 90 loans, which is fully provisioned for
(3) Impaired loans under IAS39
(4) Credit impaired portfolio under IFRS9

Slide 16
(1) Including experience with Internationale Projekt Consult GmbH
(2) Data as at June 2018; Not including ProCredit Bank Germany
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