



ProCredit
H O L D I N G

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ProCredit General Partner AG

Annual General Meeting

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– Check against delivery –

(Speaker: Gabriel Schor)

Ladies and Gentlemen, we are delighted that you have come to this year's Annual General Meeting of ProCredit Holding, and we bid you a very warm welcome.

On behalf of the Management Board of ProCredit General Partner, the sole liable managing entity of ProCredit Holding, we would like to thank you for taking the time to join us here in Frankfurt.

You may already have noticed that this year we are breaking with tradition in that we are addressing you today in German rather than English. I hope you will appreciate the efforts of two non-native speakers of German to embrace the German language today. In a world irritated by the noise of populism and isolationism, we – as a very international team – want to clarify in this way our passion for ethical principles such as respect and commitment to international cooperation. Your questions can of course be in English or German, and we look forward to a truly international dialogue.

In the context of this dialog, I would also like to point out that many managers from our banks are present here today. The results we will present are above all their results. We would therefore like to encourage you to take this opportunity to talk to them after the Annual General Meeting. You will find them in the exhibition area on the right-hand side of the foyer.

In the next 30 minutes, we will provide a brief overview of the ProCredit group and describe the most important highlights of 2018, before briefly commenting on the developments in the first quarter of 2019 and the prospects for this year.

But today we also want to take enough time to talk about our employees and our Academy. Probably every bank in the world pays lip service to the importance of their staff. But I think the way we work with our staff really is unique. We would like to describe our approach and how it underpins ProCredit's high-quality, transparent and stable way of banking. After all, it is our employees who deserve recognition for our results.

So what makes us different?

For many people nowadays a socially responsible, development-oriented **bank** is almost a contradiction in terms. And yet we believe we are just that: a solid, decent banking group which combines commercial success with development impact.

And what does that mean in concrete terms? Good, solid, transparent financial results on the one hand and good, transparent services for clients on the other. This may sound trivial or "selbstverständlich" but in our markets it is far from self-evident. Above all, there is a lack of transparency, which sometimes makes comparability with our results difficult.

Our commitment to paying balanced attention to both development impact and commercial success is illustrated by the two comprehensive reports you will find on the desks in front of you: our Annual Report and our Impact Report. I'm sure you've already read our financial results. Nevertheless, we warmly invite you to take a look at our Impact Report too.

The Impact Report describes our view of responsibility. Responsibility not only to look to our own advantage, but always also to consider our impact on third parties, such as our clients, our employees, the economies in which we work, and our environment.

And in a context where no-one can ignore the challenge of climate change, it is easy to understand why we are passionate about promoting economic development that is as energy efficient and sustainable as possible.

And in this sense, what are our aspirations?

Our aspirations are quite simply: to be the leading “Hausbank” for SMEs in some important transition economies, particularly in South-Eastern and Eastern Europe. I think you know by now what we mean by “Hausbank for SMEs”. We aim to support entrepreneurs in developing their businesses by providing them with all the banking services they need.

But what do we mean by “**leading**”? We mean “leading” in the broadest sense of the word – we want to be the Hausbank for SMEs in our markets. But we also want to be the bank chosen by the best SMEs, because we treat our clients fairly and decently. Given these aspirations, it is important that we actually deliver, and how we deliver. Measured by these standards, we have had a very successful year, as we will go on to describe.

Let me now turn to the **two main pillars** of our business strategy, because they have played a key role in determining the focus for 2018: the “Hausbank for SMEs” concept and ProCredit Direct for private clients.

We focus on SMEs because they are the key providers of jobs and stability in transition economies. As the term “Hausbank” implies, we strive to build long-term partnerships with entrepreneurs. We aim to work with the ambitious, growing SMEs in our markets and to provide a full range of modern financial services that support their efforts to grow in a sustainable and efficient way.

With “ProCredit Direct”, we offer private clients convenience and efficiency at fair prices. A transparent, scalable, digital “Direct Bank” approach which offers transactions, savings accounts and investment loans online is unique in our markets. Our personal loans are only available to those clients whose income demonstrates that they can really afford to repay, and are mainly restricted to specific kinds of long-term investments, such as housing or home improvement. In this sense, we believe that we are also playing a role in helping to build a culture of saving and financial responsibility. We will continue to stay away from the consumer lending business, above all because of the associated risk of overindebtedness, a feature we regrettably see emerging strongly again in many of our markets – as though no lessons were learned from the last crisis.

In 2018 we made significant progress in establishing these two pillars of our strategy and expanding our target client base.

We had strong growth in our loan portfolio. In all of our regional segments we achieved growth of above 10%. At the same time, loan portfolio quality improved. We also improved our return on equity in 2018 on the back of significant efficiency improvements, low credit risk costs and strengthening fee income. At the same time, we improved our CET1 capital level with the capital increase completed at the beginning of last year.

These are **good** results as we finalise certain aspects of the transition we have undergone in recent years. And this brings us back to those who have delivered on our results: our staff. In this context, we would like to place special emphasis on the ProCredit Academy, our group training centre.

For this I will hand over to Sandrine.

The Academy is an institution that makes our group unique, even though it is hardly noticeable in terms of total assets and contribution to group earnings.

The ProCredit Academy was founded in 2005, is located deep in the Odenwald region, approx. 1 hour from Frankfurt, and has been the focus of the ProCredit group ever since. This is where the foundations are laid for what connects all our banks: A common understanding of ethical principles, not only but also in the context of banking.

It is no coincidence that 2005 was also the year in which we abolished performance-related bonuses in our group. At that point, we had already noticed that bonuses very often create negative incentives for irresponsible banking.

Instead of incentives in the form of bonuses, we have long since decided to invest in the personal and professional development of our managers and employees. There can be no question that this is a longer and rockier route to take, but it is also a significantly fairer and more effective way to develop qualified and trustworthy managers as well as motivated and team-oriented colleagues.

Employees benefit from two different part-time courses: the one-year programme of the Banker Academy and the three-year programme of the Management Academy, both of which take place at the Odenwald location. The curricula are not what one would typically expect from a training institution for bankers. Naturally, both programmes include a curriculum on “Banking and Finance”. However, the most exciting and unexpected component of both courses is the Humanities curriculum. In addition to the pure transfer of knowledge, for example in history or philosophy, we try to replace dogmatics and ideology with critical discussion and thus above all to create knowledge for reflection and orientation.

This knowledge should enable each individual to form his or her own opinion – for us, a basic prerequisite for every democratic order.

The Banker Academy, the one-year programme, follows a “Big History” approach that begins with the origins of the universe and continues with the evolution of humanity, including Homo sapiens. In the Management Academy, the three-year programme, the historical analysis is taken to a much higher level of detail. In context, it deals with ancient civilisations – Egypt, Mesopotamia, Greece, Rome – which are studied in depth, but also with the Middle Ages and the modern era, including the French Revolution and the totalitarian regimes of the 20th century.

The influences from these epochs can still be clearly seen today in the current geopolitical constellations, especially in South-Eastern and Eastern Europe. A pivotal course at the end of the first year of the Management Academy is on the History of Religion. What this and other courses show is that ideas do not develop in a vacuum. Rather, they are a reflection of the social relations that characterised the epochs in which they emerged, and an expression of human efforts to preserve or overturn those social relations.

“Why do ProCredit bankers need to learn about medieval philosophy?” you may be asking yourselves. The simple answer is: It is important to us that our employees not only know how to deal with financial indicators and risk metrics, but also that they develop a profound understanding of the forces underlying the societies in which we operate.

But the role of the Academy goes far beyond the knowledge imparted there:

Its purpose is also to bring people from different backgrounds together to develop a common understanding of ideas and values, which not only corresponds to the ProCredit mission statement, but is also based on the European Idea and its humanistic values.

And even further than that:

it enables them to develop a lingua franca.

This means not only that our employees can communicate with each other using sophisticated English, but also that we all “speak the same language” when we use key terms such as “human dignity”, “res publica”, “enlightenment” or “ethical compass”. This is also one of the reasons why we do not rely on external trainers. Rather, all of the courses are taught by the Academy’s own dedicated full-time lecturers, or by managers and other key staff members of ProCredit Holding and the ProCredit banks.

Despite – or precisely because of – our differences, the Academy has enabled us to build a strong sense of identity and solidarity within the group. For us, this strength in diversity based on shared values and goals is epitomised by the German folk tale of “the Four Musicians of Bremen”, which is why a statue depicting the four “musicians” – a donkey, a dog, a cat and a cockerel – stands at the entrance to the Academy.

The style of teaching at the Academy also serves a crucial purpose:

In contrast to traditional lecture-style teaching, students are encouraged to independently explore new ideas and exchange views in lively and sometimes controversial discussions. In this way, they develop the ability to listen to others, think critically and make informed decisions.

These classroom discussions also serve as a “think tank” for the day-to-day operations of the banks. They often provide a decisive impetus for innovation and the exchange of best practices within the group. Without this emancipated way of thinking, this freedom to question proposals, to find new ways, we would not be able to implement our business strategy so efficiently in all banks, achieve solid results and at the same time make a positive contribution to the social and ecological development of our society.

Nowadays, all managers have graduated from the Academy. However, the ProCredit Academy is not an elite school for the thin layer of executives. On the contrary, it offers demanding and stimulating courses for all engaged, curious and hard-working colleagues. Today, more than 20% of our 3,000 employees have completed or are currently participating in one of the two programmes.

To give you a further indication of the importance we attach to staff development: In 2018, each employee participated in an average of 18.3 days of training. In addition to attending the Academy, this includes position-specific courses, training on the Code of Conduct or on environmental management, and English lessons. I hope that we have been able to give you a good insight into the significance of the Academy for us.

Gabriel and I will now present to you how, thanks to the extraordinary efforts of our employees, we were again able to achieve our ambitious goals in 2018 – despite some major challenges.

(Change to Gabriel Schor)

We would like to summarise this year’s results with four milestones:

- 1) One of our greatest achievements was to further strengthen our position as the leading bank for SMEs in our markets and, at the same time, to lay the foundations for positioning ourselves as an attractive bank for private clients.

- 2) We have further strengthened our fundamental business approach of acting responsibly, not least through a particularly strong expansion of our green portfolio
- 3) Our consolidated result and other key figures improved visibly year-on-year
- 4) In addition, we succeeded in implementing various measures that set the course for profitable growth in the future

I would now like to go into these points in more detail.

ONE

Continuing the efforts made over the past few years, we further sharpened our focus on dynamic SMEs with high growth potential during the last financial year. We have seen a further reduction in very small loans and extraordinarily strong growth in the core segment. The dimensions of this turnaround and the extent of the transformation involved are enormous: Over the past five years, we have shed over EUR 1 billion in loans in the range of less than EUR 50,000. Nevertheless, we have succeeded in increasing our portfolio in the core segment by over EUR 2 billion in the same period. We have now reached a point where we believe we have successfully completed this transformation.

All our segments were able to present strong growth in the past financial year, while the figure for the group as a whole was 12.3%. We are particularly pleased that the quality of our portfolio has continued to improve: The share of credit-impaired loans is now just barely 3%. This high portfolio quality has increasingly become a trademark of our banks. At the same time, it underscores the sustainability of our business approach in countries that are often referred to as “difficult markets”.

While many of our competitors are increasingly relying on consumer lending in order to be able to present growth figures at all, 92% of our banks’ portfolio consists of SME loans. The remainder are primarily well collateralised real estate loans, which constitute an important aspect of our approach to doing business with private clients. But we’ll tell you more about that very shortly.

Our SME portfolio consists largely of loans with a term of more than three years – one of many features of our Hausbank concept. We seek to build long-term business relationships with our clients and support them purposefully in the implementation of their long-term business strategies, rather than focusing on individual, short-term transactions. You will notice that here too the issue of sustainability goes hand in hand with our business approach.

For private individuals we introduced “ProCredit Direct” during the past financial year. ProCredit Direct offers private clients the opportunity to conduct their banking business conveniently online, from current accounts and savings accounts to fixed-term deposits and home loans. We have received a particularly positive response to ProCredit FlexSave – a flexible instant access savings account that few other banks offer in this form.

On this basis, we are now striving to position ourselves in our markets as a modern retail bank and further expand our customer base. With our offer, we particularly want to address the growing middle class in our markets – people who value a modern, digital and transparent banking approach.

The growth of private client operations is a key factor in our business strategy. On the one hand, the deposits are an important source of funding for our lending operations. On the other hand, account maintenance fees are a major source of income for our banks. We have a

simple fee structure: Instead of paying for each individual transaction, our clients pay a monthly flat fee for all basic services. They thus benefit from significantly greater price transparency, which is by no means the norm in the markets in which we operate. This is also advantageous for our banks, as it allows them to maximise revenues and plan their fee income more easily by scaling their modern IT infrastructure.

The roll-out of a new mobile application and additional functionality in 2018 further enhanced the customer experience of our digital offer. This progress would not have been possible without the strong support of the Quipu development team. But we are not resting on our laurels: Quipu is constantly working on improvements in terms of usability, simplicity and security.

Our deposits developed positively over the last financial year. The growth of more than EUR 255 million is mainly attributable to our business clients, while deposits from private clients continued to shrink as a consequence of the changeover to a digital service offer. Nevertheless, we are certain that the remaining client base is as convinced of our offering as we are and that we will see an increase in retail deposits soon on this basis.

TWO

Let us now turn to the second highlight of 2018 that we mentioned earlier: the expansion of our “Green Lending” activities. But first, what do we even mean by that?

“Green loans” finance investments that enable our clients to improve their energy efficiency or switch from conventional fossil fuel technology to renewable energy sources. Green loans can also be used to finance other environmentally friendly projects. Examples are the promotion of organic farming, water and soil protection measures or advisory services aimed at reducing environmental pollution.

For example, ProCredit has long been committed to reducing CO₂ emissions by financing investments in renewable energies. This led to savings of no less than 56,000 tonnes of CO₂ emissions last year. To make it more tangible: This is the amount of carbon dioxide that would be produced by 1,000 average passenger cars driving 220,000 km, or by charging 7 billion smartphones.

At the same time, the ProCredit banks are also reducing their own CO₂ emissions. Where possible, petrol and diesel-powered cars are being replaced by electric vehicles. At the end of 2018, electric and hybrid cars accounted for more than half of the group’s fleet. In addition, further projects are underway to improve our environmental performance. This includes the installation of photovoltaic panels or water heating systems powered by solar or geothermal energy. Our ambitious medium-term goal as a group is to become carbon-neutral.

State-of-the-art technologies contribute to the reduction of our ecological footprint. Another important factor is the sensitivity of our employees to environmental and social issues. For this reason, regular training on green topics is provided at all levels of the group. The “think-before-you-print” campaign helped to reduce our per capita paper consumption by 24% in 2018. This year, the focus is on minimising plastic waste.

By the end of 2018, the “green” loan portfolio had grown to EUR 678 million and accounted for over 15% of the group’s total loan portfolio. The trend towards “green” will continue: Our medium-term objective is to enlarge the share of green loans in our portfolio to more than 20%.

THREE

(Change to Sandrine Massiani)

Let us now turn our attention to the financial results for 2018.

A look at the income statement shows that the consolidated result increased by more than EUR 6 million to EUR 54.5 million. A decisive factor in this positive development was savings in operating expenses, which fell by EUR 15 million thanks to the many efficiency measures implemented over the past two years. In addition, the introduction of “ProCredit Direct” led to an increase in net fee and commission income of over EUR 6 million.

Overall, the result was boosted by the strong improvement in portfolio quality, which led to comparatively low loan loss provisioning expenses. In addition, more than EUR 14 million was recovered on loans already written off. Despite the very low overall expenses for risk provisioning, the risk coverage ratio for credit-impaired loans increased to over 90% – a level that we consider to be comfortable.

Net interest income fell compared with the previous year, but showed a positive trend in mid-year for the first time in a very long time. Here, too, we can see: The end of the transition phase is very near. We expect that the negative effects on interest income, especially from the reduction of very small loans, will continue to level off and that we will soon be able to present solid growth figures in net interest income.

The consolidated result translates into an improved return on equity of 7.6%, after 7.1% in 2017. Profitability was thus in line with our forecast. However, it should be emphasised that the increase in our share capital in February 2018 meant that the result was achieved against a significantly higher capital base. At 70.2%, the cost-income ratio slightly exceeded our expectations, but improved significantly compared with the previous year.

Taking into account the ongoing comfortable capital situation, ProCredit General Partner AG and the Supervisory Board of ProCredit Holding AG & Co. KGaA propose to distribute a dividend of one third of the consolidated result (EUR 17.7 million) as in the previous two years. This is now equivalent to 30 cents per share. Due to the increased profit for the year, the dividend will thus increase by 3 cents in absolute terms compared to the previous year.

FOUR

Let us now turn to the fourth highlight, the course set in 2018 for profitable growth in conjunction with the developments in the first quarter of 2019.

As already mentioned last year, in February 2018 we were able to strengthen our capital base thanks to a successful capital increase of EUR 61 million. This has laid the foundations for future growth.

Another important milestone in the current year was the signing of an agreement with IFC. Within this framework, IFC will subscribe Green Bonds of ProCredit Holding with a total value of USD 90 million. This will be used to finance further “green” investments by our banks’ SME clients. To our knowledge, this is the first time in the German market that a financial institution has issued green bonds specifically for the purpose of financing “green” investments by SMEs in emerging economies.

In the previous year, we continued to focus on our core business and sold our remaining operation in Mexico. Furthermore, we can report to you today that a few weeks ago we were

also able to conclude an agreement to sell our bank in Colombia. We are confident that the transaction will be approved by the Colombian authorities and will be completed during 2019.

Also this year, in recognition of the continuous improvement of our portfolio quality in 2018 as well as the further improved capital position of the group, Fitch Ratings raised our viability rating from bb- to bb.

Apart from this good news, 2019 started according to plan. We were able to sustain our growth course. The loan portfolio increased by EUR 73 million, while our portfolio quality indicators remained at the high level reported at year-end. On the deposit side, we are particularly pleased that the decline in the volume of deposits that typically occurs in the first quarter was significantly smaller than usual this year. Private clients' deposits in particular stabilised significantly and are already showing respectable growth figures in many banks.

At EUR 10.7 million, the consolidated result was in line with our expectations. This figure already takes into account expected negative earnings effects from the forthcoming sale of ProCredit Bank Colombia.

Let us now look to the future: Gabriel will present the strategic goals of our group and the outlook for 2019.

As we have already heard, all in all we have made a solid start to 2019. This gives us confidence for the remainder of the fiscal year. We confirm our full-year forecasts.

So where do we go from here? What developments can we expect from the remainder of 2019, and what can our stakeholders expect from us?

We don't anticipate any significant changes in the macroeconomic environment, which will still be characterised by a climate of uncertainty and the threat of downside risks. Nonetheless, we are confident that we are very well equipped to meet the challenges ahead. Our decades of experience in our markets and our stable business results give us cause for optimism regarding the ongoing strong development of the ProCredit group.

As in 2018, our main focus in 2019 will continue to be on acquiring new clients that match our target profile. We want to win our new clients both among the most dynamic and innovative SMEs in our markets and among forward-looking private clients. In order to continue to offer innovative technological solutions, we will continue to work on improving our digital services. Another major project for 2019 and 2020 will be the centralisation of our back office IT operations.

As these measures and the envisaged economies of scale take effect, we aim to bring our cost-income ratio down to below the 70% mark in 2019. In addition, we look forward to another year of strong growth in our gross loan portfolio, which is expected to increase by 10 to 13%. We think it goes without saying that we plan to achieve this growth without compromising on credit risk management. This, coupled with our meticulous client selection procedures and our employees' proven skill, should enable us to maintain our outstandingly high level of portfolio quality. Based on this solid foundation, we estimate a consolidated result of between EUR 48 and 55 million for the current financial year.

As we approach the end of our speech, let's take a moment to sum up:

In recent years, we have successfully realigned our business model on two solid pillars: SME business and ProCredit Direct for private clients. We want to further consolidate our position as the leading SME bank in our countries of operation, and also further establish ourselves as a modern direct bank. For this we consider that the course has been set.

Finally, we would like to express our sincere thanks to our employees for their tireless commitment to the group – without them we would not be where we are today.

We would like to thank you, our shareholders, for your trust over the past year. We look to the future with great confidence, and we very much hope that you will continue to accompany us along this path.