ProCredit
HOLDING

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Annual General Meeting

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– Check against delivery –

Ladies and Gentleman, welcome to the Annual General Meeting of ProCredit Holding.

Thank you for joining us here in Frankfurt today. On behalf of the Management Board of ProCredit General Partner, the personally liable general partner of ProCredit Holding it is with great pleasure that I welcome you to our second Annual General Meeting since our listing on the Frankfurt Stock Exchange Prime Standard Segment in December 2016. We are happy to see you here, taking an active interest in our specific way of doing business. We are very much looking forward to a lively discussion today – on the stage and in the corridors – and to an enriching, mutually beneficial AGM.

In the next 20-25 minutes, I would like to take the opportunity to:

1. Present ProCredit Holding and the ProCredit group
2. Describe the main highlights of 2017
3. Comment on the developments of the 1st quarter of 2018, and
4. Outline the strategic goals of our group and the outlook for 2018.

I want to start, though, by paying tribute to an anniversary – exactly 50 years ago, a cultural and social revolution swept through Europe. This is neither the time nor the place to discuss the ins and outs of May 1968, and clearly much has been written and said these days about the role and the influence of the *Achtundsechziger* in Europe. But I would just like to point out that many of the ideas of that period still reverberate today in the core values of our group and are ingrained in the spirit of what we call "responsible banking". And I consider it an honour that both my own professional life of almost 20 years and the company I serve have been shaped by an *Achtundsechziger*, Dr C.-P. Zeitinger, the guiding spirit and inspiration behind ProCredit.

Especially this year I feel it is more important than ever to emphasise the principles that stand behind the way we do banking: above all our desire for transparency – with whom do we want to do business and with whom not? One expression of our non-negotiable principles is our Exclusion List, which explicitly defines the specific industries we will not bank with. So even if many of our competitors regard the current boom in the military industry in Eastern Europe as a tempting opportunity, we refuse to have any part in it, as we have always done. By the same token, businesses engaging in shady practices that reek of money laundering know they are not welcome at ProCredit. The undeniable side effect of staying true to these moral and ethical standards is a loan portfolio whose quality is second-to-none and the envy of the competition.

[Part 1]

For those of you who don't know us very well, I'd like to briefly describe the ProCredit group by explaining **who we are, what drives us as a group, and what we stand for.**

The ProCredit group is an international group of commercial banks comprising 12 banks in transition economies and developing countries, and a bank operating in Germany. In total we had 3,328 employees at year-end. Through our business model of providing transparent and responsible banking services to SMEs we follow a dual approach: firstly, we aim to make a contribution to economic, social and ecological development in the countries in which we operate. At the same time, we strive to deliver solid results and a sustainable return on investment for you – our esteemed shareholders. Yes, we aim to earn a decent profit – but not at any cost, not by compromising on our ethical principles. It is this twofold approach which sets us apart and makes us rather unique in the financial world, I believe.

Our primary objective is to foster growth in the countries in which we operate, and what we mean by growth in particular is economic growth underpinned by ethical, environmental and social considerations. So why do we focus on SMEs, you might wonder? In our view, SMEs, the *Mittelstand* form the backbone of an economy, providing jobs and stability, thereby creating an emerging middle class, which in turn is not only a motor for prosperity and economic stability, but also a prerequisite for democratic development. Loans to SMEs make up 91% of our gross portfolio today.

The regional focus of the group is South Eastern and Eastern Europe, because it is here that we see the greatest potential for our specific business model. After the formal part of the meeting is over, I invite you to spend a few minutes mingling with our colleagues from the banks. Today we've been joined by representatives of the ProCredit banks in Bulgaria, Kosovo, Macedonia, Romania, Serbia, Georgia and Ukraine. They will be in the foyer, and they'll be more than happy to answer your questions and explain the specifics of their country's approach to SME lending.

The ProCredit banks have been able to establish themselves as the preferred financial adviser and provider of financial services for SMEs in the region. We like to use the German term "Hausbank" to describe this trustful long-term business partnership, in which we are the companies' principal bank, and in many cases, their only bank. We not only offer the full range of business loans and account services such as e-banking, bank cards and domestic and international payments, but we also provide professional advice on liquidity management, accounting and reporting. Our additional services for SMEs include documentary business and trade finance, and for the family unit we offer savings and personal banking services.

ProCredit Bank Germany plays a pivotal role for the group: it serves as correspondent bank for international payment transactions, and manages the group's treasury and funding operations.

The group organises its business operations in four regional segments: South Eastern Europe, Eastern Europe, South America and Germany.

The South Eastern Europe segment

consists of 7 banks in Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, FYR Macedonia, Romania and Serbia).

Eastern Europe

comprises 3 banks. Two are based in countries belonging to the Commonwealth of Independent States (CIS), Moldova and Ukraine, while the third, Georgia is a former member of the CIS.

South America

includes 2 banks (Colombia and Ecuador).

The German segment

is made up of ProCredit Bank Germany (representing some 12% of the group banks' assets), ProCredit Holding, Quipu and the international ProCredit Academy (Fürth).

[Part 2]

I would now like to highlight some of the **main developments that have taken place in the ProCredit group over the past year**, and comment on the **business results for 2017.**

As many of you will already know, ProCredit has been undergoing a profound restructuring process over the past few years. We have sharpened our focus on clients with the strongest potential for development, and this has meant streamlining our operations on all levels. We have sold a number of banks, but retained and, where possible, enlarged our presence in those countries where our core client base is strong. We have trimmed our network of outlets while expanding the range and capabilities of our digital channels. And we have reduced the number of staff, while investing heavily in quality rather than quantity. I am now very proud to report that this restructuring process has largely been completed and that 2017 can essentially be regarded as the last year of transition.

Now that we focus on fewer, yet higher potential clients, we have been able to significantly reduce the number of outlets we operate, and this was especially visible last year. In 2017 alone, the number of branches and service points was cut by more than half, from 291 to 118. Yet despite this infrastructure reduction, we have succeeded in expanding our business because we have invested in highly competent staff and efficient, user-friendly card-based and electronic channels. In this context, we have benefited enormously from having our own in-house IT service provider. Quipu has supported us in modernising our internet banking and mobile banking offer, which in turn has enabled us to implement direct banking throughout the group. By focusing on promoting our direct banking services this year, we have made significant progress towards moving our private client services from physical service points to online and telephone-based support. Cash transactions have been reduced to an absolute minimum thanks to the intelligent use of automated channels.

While our core SME clients derive significant benefits from digital banking, I would like to point out that direct banking also plays a key role in our **strategy towards private clients**. Deposits mobilised from private clients are a vital source of funding for our SME lending operations, and in 2017 we made a concerted effort to tap into this resource more effectively. Our target private clients are middle- and upper-income individuals, particularly entrepreneurs and their

social circle, as well as above-average salary earners and others who appreciate the convenience of direct banking services.

Our completely revamped offer for private clients is internet-focused and comprises an attractive range of integrated services built around current accounts. This simple, intuitive e-banking approach is quite different from what is typically available in our markets. At the same time, we have introduced a new fee structure, which we believe brings greater transparency and predictability to banking. Basically, clients pay a single flat monthly fee, which covers nearly all their transactions. The aim of all these measures is to simplify the lives of our forward-looking target clients, and we are very pleased with the highly positive feedback we have received from our customer base so far.

The current focus is above all on increasing the number of new target private clients, combined with marketing initiatives to reinforce our new positioning. These efforts will receive a boost when we are able to offer full mobile access to most of these services, an enhancement which we aim to launch by June 2018.

It is important to highlight the **key role played by our staff** in all of these developments. Our business model, and especially our recent reorientation towards high potential SMEs and private clients, could not function without talented, knowledgeable and dedicated employees. Whereas some banks might strive to generate bulk business by applying algorithms and data-mining to an abstract market, we rely instead on building relationships with our carefully selected clients. Rather than trying to fit clients into standard categories, our highly trained business client advisers take the time to get to know the individual characteristics of each SME, and propose services that respond to their actual needs.

This explains why we attach so much importance to recruitment and training. Thus, while staff numbers have decreased, the quality and efficiency of our staff members has steadily risen. In 2017 alone we invested an average of 17.8 training days per staff member – a financial commitment of at least EUR 6.9 million. Needless to say, all of our banks have implemented extremely stringent risk management mechanisms, but we should remember that the first line of defence is the expertise of the staff and their ability to accurately assess opportunities and risks.

The relentless drive for increased efficiency will help safeguard the group’s stability and strengthen its resilience to factors outside of our control, such as exchange rate fluctuations and political volatility. This is especially important in the current environment, where low interest rates are squeezing banks’ profitability. Which brings me on to my next topic:

Let us now take a look back on **fiscal 2017 from a financial point of view.**

ProCredit Holding reported a total consolidated profit of EUR 48.1 million for 2017, which is almost EUR 13 million lower than in 2016. The difference is largely attributable to our

discontinued operations. The sale of our banks in Nicaragua and El Salvador in 2017 had a significantly smaller positive impact than the sale of our bank in Bolivia in 2016.

Therefore, it is more instructive to focus on earnings from **continuing operations**, which at EUR 46.4 million are on a par with the profit recorded in 2016. All in all, we consider this a very positive achievement, keeping in mind that 2017 was a year of major transition for us, one in which we undertook great efforts to significantly restructure our network of outlets and vastly increase the level of automation throughout the group. These measures will result in increased operational efficiency in the medium term, but they had a significant negative one-off effect on our financials in 2017. Nonetheless, even in a continuously challenging environment characterised by dwindling net interest margins, we have shown resilience and solidity, and we are proud of our proven ability to weather the storm.

The gross loan portfolio in the segment of loans above EUR 30,000 grew substantially. You may remember from last year's AGM that we witnessed a 13% growth rate in this segment in 2016. In 2017, we were able to grow by an even stronger 17.8%. Whilst the initial guidance had been 10% for 2017, by mid-year there were strong signs that this was an underestimation. The Management Board therefore decided to raise the forecast to "above 10%" for this segment. In hindsight, this adjustment proved to be correct and responsible. We regard the substantial growth in our target segment as a huge success, and see it as an endorsement of our strategic focus on dynamic SMEs.

The dedicated, group-wide emphasis on lending to solid, viable and promising SMEs was accompanied by an interesting finding: it turned out that this targeted approach was generating strong growth in exposures above EUR 50,000, while the portfolio of smaller loans continued to shrink. Based on this observation we decided to redefine our focus: from now on, we will regard loans above EUR 50,000 as our core segment. The continuous focus on this loan segment is proving to be key to achieving higher portfolio quality, stronger portfolio growth and a more efficient cost structure. However, I would just like to point out that, with effect from this current financial year, there will be a change in the way we report our growth targets. We will no longer forecast individual growth rates for each segment separately, but only the growth of the total gross loan portfolio in a single figure.

The net growth of the **overall loan portfolio** was initially forecast to range between 5% and 8%. In fact, the result for 2017 was a growth rate of exactly 8%, which, compared with the 2.4% growth in 2016, is an extremely satisfying result, especially considering that it was accomplished in the face of significant negative FX effects. And why not say it: we are proud of this achievement.

In line with our straightforward concept of SME lending, the structure of our **liabilities and equity** is simple and stable. Our main source of funding has always been customer deposits. Regardless of the fact that we have halved our branch network over the last year, customer deposits actually increased by almost EUR 100 million. As I mentioned earlier, our efforts to streamline and automate our banking infrastructure were accompanied by the development

of a comprehensive service offer, based on electronic banking channels, that appeals to private clients belonging to the broader middle class in our countries of operation. When we took this important step towards becoming a digital bank for standard transactions, we observed an outflow of many small-volume deposits from private clients. In 2017, this outflow was more than compensated for by deposits from businesses. In the future, we expect to attract new deposits from middle-income private clients, to whose needs our new service offer is tailored.

Implementing our new service offer has translated into an increase in fee and commission income of almost EUR 3 million. Our efficiency measures have by now largely been completed and are already starting to bear fruit in the first three months of 2018, which I will return to later in this presentation.

Deposits are our most important source of funding. At year-end, the deposit to loan ratio stood at over 90%. In 2017 we secured additional funding from IFIs to ensure we have adequate long-term liquidity to support growth in early 2018. Our liquidity position is in any case comfortable, with a Liquidity Coverage Ratio of 179%, well above the regulatory requirement of 80%.

Our return on average equity (RoAE), at 7.1%, was at the lower end of our guidance of between 7% and 9%, and was down from 9.6% at year-end 2016, which was significantly influenced by the sale of our bank in Bolivia. Our decision in summer to accelerate the process of restructuring our network meant that more one-off expenses had to be incurred in 2017. However, the extraordinary expenses resulting from these measures and the lower net interest income were almost fully offset by lower risk provisioning expenses, lower operating expenses and higher fee and commission income.

Turning now to the group's **capital position**, our **Common Equity Tier 1 (CET 1)** ratio in 2017 stood at 13.7%, which was up 1.2 percentage points against the previous year (12.5%) and in line with our projection of "above 13%". This very closely matches the development we had foreseen upon completion of the sale of our institutions in El Salvador and Nicaragua. I'll have more to say about the capital base later on, when I talk about recent developments in 2018.

But first, let us take a closer look at each regional segment.

South Eastern Europe is our largest segment. It accounts for 71% of the group loan portfolio and contributes most to group profit. It comprises the 7 banks in and around the periphery of the EU, with Bulgaria, Kosovo and Serbia being the largest banks. The encouraging growth in our target SME loan portfolio (of 18.6%) reflects both the strength of our strategy and the improving macroeconomic conditions in those countries.

Our **Eastern Europe** segment, comprising Ukraine, Georgia and Moldova, represents 21% of the group's loan portfolio. Growth in our target SME segment was a very strong 21% in this region during 2017, despite negative FX impacts.

In **South America**, our smallest region with only 6% of the group's loan portfolio, we have banks in Ecuador and Colombia and a small wind-down institution in Mexico with a legacy portfolio. Ecuador accounts for 85% of the loan portfolio in this segment. The SME loan portfolio shrank in this region in euro terms due to the weakening of the US dollar against the euro. In dollar terms, however, the SME portfolio growth was positive. We see good mid-term potential for profitable growth in the region, especially in Ecuador.

The **German segment** consists of entities that perform group-level functions, namely ProCredit Holding, Quipu and our Academy as well as our bank in Germany.

ProCredit Bank Germany was founded in 2012, and continues to play an invaluable role for the group. It is already profitable for the second year in a row and helps us provide international services for SMEs, particularly those operating both in Germany and in Eastern or South Eastern Europe. Furthermore, our German bank supports the group in managing its liquidity and providing a centralised platform for all international payments.

We have fared remarkably well with the **development of our green finance business.** Green loans are investment loans designed to accelerate the adoption of energy efficient and renewable energy technologies, as well as other environmentally friendly projects. The most commonly financed measures are investments in energy efficiency technologies (EE, representing 64% of the green portfolio), followed by environmentally friendly projects (GR, 21%) and renewable energy (RE, 15%).

Our portfolio of green loans grew by 47.8% to EUR 489.1 million during the course of 2017, underscoring the fact that we are the bank of choice for forward-looking clients who understand the advantages of investing in innovation and energy efficiency. We expect our green loan portfolio to continue growing and to reach a share of at least 15% of the total customer loan portfolio in 2018, up from 12.6% at the end of 2017.

By definition, green loans are predominantly investment loans. Going forward, we will therefore monitor the share of green investment loans against the total investment loans portfolio rather than against the entire loan portfolio. We feel this will give us a more indicative picture of the underlying trend.

For your reference, the ratio of green loans to total investment loans increased from 11.8% in December 2016 to 15.7% in December 2017, and as of the end of March 2018 stood at 16.5%.

In 2017, the loan portfolio per staff member rose by 32.0% to an impressive EUR 1.2 million. Let me mention in passing that this indicator has already reached EUR 2.1 million in our largest institution by assets, ProCredit Bank Bulgaria.

So with all due modesty, I cannot help but conclude that 2017 was another fine year for ProCredit. I am happy to report that we have fully met and to some extent even surpassed our expectations and forecasts from 2016. Due to the fact that the results of the efficiency enhancing measures did not yet materialise in 2017, the cost/income ratio was still relatively high, and its reduction was made a priority for 2018.

Based on this success, the ProCredit General Partner AG and the Supervisory Board of ProCredit Holding AG & Co. KGaA propose to distribute a dividend of one-third of the ProCredit group's annual profit from the financial year 2017 (which came to EUR 48,102,077.40), resulting in a dividend of EUR 0.27 per share to you, our shareholders.

The shares of ProCredit Holding AG & Co. KGaA have been listed on the Prime Standard of the Frankfurt Stock Exchange since 22 December 2016. After a volatile start to the year 2017, from the second quarter onwards the Xetra closing price for ProCredit shares has remained fairly stable, ranging between EUR 11.3 and EUR 13.7. As expected after the technical listing at the end of 2016, the liquidity of the shares stayed at a low level in 2017. Towards the end of the year there were signs of an upturn in trading activity which continued into 2018. This year we will continue with our investor relations activities, participating in investor conferences, roadshows and quarterly analyst calls.

[Part 3]

Since we are already talking about the current year, let me now describe some of the **developments that occurred in the first quarter of 2018.**

We are very pleased with the success of the capital increase carried out on 2 February 2018, when we were able to place 5,354,408 new shares at a placement price of EUR 11.40 per share, yielding gross proceeds of around EUR 61 million. We were very gratified that the demand for new shares in ProCredit Holding significantly exceeded our expectations. We value the trust endowed by our new investors and believe that beyond being an important milestone for us as a company, it also sends an important signal about the economic growth prospects of the entrepreneurs in our countries, and is a vote of confidence in our responsible approach to SME banking.

The capital increase was entered into the commercial register on 6 February 2018 and this means that the previously authorised capital has now been fully utilised. In order to ensure that ProCredit Holding will always be in a position to adjust the ProCredit group's capital base flexibly and sustainably to cover future requirements and take advantage of opportunities, it is proposed to create new authorised capital with the same percentage increase as that of 2016. In this context, I would like to draw your attention to item 6 of the AGM agenda, i.e. the resolution on the creation of new authorised capital.

Allow me to mention some **key figures** to indicate our **performance in the first quarter.**

As we have seen, ours is a stable, well thought-through business model, and the beauty of it is: there is very little that could catch us off-guard. Nevertheless, the Q1 2018 figures are relevant in the sense that they represent a promising start to a year in which we aim for stronger growth and financial performance than in 2017 as the ProCredit group moves more firmly from a period of transition to one of expansion.

The ProCredit group's net profit for the first quarter of 2018 amounted to EUR 14.6 million, which is higher than the result for the same period of the previous year of EUR 11.9 million.

At the same time, we have achieved growth of 2.8%, i.e. EUR 111 million, since the beginning of the year, bringing the gross loan portfolio to exactly EUR 4.0 billion. It is noteworthy that this growth is already higher than the corresponding growth of last year, indicating that we do indeed appear to be on the positive trajectory we foresaw for this year's loan portfolio growth. The quality of the portfolio continued to improve in relative and absolute terms, and supported good Q1 profitability.

The annualised **return on average equity (RoAE)** as of 31 March 2018, at 8.2%, was 1.2 percentage points up on last year's annualised Q1 figure – despite the increase in the equity base.

During the last couple of years, we have noted a steady increase in our CET1 ratio. In the first three months of this year, it increased from 13.7% to 14.4%, a figure that already reflects the full effect of the IFRS 9 implementation. This puts us in a comfortable position to pursue our expansion plans.

Last year we clearly indicated that the closing of branches and service points would be associated with additional costs in the short term, but would result in significant cost savings in the medium term. I am glad to report here that personnel and administrative expenses decreased to EUR 5.6 million, a drop of 11.8% relative to the first quarter of the previous year. Earnings were impacted by a decline in net interest income, but on the other hand, the group result was positively influenced by the reduced risk provisioning expenses, which decreased by EUR 2.9 million.

Over the course of the first quarter, the share of credit impaired loans decreased from 4.8% as at 31 December 2017 to 4.4%.

Following a period of intensive preparation that began already in 2016, the group successfully implemented the new reporting standard, IFRS 9, on 1 January 2018. This meant new requirements for the classification and measurement of financial instruments, and for the recognition of impairment. Thanks to our straightforward business model and our robust credit risk management processes, complying with the new standard had no major impact in financial terms: the transition increased the loss allowance at the end of the year, but the resulting reduction in the CET 1 capital ratio amounted to about 0.4 pp.

[Part 4]

Now let us turn our attention to the future: What are the **strategic goals of our group and the outlook for 2018?**

Of course, we acknowledge the constant necessity to adapt to the changing world around us, especially in this fast-moving digital age. At the same time, however, our principles and strategies are firmly rooted and unfaltering, and this creates a high degree of stability which is reflected in our consistent focus on serving SME clients and in the straightforward financial structure of the group.

We are on track with the implementation of far-reaching efficiency measures across the group, and in the first quarter of 2018 we began to reap the benefits in the shape of an improved cost/income ratio and improved profitability.

We will continue to target dynamic, robust SMEs, and private clients belonging to the middle classes, and we are relentlessly advocating direct banking – not as a bundle of products on a flashing screen, but rather as a way of thinking, a way of life.

How does all this translate into financial metrics for 2018?

In 2018, we expect gross loan portfolio growth of 12 to 15% based on the assumption that exchange rates remain relatively stable. This growth will primarily be achieved in loans above EUR 50,000.

We expect the cost/income ratio to fall below 70%.

The return on equity (ROE) is projected to range between 7.5% and 8.5% in 2018, while the CET 1 capital ratio is predicted to remain at a level above 13%.

Let us now take a moment to recap:

We've examined the two pillars our business model is based on, the rock-solid financial results for 2017 and the first quarter of 2018, the meticulous measures undertaken to strengthen the group's future viability and the courage to be one step ahead rather than rest on our laurels.

And yet – as a responsible, development-oriented bank deeply rooted in Europe and European thought, we observe the rising nationalism around us with considerable concern. It goes against the very essence of what we stand for and where we come from.

This makes it all the more important for us to persevere, to continue laying foundations, building bridges, forming lasting relationships, encouraging transnational co-operations, building trust among businesses and among people. We are convinced that, at the end of the day, it is the positive experience of common ideals credibly put into practice and the power of closely-knit networks that will transcend the narrow concepts of populist nationalism.

I would like to conclude by thanking our members of staff for their tireless commitment to the group – without them we would not be where we are today.

And to you, our shareholders, I would like to express my gratitude for placing your trust in our group this past year. We are looking forward to continuing on our successful course and we very much hope you will continue to accompany us on that journey.