



ProCredit
H O L D I N G

Q1 2019

Quarterly Report

Contents

1. Business development.....	3
2. Financial position and financial performance.....	5
3. Segment performance.....	6
4. Risk reporting.....	9
5. Outlook.....	12
6. Selected financial information.....	13
7. Further information.....	16

1. BUSINESS DEVELOPMENT

Strategic orientation

The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies. We operate in South Eastern Europe, Eastern Europe, South America and Germany. In the countries where we operate, we aim to play a leading role as the "Hausbank" for SMEs. We offer a comprehensive range of banking services in terms of financing, account operations, payments and deposit business. We focus on innovative business clients showing dynamic growth and stable, formalised structures. We also place an emphasis on promoting local production, especially in agriculture.

Our direct banking service offers comprehensive account management and savings facilities to private clients. We also provide financing to enable our private clients to purchase real estate and make smaller investments. We do not actively pursue consumer lending.

in EUR m			
Statement of Financial Position	31.03.2019	31.12.2018	Change
Customer loan portfolio (gross)	4,422.7	4,392.2	30.5
Customer deposits	3,768.6	3,825.9	-57.3
Statement of Profit or Loss	01.01.-31.03.2019	01.01.-31.03.2018	Change
Net interest income after allowances*	43.3	46.4	-3.1
Net fee and commission income*	12.7	11.5	1.2
Operating income	57.0	58.9	-1.9
Operating expenses*	41.2	40.7	0.5
Profit of the period from continuing operations*	12.5	15.0	-2.5
Profit of the period	10.7	14.6	-3.9
Key performance indicators	31.03.2019	31.03.2018	Change
Change in customer loan portfolio*	1.7%	2.7%	-1.0 pp
Cost-income ratio*	69.8%	69.7%	0.1 pp
Return on equity (ROE)	5.6%	8.2%	-2.6 pp
Common Equity Tier 1 capital ratio	14.3%	14.4%	-0.1 pp
Additional indicators	31.03.2019	31.12.2018	Change
Customer deposits to customer loan portfolio	85.2%	87.1%	-1.9 pp
Net interest margin*	3.1%	3.3%	-0.2 pp
Share of credit-impaired loans*	3.1%	3.1%	0.0 pp
Ratio of allowances to credit-impaired loans*	91.1%	90.8%	0.3 pp
Green customer loan portfolio	676.2	677.5	-1.3

* For 2019 and 2018, only continuing business operations are presented (i.e. excluding ProCredit Bank Colombia and ARDEC Mexico)

Statement of Financial Position, Profit or Loss, and other key figures for the ProCredit group

Course of business operations

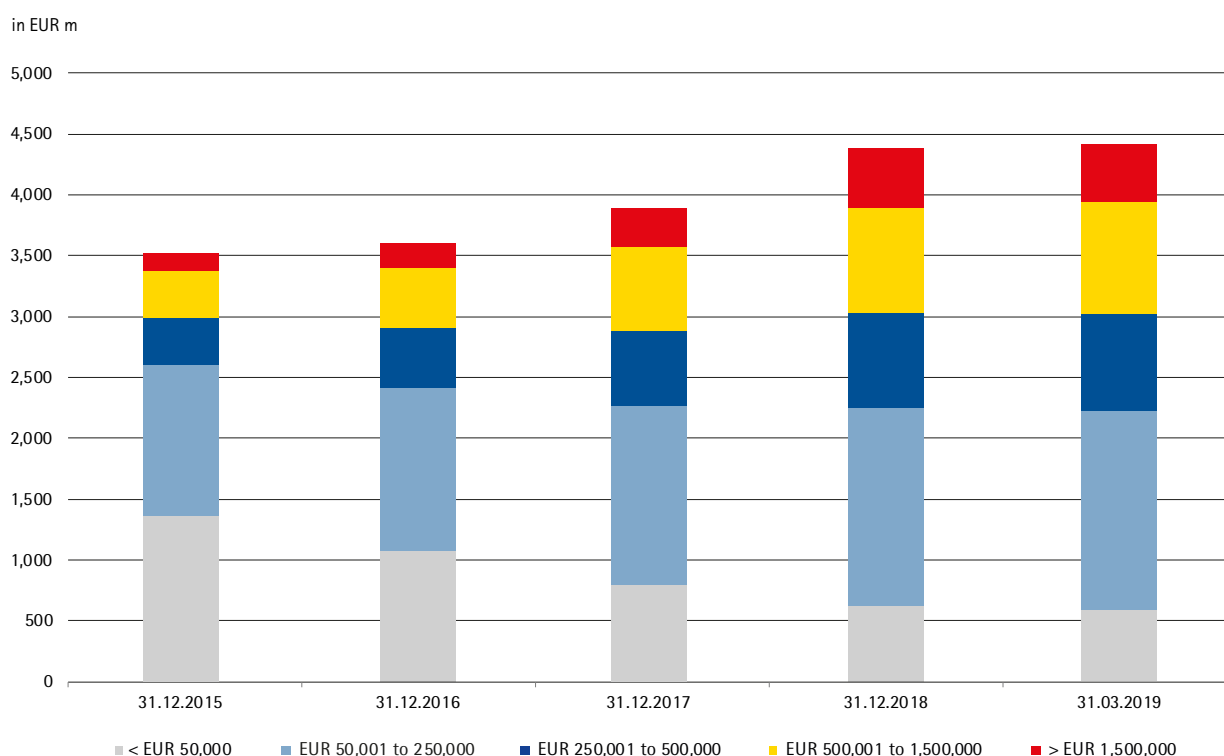
ProCredit Bank Colombia is presented under discontinued operations because a share purchase agreement has successfully been negotiated. The consolidated group figures have been adjusted to take account of discontinued operations.

The figures presented in the explanations below are based on the continuing business operations.

Overall, the first quarter of 2019 was in line with expectations. The customer loan portfolio grew by EUR 73 million. We sold a EUR 15 million project finance portfolio in Germany. The characteristic drop in group deposits during the first quarter was significantly smaller than in previous years, at EUR 27 million. The consolidated result was EUR 10.7 million.

Loan portfolio development, by loan volume

Our customer loan portfolio grew by 1.7% or EUR 73 million. Growth was particularly strong in the segment of loans between EUR 50,000 and EUR 1.5 million. The decline in loan sizes of below EUR 50,000 in Q1 2019 was at EUR 22 million only limited. The majority of the remaining business clients in the segment show a high level of formality and digitisation, and thus represent a promising target group for us.

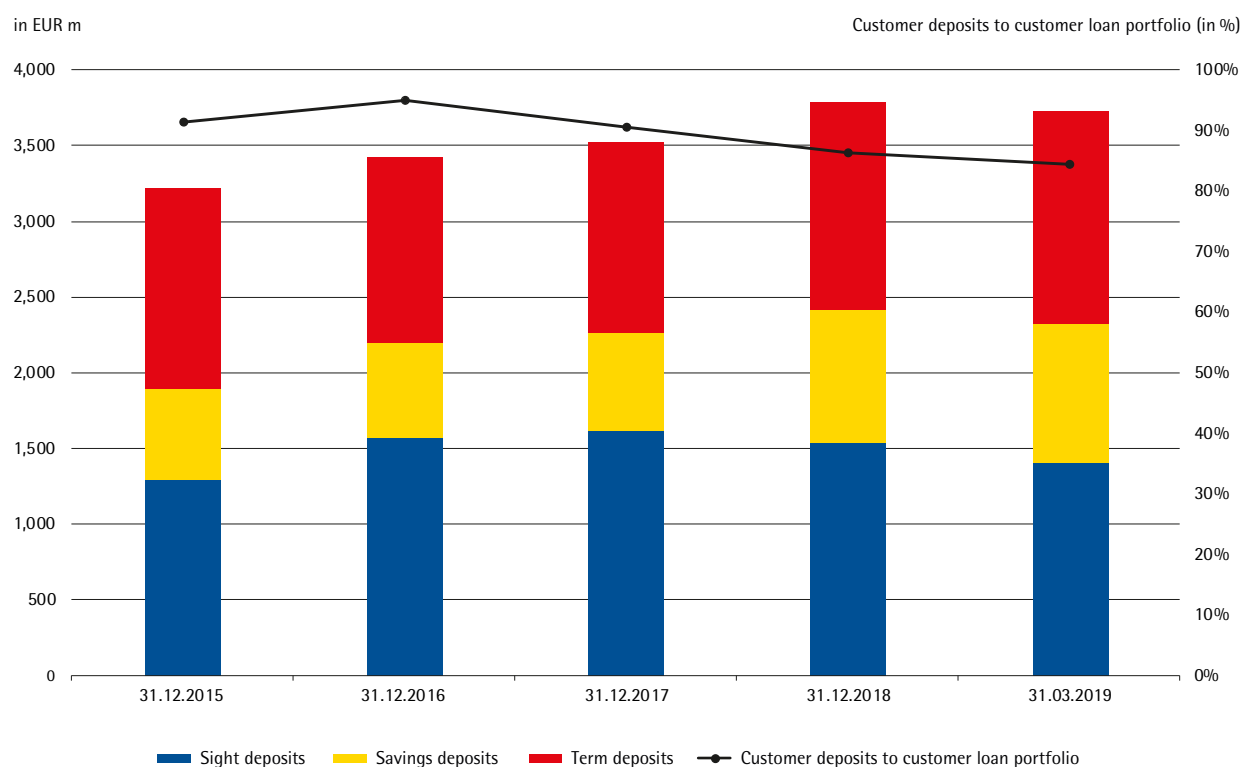


Loan portfolio development, by loan volume

Development of deposits and other banking services

Customer deposits constitute the most important source of funding. The volume of customer deposits amounted to EUR 3.8 billion at the end of the first quarter.

The drop in deposits of EUR 27 million or 0.7% was due to the seasonal decrease in business client deposits. Compared to the previous year, deposits from private clients have clearly stabilised. The share of sight deposits continues to decrease. Savings deposits show strong growth, particularly due to our direct banking service.



Customer deposits

2. FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The financial position and financial performance of the group remain solid and are in line with expectations.

Financial position

The customer loan portfolio increased by around EUR 73 million or 1.7% during the current financial year. In addition, the share of highly liquid assets grew compared to the first quarter of 2018.

Customer deposits fell by EUR 27 million. Furthermore, additional debt securities and liabilities to international financial institutions were obtained.

The increase in equity of almost EUR 16 million was mainly due to the consolidated result year-to-date and a decrease in the negative translation reserve.

Result of operations

At EUR 10.7 million, the consolidated result was lower than in the previous period. This was based primarily on the expected increase in loan loss provisioning expenses and the result from discontinued operations. The share of credit-impaired loans and the respective risk coverage ratio remained at the same level reported at year-end.

Net interest income fell slightly compared to the same period in the previous year. Interest income showed a relative increase of EUR 5 million. Interest expenses increased in Q1 2019 above all due to higher liquidity and a larger share of long-term liabilities in total liabilities.

Risk provisioning expenses, which were exceptionally low during the previous year, grew by EUR 2.5 million during the period.

Non-interest income is largely earned from fees and commissions. The EUR 1.2 million rise in net fee and commission income derives mostly from the introduction of our direct banking strategy during the previous year. Furthermore, the acquisition of new business clients leads to higher fee income from payment transactions.

Personnel and administrative expenses remained largely stable. The cost-income ratio remained at the level reported in the previous year, just under 70%.

The result from discontinued operations primarily includes the expected losses from the planned sale of shares in ProCredit Bank Colombia.

3. SEGMENT PERFORMANCE

Developments in the geographic segments South Eastern Europe, Eastern Europe and South America are presented below. The Germany segment is not shown separately. It essentially comprises the activities of ProCredit Holding, ProCredit Bank Germany and Quipu, which mainly perform supporting functions for the ProCredit banks.

in '000 EUR	01.01.–31.03.2019	01.01.–31.03.2018
South Eastern Europe	10,408	12,774
Eastern Europe	5,792	8,472
South America	-322	-233
Germany*	-3,361	-5,970
Discontinued Operations**	-1,842	-473
Profit of the period	10,675	14,570

* Segment Germany includes consolidation effects

** ProCredit Bank Colombia and ARDEC Mexico are shown as discontinued operations

a. South Eastern Europe

in EUR m			
Statement of Financial Position	31.03.2019	31.12.2018	Change
Customer loan portfolio (gross)	3,106.5	3,058.9	47.6
Customer deposits	2,652.6	2,705.7	-53.1
Statement of Profit or Loss	01.01.-31.03.2019	01.01.-31.03.2018	Change
Net interest income after allowances	26.5	29.9	-3.4
Net fee and commission income	9.0	8.0	1.0
Operating expenses	24.0	25.0	-1.0
Profit of the period	10.4	12.8	-2.4
Key performance indicators	31.03.2019	31.03.2018	Change
Change in customer loan portfolio	1.6%	2.4%	-0.8 pp
Cost-income ratio	66.4%	67.1%	-0.7 pp
Return on equity (ROE)	8.5%	10.7%	-2.2 pp
Additional indicators	31.03.2019	31.12.2018	Change
Customer deposits to customer loan portfolio	85.4%	88.5%	-3.1 pp
Net interest margin	2.6%	2.9%	-0.3 pp
Share of credit-impaired loans	3.0%	3.1%	-0.1 pp
Ratio of allowances to credit-impaired loans	92.6%	93.0%	-0.4 pp
Green customer loan portfolio	489.3	479.7	9.6

Statement of Financial Position, Profit or Loss, and other key figures for the South Eastern Europe segment

South Eastern Europe is the group's largest segment. The customer loan portfolio for the segment increased by EUR 48 million to EUR 3.1 billion. Particularly strong growth was recorded for our banks in Bulgaria, Serbia and Romania. The share of credit-impaired loans improved slightly, and the risk coverage ratio remained at the same level reported in the previous year.

Customer deposits in the segment fell by approximately EUR 53 million. In addition to the seasonal drop in business client deposits, customer deposits also declined as a result of individual restructuring measures from the previous financial year at the ProCredit banks in Kosovo and Albania.

Profit after tax decreased by EUR 2.4 million, particularly due to higher risk provisioning expenses compared to the very low level in the previous year and also a slight drop in net interest income. On the other hand, operating expenses were lower and net fee and commission income was increased further.

b. Eastern Europe

in EUR m			
Statement of Financial Position	31.03.2019	31.12.2018	Change
Customer loan portfolio (gross)	1,014.7	986.7	28.0
Customer deposits	703.7	701.7	2.0
Statement of Profit or Loss	01.01.-31.03.2019	01.01.-31.03.2018	Change
Net interest income after allowances	12.1	14.4	-2.3
Net fee and commission income	2.3	2.0	0.3
Operating expenses	8.2	6.9	1.2
Profit of the period	5.8	8.5	-2.7
Key performance indicators	31.03.2019	31.03.2018	Change
Change in customer loan portfolio	2.8%	4.2%	-1.4 pp
Cost-income ratio	46.5%	41.6%	4.9 pp
Return on equity (ROE)	12.3%	22.0%	-9.7 pp
Additional indicators	31.03.2019	31.12.2018	Change
Customer deposits to customer loan portfolio	69.3%	71.1%	-1.8 pp
Net interest margin	4.3%	4.6%	-0.3 pp
Share of credit-impaired loans	3.5%	3.3%	0.2 pp
Ratio of allowances to credit-impaired loans	84.7%	81.5%	3.2 pp
Green customer loan portfolio	155.5	148.8	6.8

Statement of Financial Position, Profit or Loss, and other key figures for the Eastern Europe segment

The loan portfolio for the Eastern Europe segment increased by EUR 28 million, with ProCredit Bank Ukraine reporting the strongest rise. The growth was slightly enhanced by positive currency effects. The share of credit-impaired loans worsened slightly, leading to higher risk provisioning expenses.

Customer deposits showed a small increase, attributable primarily to the rise in term deposits from private clients.

Profit after tax decreased by EUR 2.7 million, mainly due to higher risk provisioning expenses. Both net interest income and net fee and commission income showed moderate positive development. The increase in operating expenses was based largely on higher personnel and IT expenditures and more intensive marketing activities.

c. South America

in EUR m			
Statement of Financial Position	31.03.2019	31.12.2018	Change
Customer loan portfolio (gross)	241.0	270.6	-29.6
Customer deposits	117.1	146.9	-29.8
Statement of Profit or Loss	01.01.-31.03.2019	01.01.-31.03.2018	Change
Net interest income after allowances*	4.3	2.8	1.5
Net fee and commission income*	-0.1	-0.1	0.1
Operating expenses*	3.9	3.9	0.0
Profit of the period*	-0.3	-0.2	-0.1
Key performance indicators	31.03.2019	31.03.2018	Change
Change in customer loan portfolio*	5.7%	-3.4%	9.1 pp
Cost-income ratio*	111.1%	90.9%	20.2 pp
Return on equity (ROE)*	-2.5%	-1.9%	-0.6 pp
Additional indicators	31.03.2019	31.12.2018	Change
Customer deposits to customer loan portfolio	48.6%	54.3%	-5.7 pp
Net interest margin*	5.3%	5.0%	0.3 pp
Share of credit-impaired loans*	2.3%	2.5%	-0.2 pp
Ratio of allowances to credit-impaired loans*	98.8%	98.8%	0.0 pp
Green customer loan portfolio	25.4	29.7	-4.3

* For 2019 and 2018, only continuing business operations are presented (i.e. excluding ProCredit Bank Colombia and ARDEC Mexico)

Statement of Financial Position, Profit or Loss, and other key figures for the South America segment

After reclassifying ProCredit Bank Colombia under discontinued operations, the segment comprises ProCredit Bank Ecuador.

The customer loan portfolio of the bank increased by EUR 13 million. Customer deposits grew by EUR 1 million. The underlying financial development of the bank is positive. Net interest income increased, whereas risk provisioning expenses decreased due to improved portfolio quality. The slight decline in the results can be attributed to the elevated net other operating income in the previous year as well as non-recurring tax expenses during the current period.

4. RISK REPORTING

In accordance with our simple, transparent and sustainable business strategy, we follow a conservative risk strategy. The aim is to ensure the internal capital adequacy of the group and each individual bank at all times and to achieve stable results, despite volatile external conditions, by following a consistent group-wide approach to managing risks. The overall risk profile of the group is adequate and stable.

In general, the details given in the 2018 management report are still valid. An explanation will be given if there have been any changes in the methodology and processes involved in risk management.

Capital management

During the reporting period, the ProCredit group met all regulatory capital requirements at all times.

As of 31 March 2019, the CET1 and T1 capital ratios of the ProCredit group stood at 14.3%, and the total capital ratio was 17.0%. The capitalisation of the ProCredit group is thus comfortably above the regulatory requirements, which are currently set at 8.4% for the CET1 capital ratio, 10.4% for the T1 capital ratio and 13.0% for the total capital ratio.

in EUR m	31.03.2019	31.12.2018
Common equity (net of deductions)	683	678
Additional Tier 1 (net of deductions)	0	0
Tier 2 capital	131	130
Total capital	813	808
RWA total	4,770	4,700
o/w Credit risk	3,787	3,720
o/w Market risk (currency risk)	515	511
o/w Operational risk	467	467
o/w CVA risk	1	1
Common Equity Tier 1 capital ratio	14.3%	14.4%
Total capital ratio	17.0%	17.2%
Leverage ratio (CRR)	11.0%	11.0%

Own Funds, Risk-weighted assets and Capital Ratios

During the first quarter of the year, the internal capital adequacy and stress resistance of the ProCredit group were ensured at all times. This is also reflected in the development of the group's individual risks, as briefly described below.

Credit risk

Credit risk is the most significant risk facing the ProCredit group. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Customer credit exposures account for the largest share. At group and bank level, the customer loan portfolio is monitored continuously for possible risk-relevant developments. The riskiness of a client is determined using a range of indicators, including the risk classification, restructuring status and client compliance with contractual payment requirements. Loss allowances are established in line with the defined group standards, which are based on IFRS 9. The forward-looking expected credit loss (ECL) model is the central element of the approach to quantifying loss allowances. Accordingly, all credit exposures to customers are allocated among three stages, with a distinct provisioning methodology applied to each group.

in '000 EUR	Stage 1	Stage 2		Stage 3			POCI			Total
	12-month ECL	Lifetime ECL		Lifetime ECL			POCI			
		0-30 days	31-90 days	0-30 days	31-90 days	> 90 days	0-30 days	31-90 days	> 90 days	
Germany										
Gross outstanding amount	60,584	0	0	0	0	0	0	0	0	60,584
Loss allowances	-363	0	0	0	0	0	0	0	0	-363
Carrying amount	60,221	0	0	0	0	0	0	0	0	60,221
South Eastern Europe										
Gross outstanding amount	2,939,825	63,313	9,002	28,839	7,419	56,314	1,708	0	36	3,106,455
Loss allowances	-23,332	-9,457	-1,273	-10,479	-2,802	-39,791	-221	0	0	-87,357
Carrying amount	2,916,493	53,856	7,729	18,360	4,616	16,523	1,487	0	35	3,019,099
Eastern Europe										
Gross outstanding amount	959,344	16,620	3,363	10,749	1,829	21,735	478	0	558	1,014,675
Loss allowances	-8,667	-1,883	-482	-3,973	-729	-13,826	-80	0	-303	-29,942
Carrying amount	950,677	14,737	2,881	6,776	1,100	7,909	399	0	255	984,733
South America										
Gross outstanding amount	224,528	9,668	1,153	1,739	261	3,624	0	0	0	240,972
Loss allowances	-1,902	-326	-37	-562	-94	-2,637	0	0	0	-5,557
Carrying amount	222,625	9,342	1,116	1,178	167	987	0	0	0	235,415
in '000 EUR										
As of 31 December 2018	Stage 1	Stage 2		Stage 3			POCI			Total
	12-month ECL	Lifetime ECL		Lifetime ECL			POCI			
		0-30 days	31-90 days	0-30 days	31-90 days	> 90 days	0-30 days	31-90 days	> 90 days	
Germany										
Gross outstanding amount	75,987	0	0	0	0	0	0	0	0	75,987
Loss allowances	-432	0	0	0	0	0	0	0	0	-432
Carrying amount	75,555	0	0	0	0	0	0	0	0	75,555
South Eastern Europe										
Gross outstanding amount	2,899,888	58,437	6,114	32,447	3,929	56,710	1,318	0	25	3,058,869
Loss allowances	-23,376	-9,090	-971	-12,273	-1,448	-40,502	-168	0	-9	-87,837
Carrying amount	2,876,512	49,347	5,143	20,174	2,482	16,208	1,150	0	16	2,971,032
Eastern Europe										
Gross outstanding amount	934,423	15,204	4,435	18,166	3,201	10,255	489	15	510	986,697
Loss allowances	-8,470	-1,839	-699	-6,117	-1,533	-7,624	-37	-7	-264	-26,591
Carrying amount	925,953	13,365	3,735	12,049	1,668	2,631	452	8	245	960,106
South America										
Gross outstanding amount	245,129	14,209	1,450	3,608	309	5,703	212	0	0	270,620
Loss allowances	-2,703	-781	-73	-1,642	-160	-4,118	-7	0	0	-9,484
Carrying amount	242,426	13,427	1,377	1,966	149	1,585	205	0	0	261,136

Risk provisioning in customer lending activities

The positive long-term development of portfolio quality is based on our clear focus on small and medium-sized businesses, as well as careful credit analysis and customer service. In the first quarter, the share of credit-impaired loans remained at the level reported at year-end, 3.1%. The respective risk coverage ratio likewise remained stable at 91.1%.

In addition to counterparty risk, foreign currency risk, interest rate risk, liquidity and funding risk, operational risk, business risk and model risk are significant for the ProCredit group. There have been no substantial changes to any of these risks; therefore, the statements from the 2018 annual report still apply.

5. OUTLOOK

Based on the information available at the time of publication, we assume that the statements made in the annual report of 31 December 2018 concerning opportunities, risks and forecasts remain valid.

ProCredit Holding negotiated a share purchase agreement to sell its shares in ProCredit Bank Colombia. The planned transaction is pending approval from the Colombian banking supervision. The current result of the bank and its assets and liabilities have been presented under discontinued operations. An additional negative P&L impact is expected from the planned deconsolidation of the bank due to the release of related equity reserves.

6. SELECTED FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

in '000 EUR	01.01.-31.03.2019	01.01.-31.03.2018
Interest income	70,731	65,613
Interest expenses	25,345	19,668
Net interest income	45,386	45,945
Loss allowance	2,084	-442
Net interest income after allowances	43,302	46,387
Fee and commission income	16,726	14,869
Fee and commission expenses	3,984	3,416
Net fee and commission income	12,741	11,453
Result from foreign exchange transactions	2,721	2,275
Result from derivative financial instruments	221	64
Result from investment securities	0	0
Result on derecognition of financial assets measured at amortised cost	-21	0
Net other operating income	-2,013	-1,326
Operating income	56,951	58,853
Personnel expenses	19,060	19,075
Administrative expenses	22,166	21,643
Operating expenses	41,225	40,718
Profit before tax	15,726	18,135
Income tax expenses	3,209	3,092
Profit of the period from continuing operations	12,517	15,043
Profit of the period from discontinued operations	-1,842	-473
Profit of the period	10,675	14,570
Profit attributable to ProCredit shareholders	10,386	14,001
<i>from continuing operations</i>	12,158	14,445
<i>from discontinued operations</i>	-1,773	-444
Profit attributable to non-controlling interests	289	569
<i>from continuing operations</i>	359	599
<i>from discontinued operations</i>	-70	-30
Earnings per share* in EUR	0.18	0.24
<i>from continuing operations</i>	0.21	0.25
<i>from discontinued operations</i>	-0.03	-0.01

* Basic earnings per share were identical to diluted earnings per share

Consolidated Statement of Other Comprehensive Income

in '000 EUR	01.01.-31.03.2019	01.01.-31.03.2018
Profit of the period	10,675	14,570
Items that are or may be reclassified to profit or loss		
Change in revaluation reserve	592	118
<i>Reclassified to profit or loss</i>	0	0
<i>Change in value not recognised in profit or loss</i>	692	158
<i>Change in loss allowance</i>	-100	-40
Change in deferred tax on revaluation reserve	-81	-142
Change in translation reserve	7,998	7,643
<i>Reclassified to profit or loss</i>	92	0
<i>Change in value not recognised in profit or loss</i>	7,906	7,643
Other comprehensive income of the period, net of tax continuing operations	8,509	7,620
Other comprehensive income of the period, net of tax discontinued operations	-2,934	-2,670
Total comprehensive income of the period	16,250	19,520
Profit attributable to ProCredit shareholders	15,672	18,651
<i>from continuing operations</i>	20,389	21,664
<i>from discontinued operations</i>	-4,717	-3,012
Profit attributable to non-controlling interests	578	869
<i>from continuing operations</i>	637	999
<i>from discontinued operations</i>	-60	-131

Consolidated Statement of Financial Position

in '000 EUR	31.03.2019	31.12.2018
Assets		
Cash	126,340	157,945
Central bank balances	852,552	805,769
Loans and advances to banks	163,809	211,592
Derivative financial assets	1,003	1,307
Investment securities	269,332	297,308
Loans and advances to customers	4,299,468	4,267,829
Property, plant and equipment and investment properties	154,994	135,818
Intangible assets	22,058	22,191
Current tax assets	4,676	4,344
Deferred tax assets	990	1,405
Other assets	55,257	59,529
Assets held for sale	50,576	1,145
Total assets	6,001,055	5,966,184
Liabilities		
Liabilities to banks	194,701	200,813
Derivative financial liabilities	846	998
Liabilities to customers	3,768,593	3,825,938
Liabilities to international financial institutions	833,816	813,369
Debt securities	212,005	206,212
Other liabilities	40,864	18,448
Provisions	10,765	10,534
Current tax liabilities	2,190	2,483
Deferred tax liabilities	393	282
Subordinated debt	145,707	143,140
Liabilities related to assets held for sale	31,349	331
Total liabilities	5,241,229	5,222,549
Equity		
Subscribed capital	294,492	294,492
Capital reserve	146,784	146,784
Retained earnings	378,641	368,303
Translation reserve	-70,622	-75,392
Revaluation reserve	2,201	1,684
Equity attributable to ProCredit shareholders	751,496	735,872
Non-controlling interests	8,330	7,762
Total equity	759,826	743,634
Total equity and liabilities	6,001,055	5,966,184

7. FURTHER INFORMATION

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Forward-looking statements and forecasts

This report contains forward-looking statements. Forward-looking statements are statements that do not describe past events. They include statements on the assumptions and expectations of ProCredit Holding as well as underlying assumptions. These statements are based on the plans, estimates and forecasts currently available to the management of ProCredit Holding. Forward-looking statements therefore pertain solely to the date on which they are made. ProCredit Holding undertakes no obligation to update these statements in the event of new information or future events. Forward-looking statements naturally involve risks and uncertainties. A number of important factors can contribute to the fact that actual results may differ materially from forward-looking statements. These factors could include major disruptions in the Eurozone, a significant change in foreign trade or monetary policy, a worsening of the interest rate margin or pronounced exchange rate fluctuations. Should any of these factors arise, the impact could be manifested in decreased loan portfolio growth and an increase in past-due loans, and thus result in lower profitability.



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