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**ProCredit on the ground: ProCredit Bank Bulgaria**

Capital markets day, October 2021

**A** ProCredit Bank Bulgaria at a glance

B SME & private client profile

C What makes us different?

Appendix

## ProCredit Bank Bulgaria at a glance



- ▶ Established in Bulgaria in 2001
- ▶ 10th largest bank by total assets out of 25 banks (Jun-21)
- ▶ Impact-oriented with excellent loan portfolio quality and sustainable profitability
- ▶ Highly digitalized and specialized on business clients
- ▶ Focused and efficient network of locations
- ▶ ‘Hausbank’ for SME approach with focus on trusted, long-term client relationships
- ▶ Direct bank for private clients

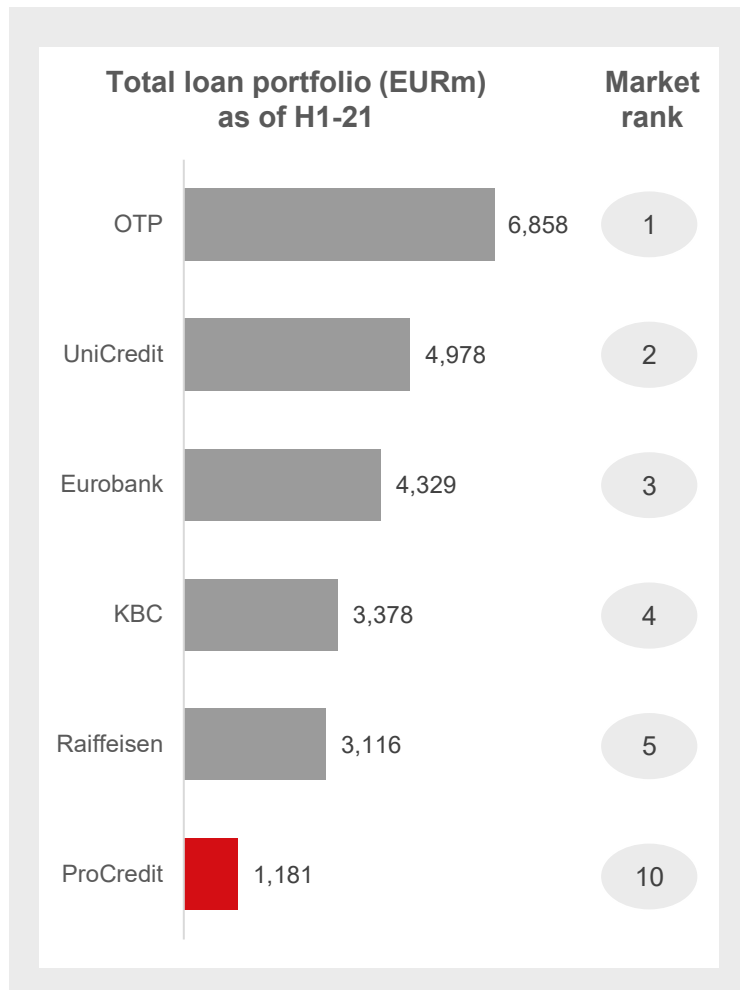


**Branches are situated in the largest Bulgarian cities as well as Thessaloniki – head office in Sofia**

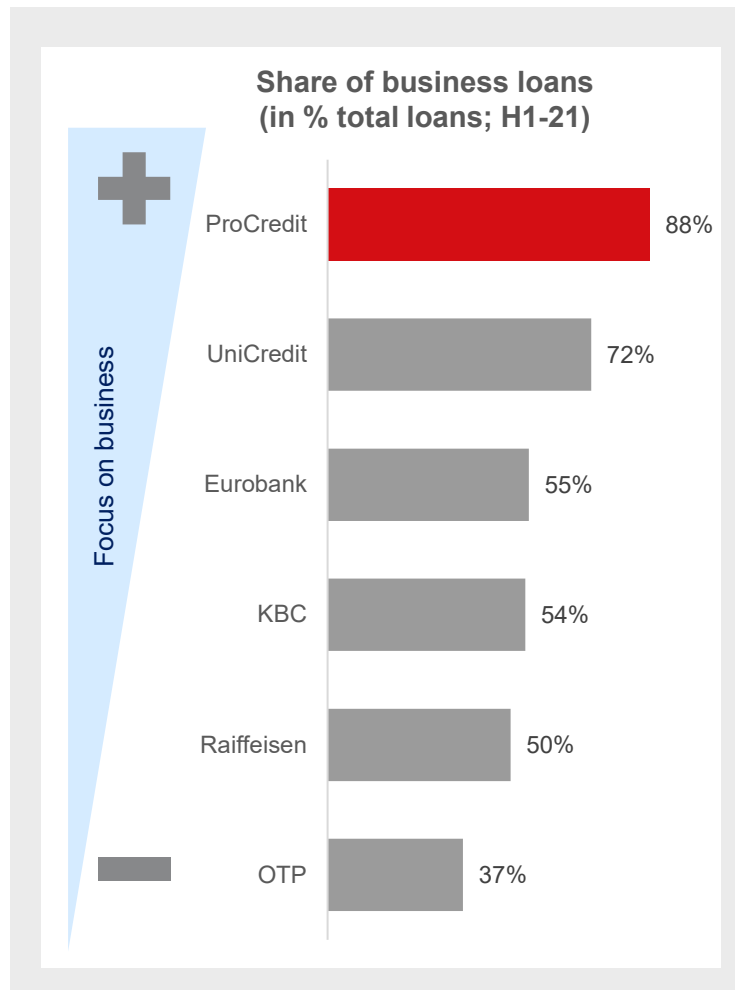


# Strong focus on SMEs supported by focused branch network and high degree of digitalization

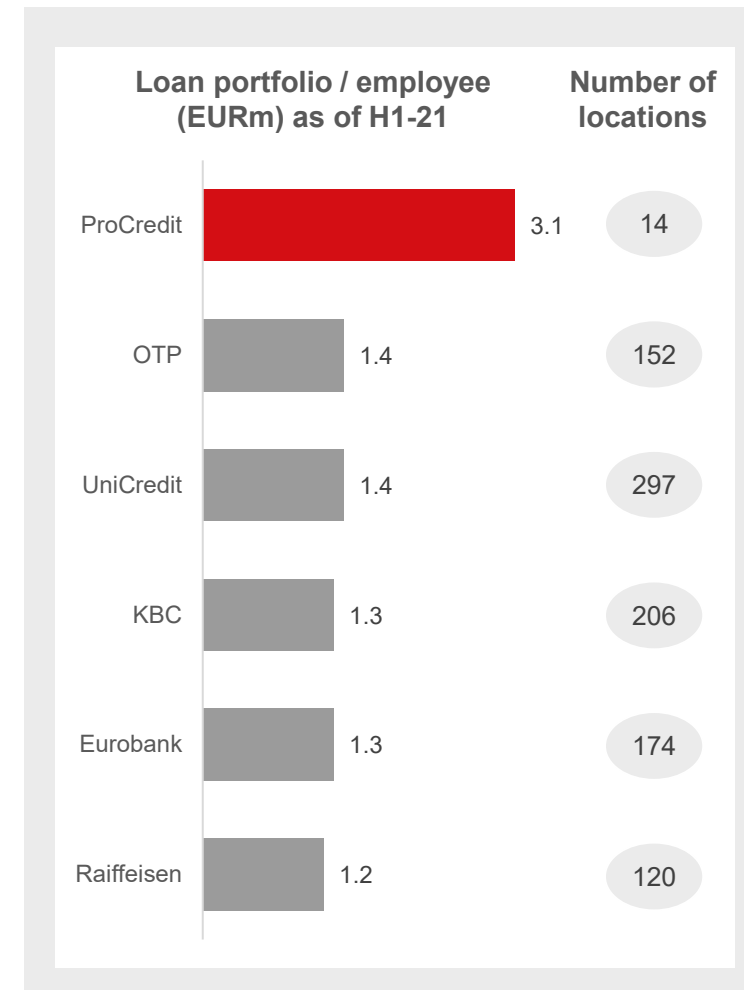
**ProCredit Bank Bulgaria is the 10th largest bank by overall loan portfolio**



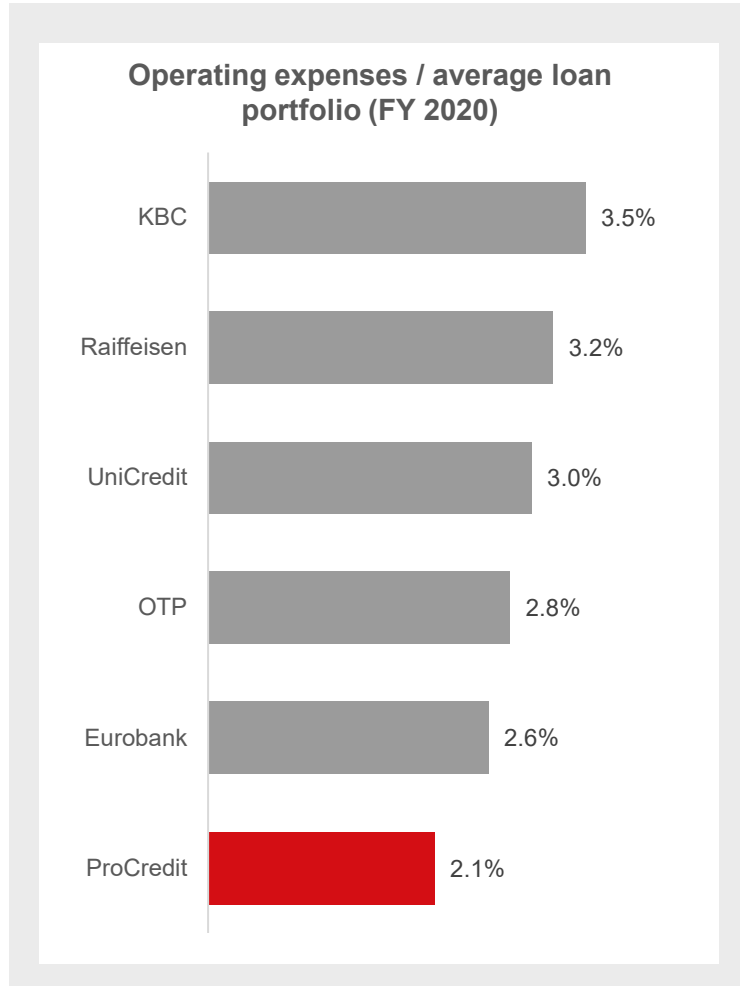
**Best-in-class focus on business lending ...**



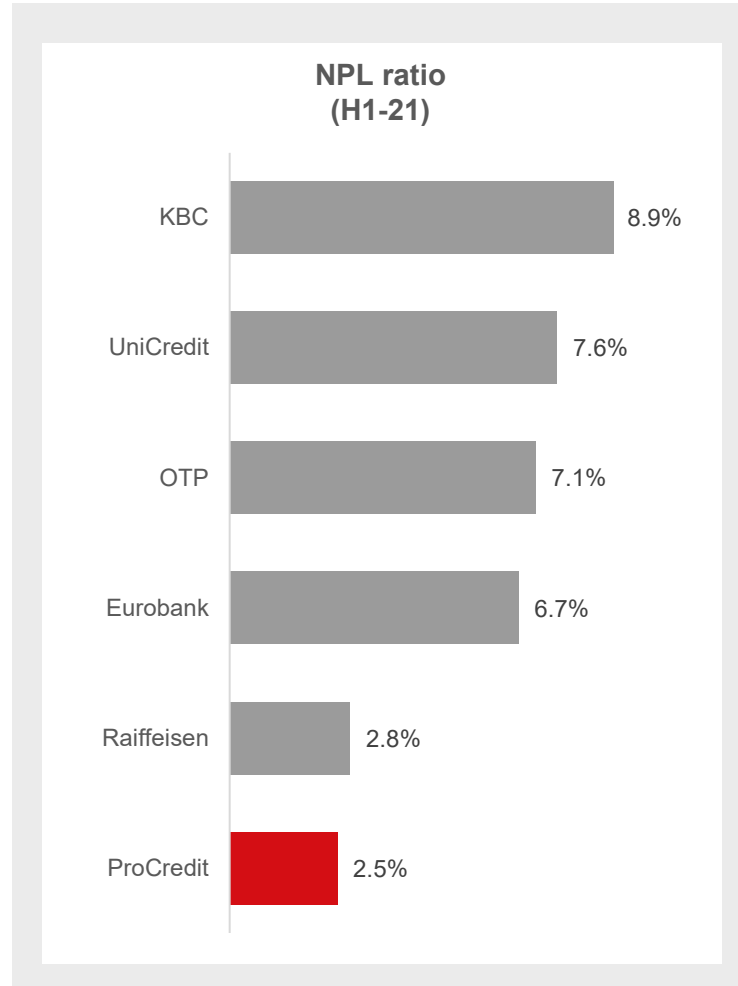
**... translating into highest loan portfolio per employee**



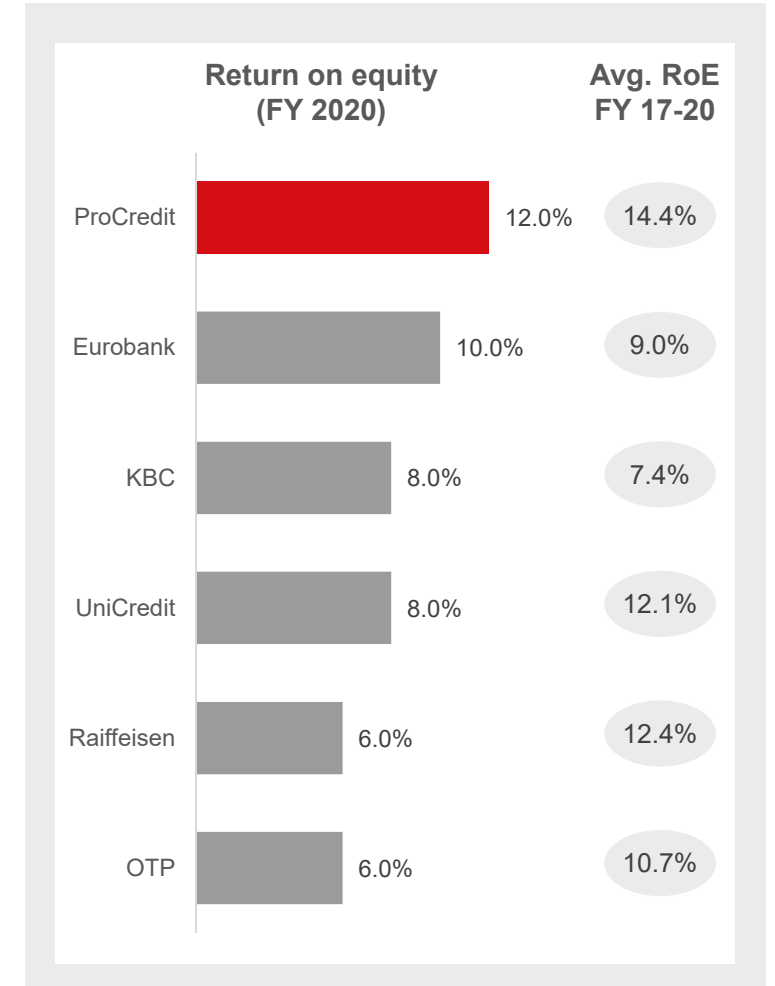
## Strong cost efficiency relative to loan portfolio ...



## ... and superior loan portfolio quality



## ... leading to both attractive and stable bottom line profitability



A ProCredit Bank Bulgaria at a glance

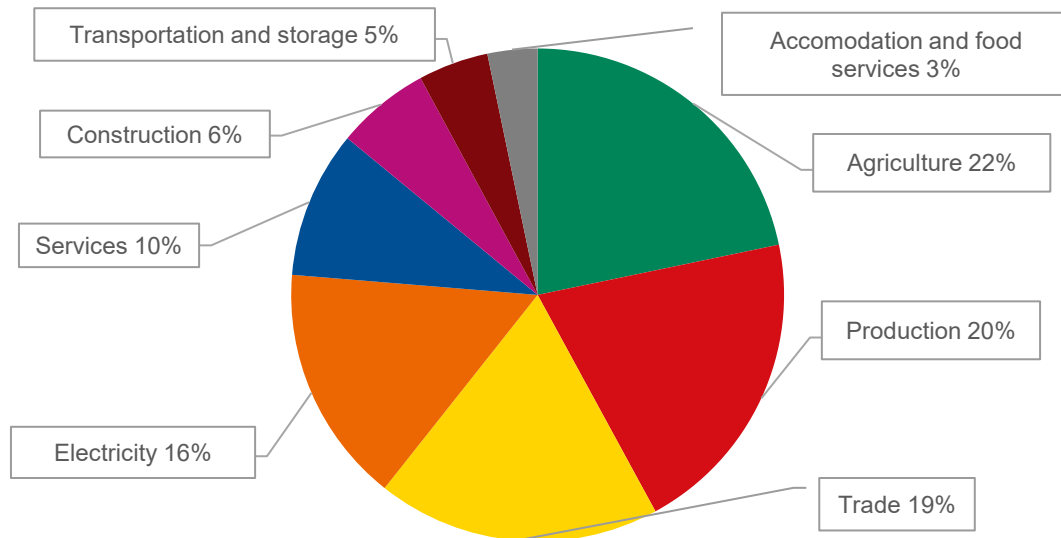
**B SME & private client profile**

C What makes us different?

Appendix

## Business client loan portfolio focused on industries driving the overall economic development and employment

Business clients loan portfolio by industry sectors Jun-21



## Innovative and forward looking SMEs as key target clients



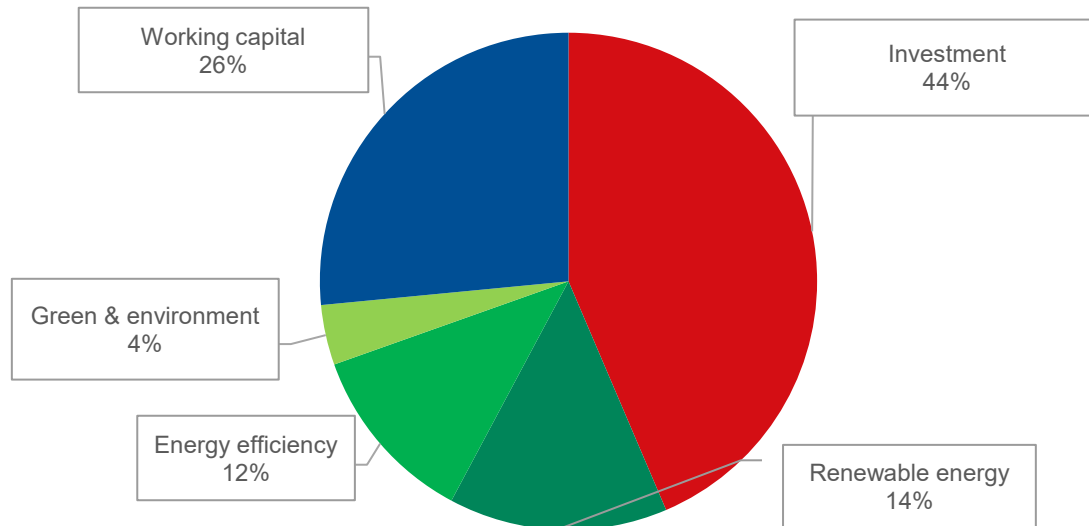
## Rationale and background for client focus

- ▶ SMEs contribute to 74% of employment and 64% of the GDP in Bulgaria
- ▶ Strong focus on industries driving economic development and innovation – generating employment and value added
- ▶ Financing is centered around forward-looking companies with sustainable business models



## Investment loans as targeted loan purpose ...

Business clients loan portfolio by purpose Jun-21



## ... with goal to be the preferred and trusted banking partner ('Hausbank')



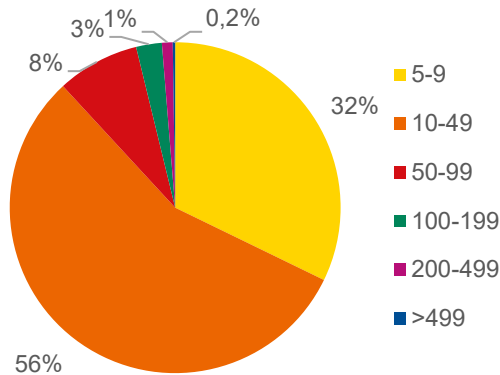
## Key highlights

- ▶ Unique focus on investment loans, comprising 74% of total loan portfolio as of Jun-21
- ▶ Green loans already account for 30% of total investment loans, with strong footprint in renewable energy finance
- ▶ Long-term client relationships as main goal, with currently ~80% of our Small clients' banking business with ProCredit Bank and ~60% of our Medium clients' banking transactions and financing is with ProCredit Bank

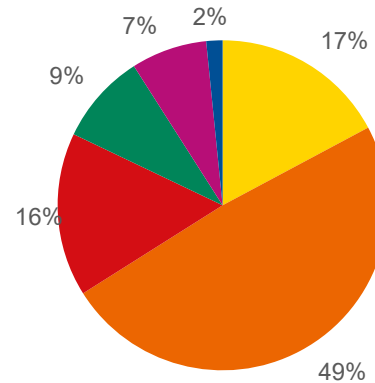
# Snapshot – business loan portfolio structure

## Companies with 5 – 99 employees form the bulk of both client base and loan portfolio

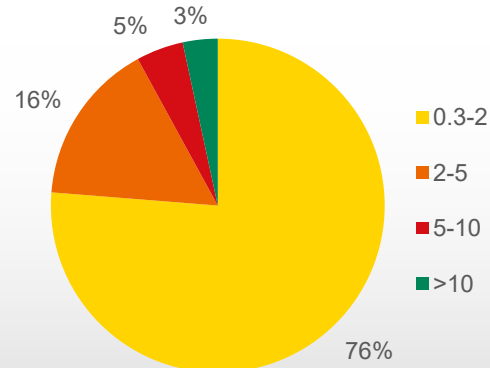
Business loan clients by number of company's employees



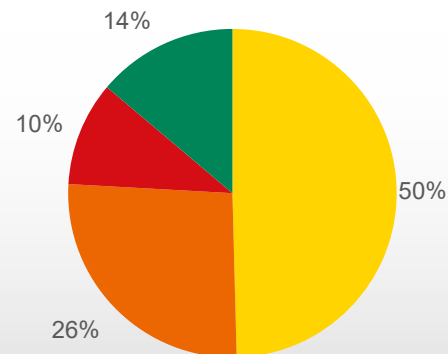
Business loan portfolio by number of company's employees



Business loan clients by company's annual turnover (EUR m)



Business loan portfolio by company's annual turnover (EUR m)



- ▶ 96% of business loan clients in the bucket 5 – 99 employees
- ▶ Loan portfolio also mainly driven by this client size, making up 82% of total loan portfolio
- ▶ In terms of annual company revenue, client structure largely dominated by clients with EUR 0.3 – 5m annual revenue
- ▶ Strong growth prospects driven by the fact that overall in the economy, 80% of companies generating between EUR 0.2m and EUR 3m annual revenue

# Selective approach towards clients as basis for successful and trusted long-term client relationships

## Clients we work with

- ✓ Clear ownership and good references on the market
- ✓ Established company with sustainable business model and financial results
- ✓ Reasonable business behavior towards investments and growth
- ✓ Long-term management engagement and clear development strategy
- ✓ Environmental and social aspects are integral part of the business
- ✓ Valuing transparency, digitalization and innovation



## Clients we do not work with

- ✗ Exclusion list
- ✗ Politically bound or with doubtful reputation
- ✗ Unclear ownership structure
- ✗ Speculative and other high-risk investments
- ✗ Reject “Hausbank” concept



### Case study: ELUKS LTD



**THE LIGHT FACTORY**  
The lighting systems you need.



- ▶ **Main activity:** production of luminaires with LED and energy saving fluorescent lighting, est. 1992
- ▶ **Total assets:** EUR 4.3m
- ▶ **Annual income:** EUR 3.9m
- ▶ **Staff:** 47
- ▶ **Counterparties:** 80% of production exported to France, Germany and the Netherlands; suppliers are Philips, Osram, Tridonik
- ▶ **Ownership:** Family business (3 owners, 2 generations); clear separation of duties
- ▶ **Business relationship:** ProCredit Bank is the Hausbank with more than 90% of the banking business (payments, loan facilities)
- ▶ **Financing:** EUR 2m mainly used for enlarging production premises, machinery and equipment purchase, PV installation for own use, electric cars
- ▶ **COVID-19:** Experienced shortage and delays in supplies during the pandemic, PCB granted working capital loan to support the business



## Selective approach towards private individuals and very small entrepreneurs

### Why private clients?

- ▶ 40% of the total deposit portfolio and 12% of the total loan portfolio of ProCredit Bank
- ▶ Part of the 'Hausbank' concept for SME clients
- ▶ Served entirely through digital channels – internet and mobile banking, no cash desk transactions.

### Client profile

- ▶ Business owners of SMEs and self-employed individuals
- ▶ Middle- and high-income salary receivers
- ▶ Very small family businesses: up to 5 employees and EUR 300,000 annual turnover
- ▶ Valuing transparency, simplicity and modern approach in banking services
- ▶ Having saving culture and responsibly planning their investments





### Case study: Customer support specialist



- ▶ **Client background:** Customer support specialist at a company producer of electronic components
- ▶ **Age:** 32-year old
- ▶ **Monthly income:** EUR 2,300
- ▶ **Co-debtor:** 30-year old, graphic designer on maternity leave
- ▶ **Client relationship with PCB:**
  - ▶ Current accounts, debit cards, TDA
  - ▶ Housing loan EUR 95,000 (market price EUR 120,000)

### Case study: KUSI LTD



- ▶ **Main activity:** Production and trade of bread, bakery products and sweets, est. 2015
- ▶ **Total assets:** EUR 30,000
- ▶ **Annual income:** EUR 125,000
- ▶ **Staff:** 7
- ▶ **Business structure:** Family business
- ▶ **Client relationship:**
  - ▶ ProCredit Bank is the only servicing bank
  - ▶ **Banking business:** payments, 24/7 transactions, business owners accounts
  - ▶ **Financing:** EUR 50,000 used for investment in new equipment for increasing of the production capacity

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## Selective client acquisition

- ▶ Selective and individual approach towards loan and non-loan clients
- ▶ Partnership and business discussions (no price or product-oriented approach)

## Banking services highly automated with focus on client experience

- ▶ 24/7 zones for automated services instead of cash transactions
- ▶ Comfortable and modern offices ensure cozy working atmosphere – no queues, available parking
- ▶ Modern platform for internet and mobile banking

## Lending as base for 'Hausbank' approach, not a separate product

- ▶ Defining a long-term overall credit limit per client, used in the form of different credits (no one-time deals)
- ▶ Environmental and social risk assessment is consistently incorporated in the financial and overall analysis



## Business client advisors ('BCA') as 'face to the client'

### BCA main responsibilities

- ▶ Proactive research and creation of opportunities for building new partnerships and portfolio development
- ▶ Proposals for efficient acquisition and long-term partnership with existing and potential clients
- ▶ Performing sound financial analysis and delivering banking solutions, according to specific business model and clients' needs

### BCA typical development

- ▶ Level 1 – ProCredit Onboarding programme: 6-month integration programme, covering all aspects of responsible banking
- ▶ Level 2 - Specialists courses and workshops
- ▶ Level 3 - ProCredit Banker academy: One-year course combining humanities and banking topics.
- ▶ Level 4 – ProCredit Management academy: Three-year course preparing selected staff for greater leadership responsibility

### BCA typical profile and motivation

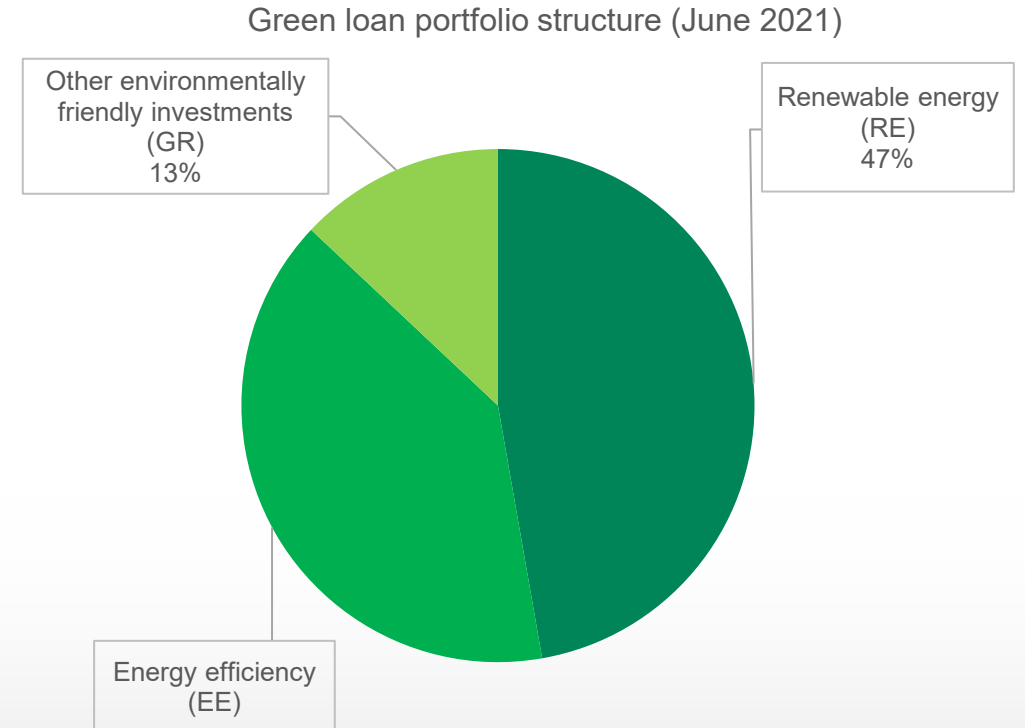
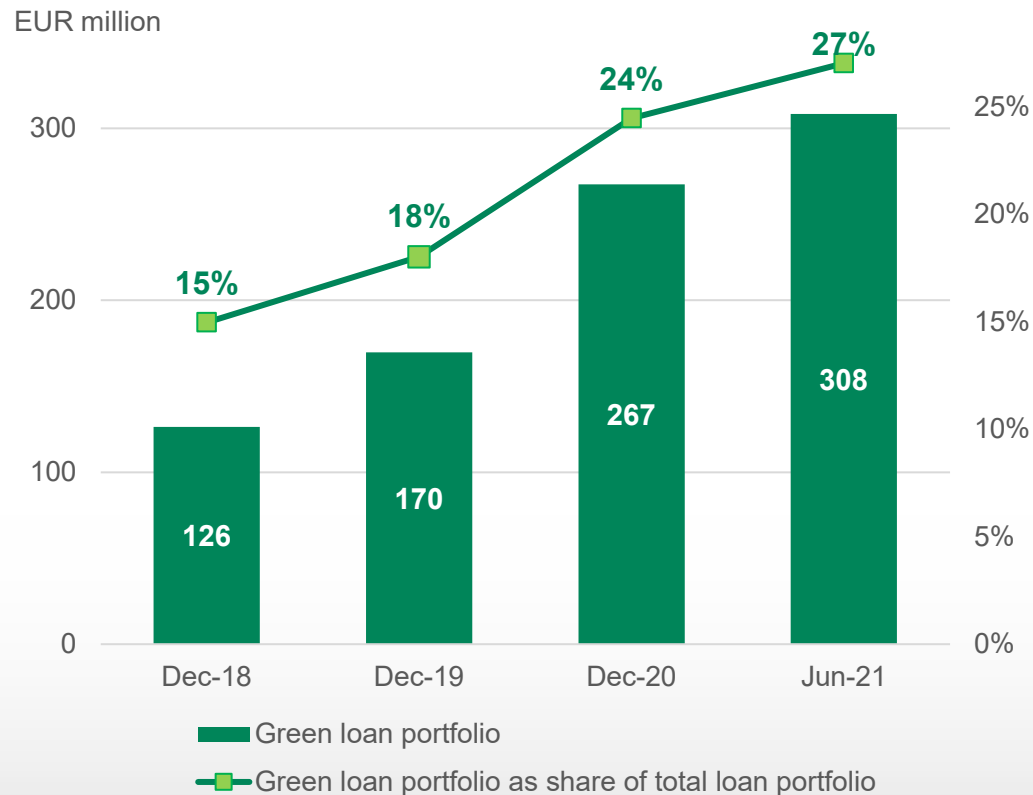
- ▶ Gender diversity (61% female), average time with ProCredit (12.4 years), average # of clients per BCA (82), average business loan portfolio per BCA (EUR 12,6m), average business deposit portfolio per BCA (EUR 8,9 m)
- ▶ Strong intrinsic motivation supported by staff development and trainings, equal opportunities, fair and transparent salary structure, no bonus scheme –avoiding contradiction with the responsible way of banking and leading to unwanted risk in the long term





## Strong growth of green loan portfolio with high share of renewable energy

- ✓ Environmental Management System in place
- ✓ Developed methodology and well-trained staff to identify and assess green investments
- ✓ Specialized team in Head office coordinating green activities and lending



## Case study: BULGARIAN ORGANIROSE LTD



- ▶ **Main activity:** Cultivating 100% organic roses for the production of organic rose oil and rose water (certified by CERES under EU organic certification regulations 834/07 and 889/08), est. 1998
- ▶ **Total assets:** EUR 1.1m
- ▶ **Annual income:** EUR 1.2m
- ▶ **Staff:** 17
- ▶ **Counterparties:** 100% of production exported to Asia
- ▶ **Ownership:** Family business
- ▶ **Client relationship:**
  - ▶ ProCredit Bank is the Hausbank – payments, loan facilities.
  - ▶ **Financing:** EUR 0.5m used for new energy efficient and water saving equipment





Slide 4 (charts for: Business loan portfolio/Share of business loan portfolio and Loan portfolio per employee/Number of locations):

- Data for competitors' loan portfolio taken from “Banks and Foreign Banks' Branches Data” as published by the Bulgarian National Bank (BNB) ([https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS\\_Q\\_202106\\_EN](https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS_Q_202106_EN) )
- Data for competitors' number of employees and number of locations taken from the institutions' annual reports, disclosures on their own internet sites and from Bulgarian Trade Registry.

Slide 5 (charts for Cost income ratio and Operating expenses to average loan portfolio):

- Data for competitors' financial results and loan portfolio taken from “Banks and Foreign Banks' Branches Data” as published by the BNB ([https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS\\_Q\\_202012\\_EN](https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS_Q_202012_EN) )

Slide 6 (charts for NPL ratio and Yearly gross write-offs):

- Data for competitors taken from their published annual financial statements and from “Banks and Foreign Banks' Branches Data” as published by the BNB.

Slide 7 (chart for RoAE):

- Data for competitors' financial results taken from “Banks and Foreign Banks' Branches Data” as published by the BNB ([https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS\\_Q\\_202106\\_EN](https://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIFinansReports/BSCIFRForeignBanks/BS_Q_202106_EN) )

Slide 9:

- Data for SMEs contribution to employment and valued added in Bulgaria taken from “Bulgaria - SME Fact Sheet 2021” as published by the European Commission (<https://ec.europa.eu/docsroom/documents/46068> )



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