



**An impact-oriented group of commercial banks
with a focus on SMEs in South Eastern and Eastern Europe**

Analyst workshop, March 2023 (updated as of 14th February 2024)

We strive to be the **leading SME bank** in our markets following **sustainable and impact-oriented** banking practices. Together with our **fully digital offering to private clients**, we want to generate **long-term sustainable returns** and create **positive impact** in the economies and societies we work in.



Group positioning as Hausbank for SMEs in Eastern Europe

Key elements of the ProCredit approach

- ▶ An **impact-oriented** group of commercial banks with a focus on **SMEs in South Eastern and Eastern Europe**. Headquartered in Frankfurt and supervised by BaFin and Bundesbank
- ▶ “**Hausbank**” for SMEs complemented by “**ProCredit Direct**” for Private Clients
- ▶ **Strong organic business growth**, to consistently grow market share without costly integration
- ▶ **High-quality loan portfolio** based on prudent risk management and long-term business relationships
- ▶ **Skilled, loyal staff** and **scalable technology** platform with no legacy systems
- ▶ **Profitable** every year since creation as a banking group
- ▶ Listed on the Frankfurt Stock Exchange with **strong ESG positioning**

ProCredit at a glance

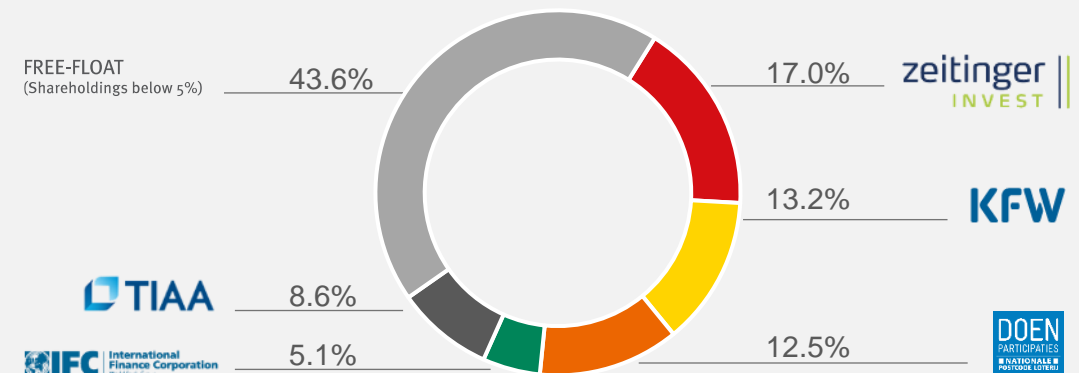
Hausbank
for SMEs

ProCredit Direct
for Private Clients

Impact and development orientation

ProCredit banks 12	Loan portfolio EUR 6,108m	Share of green loans 20.2%
CET1 ratio 13.5% (fully loaded)	Rating (Fitch) BBB (stable)	RoE (FY-22) 7.8% excl. Ukraine

Development-oriented shareholder base



Note: Illustration without EBRD until publication of according voting right notification, for further information please see the appendix

Impact orientation firmly integrated in the business model

Impact through business

- ▶ Supporting SMEs through the cycle
- ▶ No focus on consumer lending
- ▶ ESG assessment central to client selection and lending
- ▶ Promoting transparency
- ▶ Commitment to SDGs and signatory to UNEP FI & PCAF



Environmental responsibility

- ▶ Green loan portfolio > €1.2bn, avg. growth 13% p.a. since 2018
- ▶ Strict lending standards and exclusion list
- ▶ Internal measures for greener planet, including
 - ▶ plastic strategy
 - ▶ energy efficient buildings



Comprehensive staff development

- ▶ High diversity, gender parity
- ▶ Unique approach to staff recruitment and development
- ▶ Continuous value-based training in own academy
- ▶ Fair, transparent salary linked to training level; no variable components



Sustainable business model

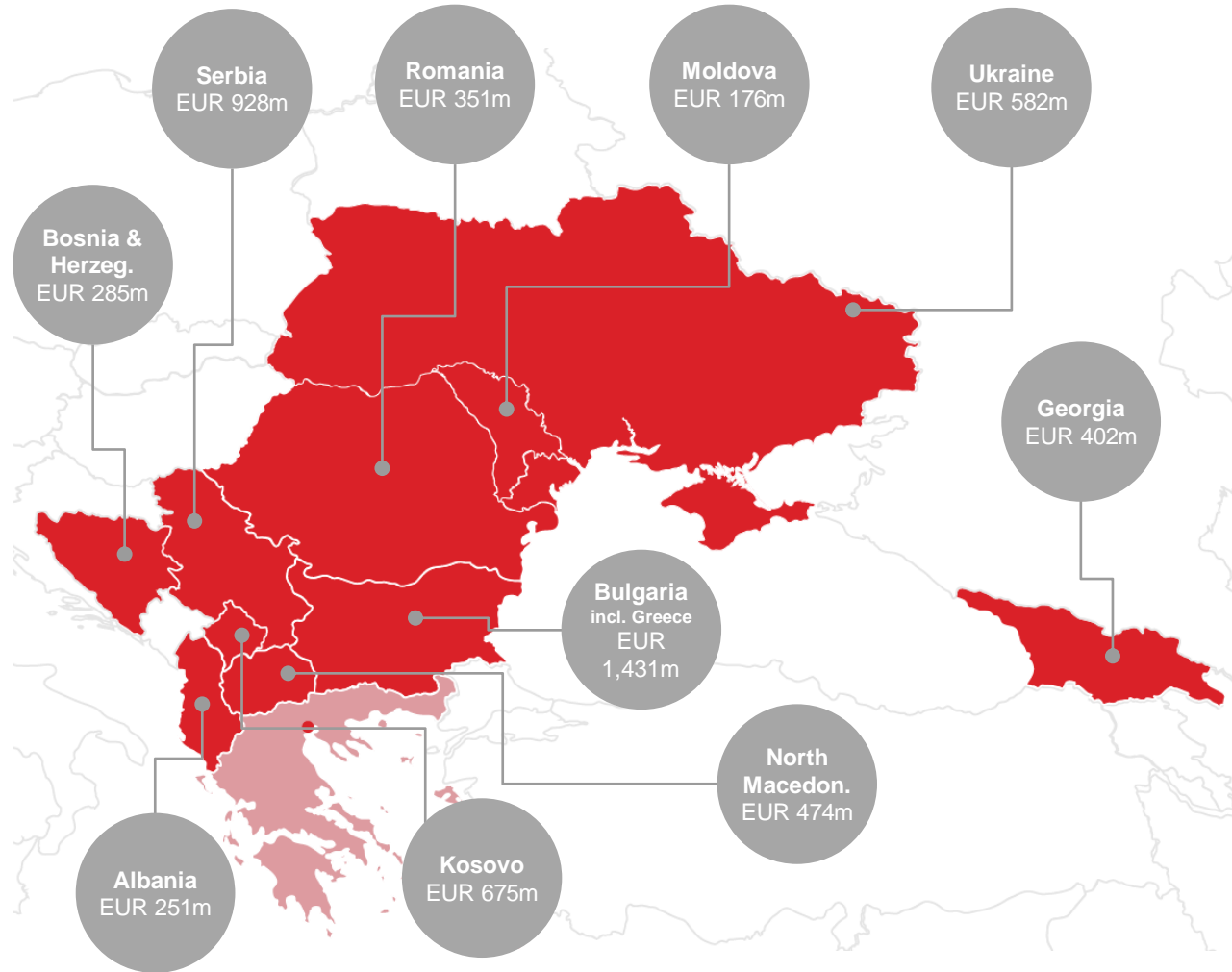
- ▶ Long-term client relationships
- ▶ Steady organic business growth
- ▶ Majority longer-term investment loans (> 3 years)
- ▶ NPLs and write-offs significantly below the banking sectors of operation
- ▶ Profitable every year since creation as a banking group



Strong regional footprint across South Eastern and Eastern Europe

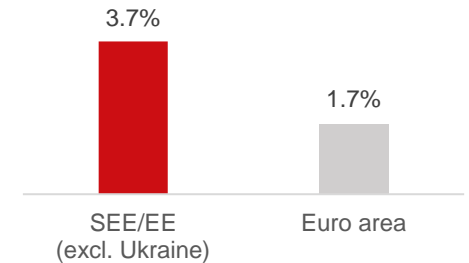
Well diversified loan portfolio

- ▶ Strong footprint in SEE (72% of total loan portfolio) and EE (19%)
- ▶ Complemented by further operations in Ecuador (8%) and Germany (1%)
- ▶ Well diversified loan portfolio with operations in 12 countries
- ▶ Largest single bank (Bulgaria) accounting for only 23% of total loan portfolio

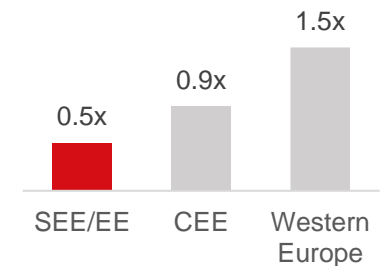


Key macro drivers

GDP growth outlook
(median real GDP growth p.a. 2024 - 27)



Banking sector penetration
(loans/GDP 2021, median)



High importance of SMEs in SEE/EE

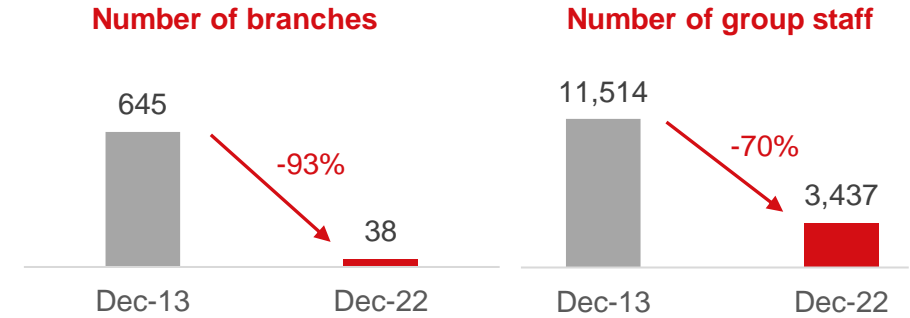


We partner with SMEs – the ProCredit “Hausbank” principle

Our approach to SMEs is based both client relationship and technology



ProCredit digital transformation



Highly tailored approach to serve target SME clients ...

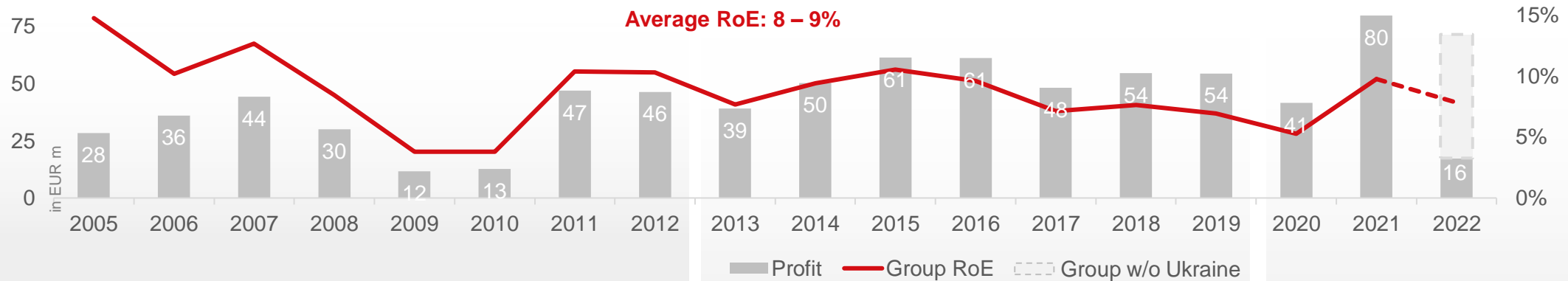
- ▶ Trustful long-term relationships and true understanding of clients’ needs and risks: working with forward-looking SMEs investing in innovation and green technology
- ▶ ‘Hausbank approach’: SMEs which bank fully with ProCredit, e.g. loans, cards, transactions, deposits
- ▶ Business Client Advisers’ central to ProCredit client relationships: focus on client and risk
- ▶ Strong technology with natively integrated and scalable technology infrastructure, secured and intuitive front-end channels, highly automated back-end



... complemented by ProCredit Direct, an entirely digital offer for Private Clients

Track record of profitability through the economic cycle

Long-term financial stability and attractive profitability



Foundation and expansion:

- ▶ First bank founded in Bosnia in 1998; rapid expansion in Eastern Europe, South America and Africa offering loans to very small, small and medium enterprises
- ▶ Foundation of ProCredit Holding
- ▶ First green loans for energy efficiency and renewable energy investments in 2006
- ▶ Start of positioning as “Hausbank” for SMEs in 2008
- ▶ Managed financial crisis of 2008 – 2010 with positive results

Strategic refocussing & restructuring:

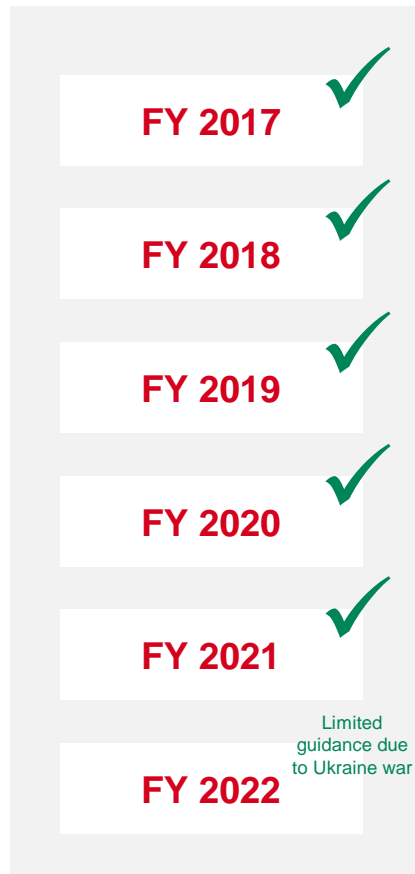
- ▶ Sharpening of group profile in terms of regional focus on SEE/EE and SME finance
- ▶ Divestment of operations in Africa and Latin America; strong reduction of staff and branches in remaining markets by ~80%
- ▶ Green finance and Direct Banking approach fully implemented
- ▶ Listing of ProCredit Holding on the Frankfurt Stock Exchange in 2016

Hausbank for SMEs in SEE/EE:

- ▶ Banks leveraging lean and digital structures
- ▶ SEE/EE account for 91%, SMEs for 91% of total loans
- ▶ Strong performance in pandemic 2020/21
- ▶ FY-22 with good operational performance of group excl. PCB Ukraine (7.8% RoE, reported 1.9%)

Update on group medium-term guidance, key drivers and measures

Delivery on guidance in past years



Good operational progress and enhanced strategic priorities driving update of group medium-term outlook

Medium-term targets (previous)	Management assessment / key milestones achieved	
~10% loan portfolio growth	Good execution of growth target, strategy going forward focused even more on 'profitable growth' (vs. top line growth)	✓
~10% RoE	Profitability level largely reached on an underlying basis, with clear further upside potential identified	✓
<60% CIR	Good progress achieved, however, inflation impact on operating expenses clearly visible	□
20% share of green loans	Target level achieved, with further build up core to ProCredit business and environmental impact strategy	✓

Medium-term outlook for ProCredit group

▶ Growth of the loan portfolio	Medium to high single digit percentage growth p.a.
▶ Return on equity (RoE)	~12% <i>(based on 25 – 30 bps risk cost over the cycle)</i>
▶ Cost-income ratio (CIR)	~57% <i>(without one-off effects)</i>
▶ Green loan portfolio	25% share of total loan portfolio

Assumption on PCB Ukraine included in medium-term guidance:

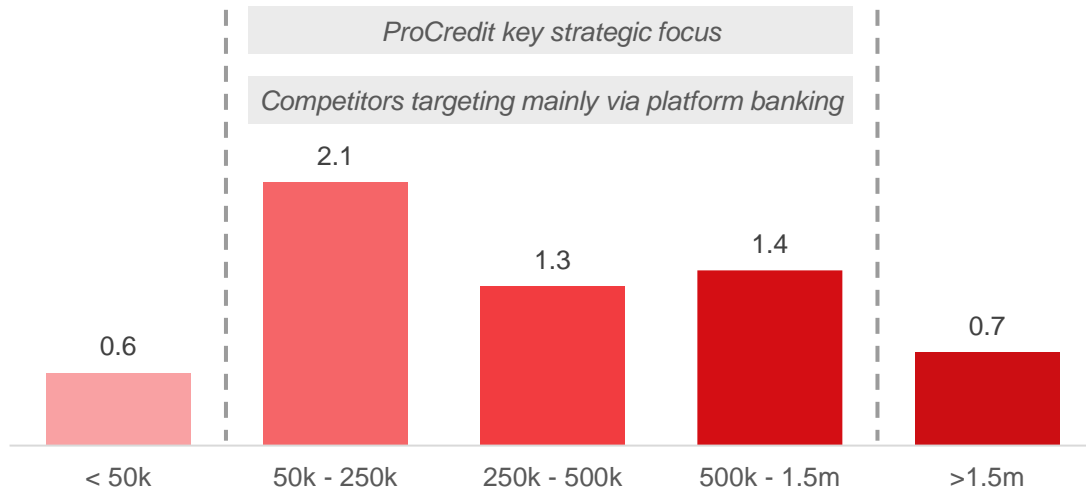
Moderate bottom line group contribution from 2024 onwards (upper single digit to lower double digit €m p.a.).

Risk factors that apply to the medium-term guidance are included in the appendix of this presentation.



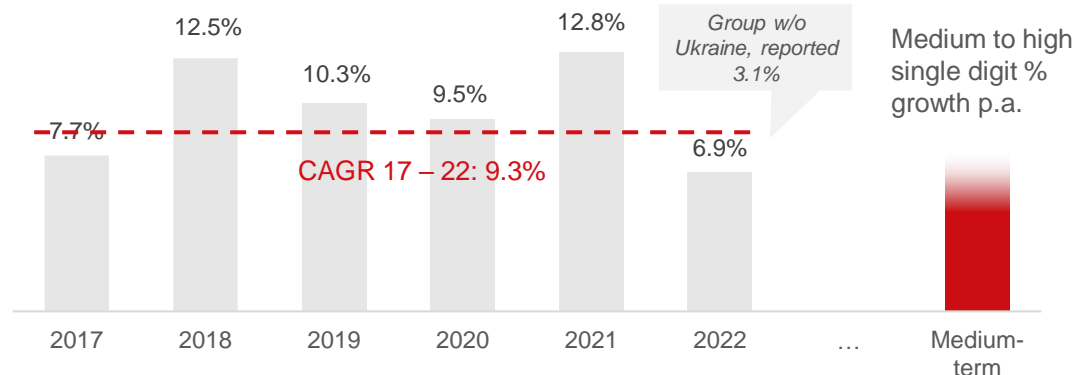
Competitive edge in focus on small to medium loan clients

Distribution of loan sizes in overall loan portfolio (€bn)



Loan portfolio growth outlook

Development loan portfolio (€bn), illustrative



Selected key indicators and strategic direction

64 k
total # of SME clients

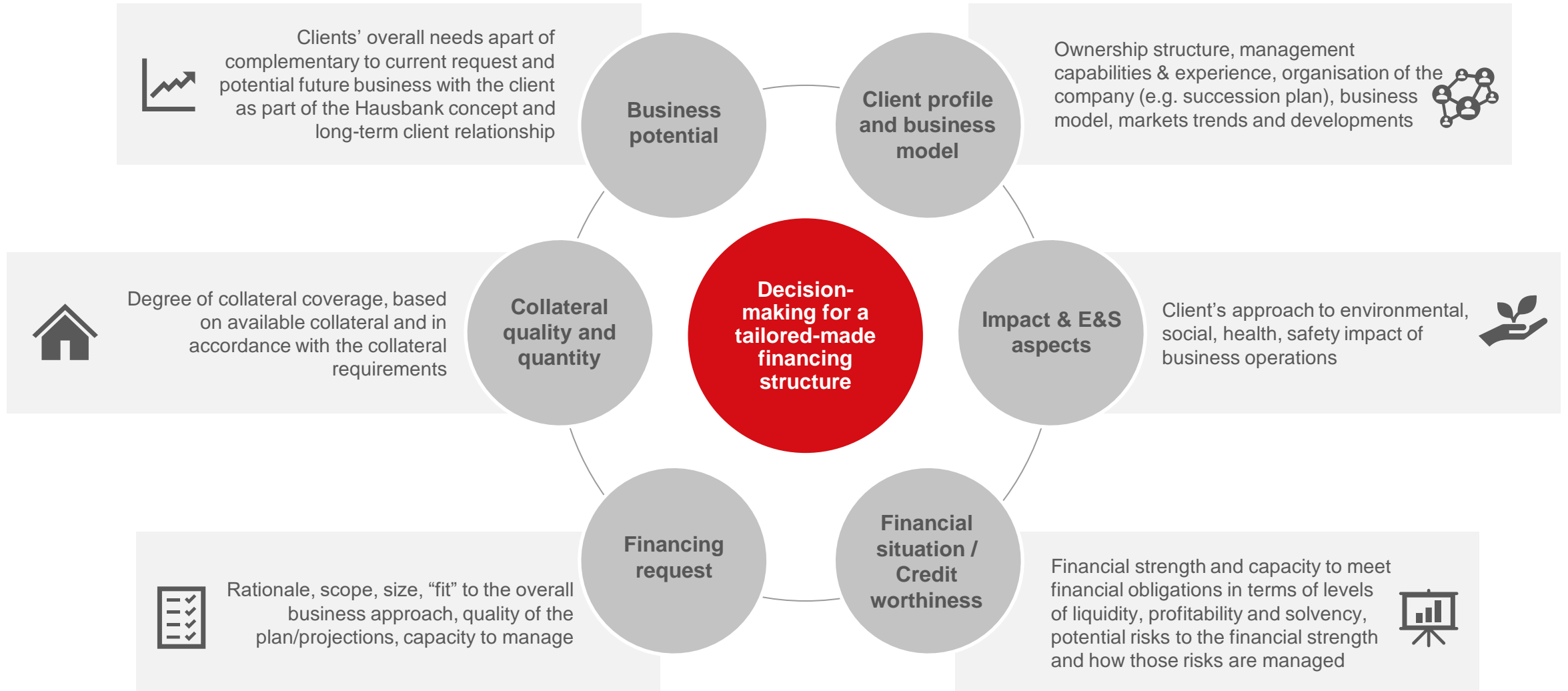
+3.5%
growth yoy in # of SME clients

c. 50%
of clients are non-loan clients

- ▶ Established, trusted relationship to growing SMEs with long-lasting duration of SME client relationship
- ▶ Interaction with clients significantly differs versus other banks, generating competitive advantage in terms of business and credit risk data points
- ▶ Key targets include:
 - ▶ Continue 'Hausbank' strategy to growth with target SME clients in relevant size buckets (mainly EUR 50k – 1.5m loan sizes)
 - ▶ Strategic focus of min. 50% of total group growth in those segments
 - ▶ Continue profitable loan growth from i. demand for larger loan sizes as existing SME clients grow, ii. additional banking business from existing SME clients in line with 'Hausbank' approach, iii. new client growth
 - ▶ Recent growth in non-loan clients above growth in loan clients and remains strategic priority as capital-light and builds strong pipeline for future volume growth



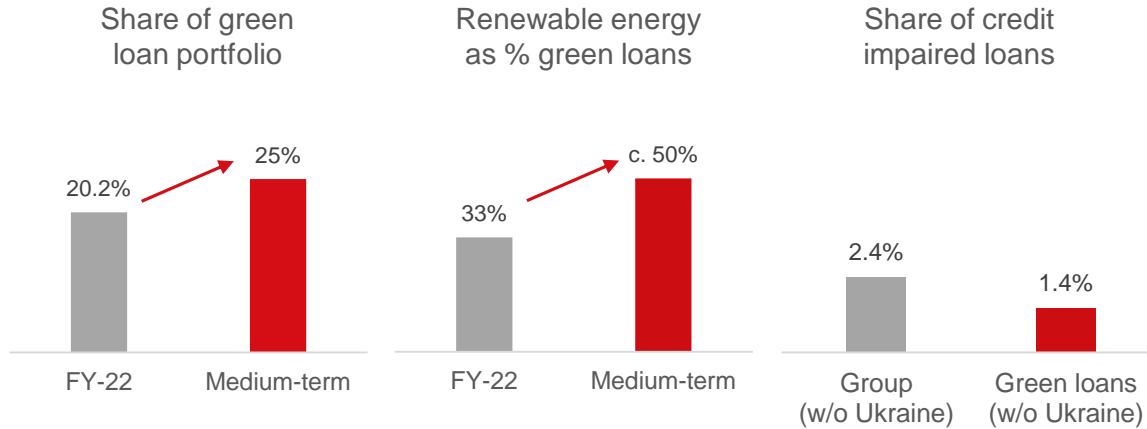
360° integrated view on client situation in all cases





Expansion of green loan portfolio at attractive risk parameters

Growing share of green loans, particularly renewable energy

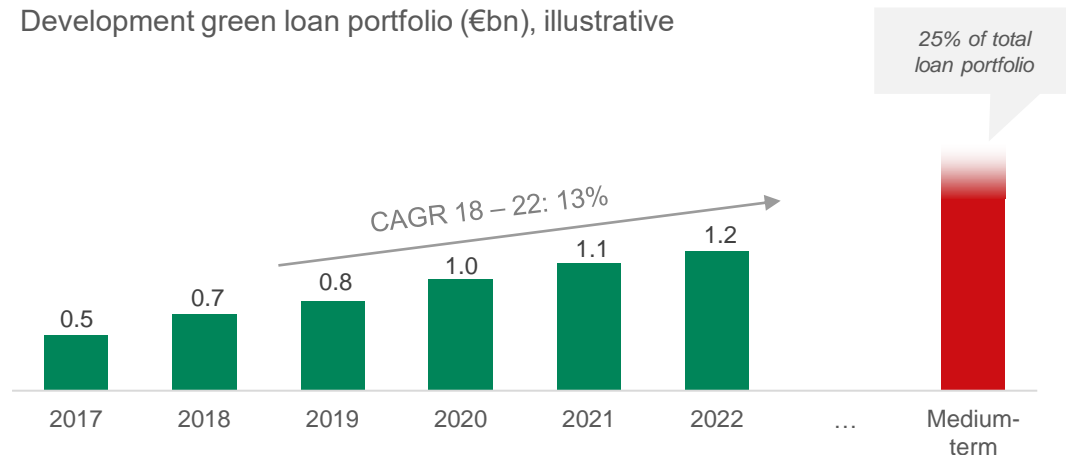


Key strategic direction

- ▶ Leverage existing employees and technologies to continued growth in green lending, targeting 25% share of total loan portfolio
- ▶ Significant investments in green lending capabilities in the past: dedicated Environmental Units in each bank plus expertise in Holding
- ▶ Green loans typically with high payback certainty, with strong client profile of forward-looking SMEs resulting in good risk profile and low credit impaired loans

Green loan portfolio growth outlook

Development green loan portfolio (€bn), illustrative

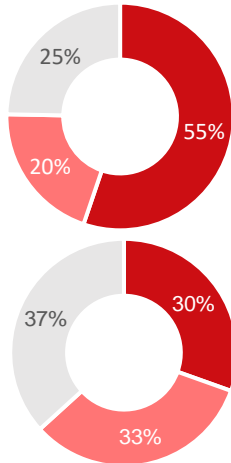
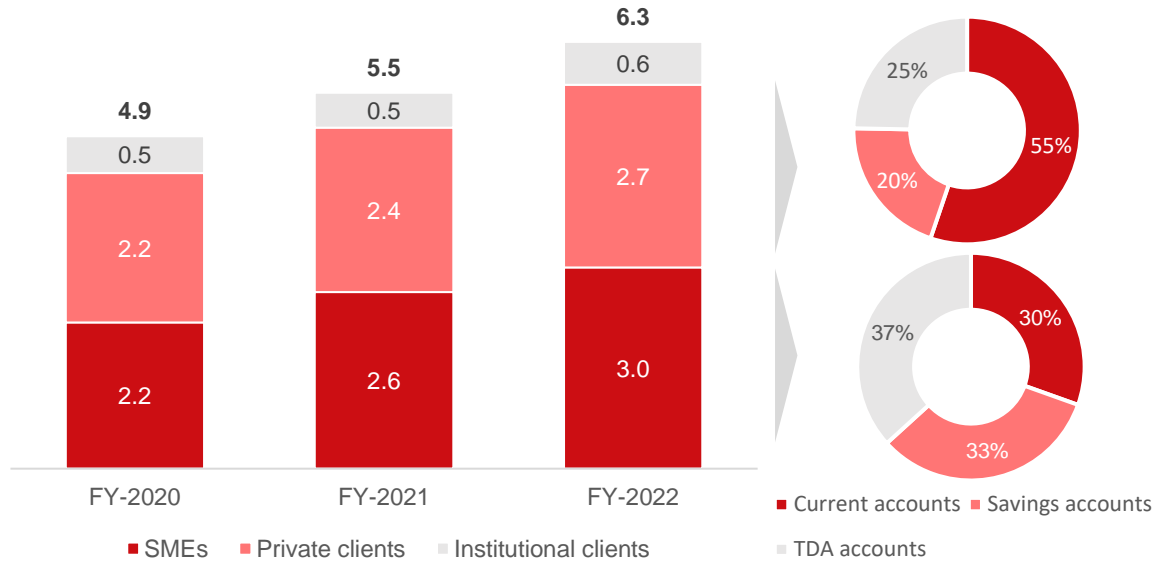




Deposit growth mainly through digital banking channels

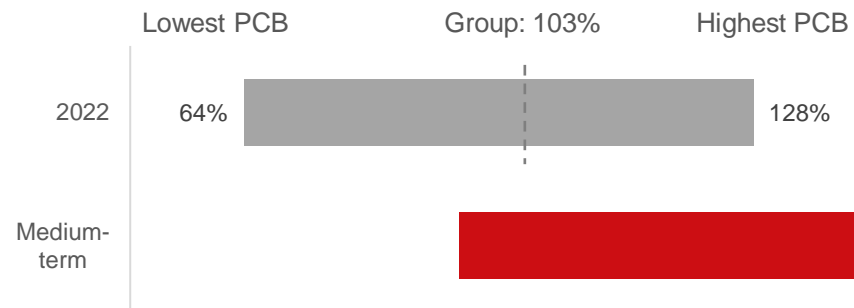
ProCredit SME and private client approach driving deposits

Development of deposits by client group (€bn)



Strategic management of loan and deposit growth

Deposit/ loan ratios on bank level, illustrative



Selected key indicators and strategic direction

0.3%
cost of deposits
(FY-22, SEE)

1.8%
cost of non-customer
funding (FY-22, SEE)

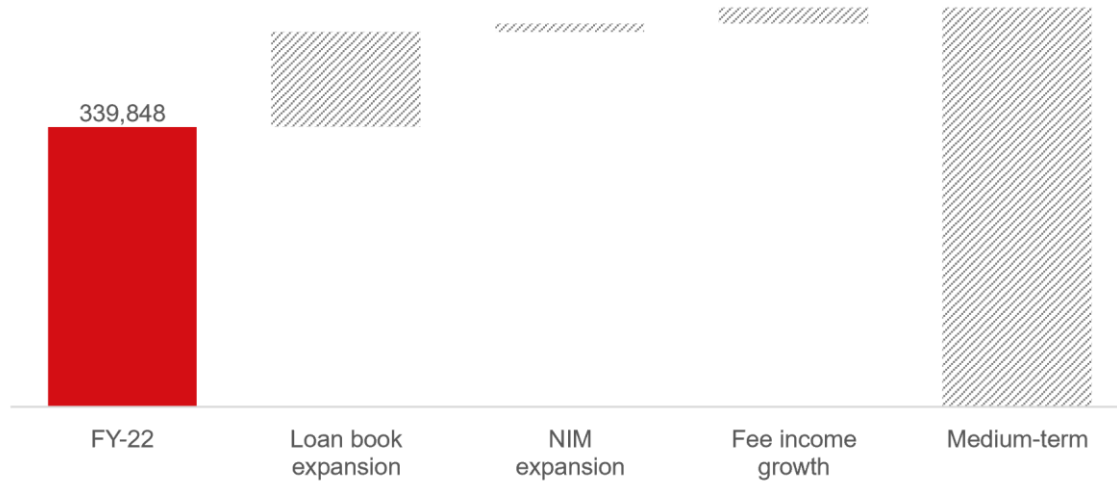
0.6%
average total cost of
funds (FY-22, SEE)

- ▶ Attract and grow with target SME clients, both on loans and deposit side
- ▶ 100% of clients have deposits with ProCredit – current account as requirement to bank with ProCredit
- ▶ Continue focus on SMEs which bank fully with ProCredit: e.g. loans, cards, transactions, deposits
- ▶ Focus on target private clients (middle income and higher earners, associated with SME owners), looking for modern, transparent and reliable banking services
- ▶ Strategic increase in deposit/ loan ratios on individual bank level both via targeted loan growth and targeted deposit gathering
- ▶ Continuous promotion of current and saving accounts as lower-priced deposits, with weight and funding cost differing per bank; complemented by TDA accounts
- ▶ Increase in average deposit cost anticipated both on group and segment level, with 2022 showing increased costs for customer deposits (Q4-22 approx. +20bps yoy); with difference on segmental level as SEE significantly below EE



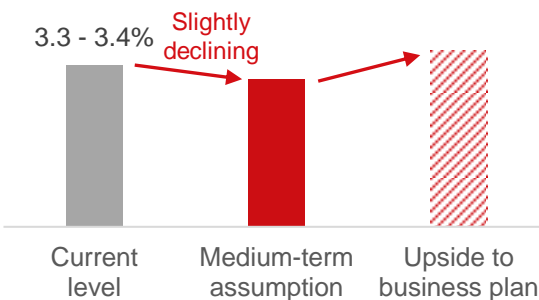
Loan growth largest driver for operating income growth

Illustrative operating income development, illustrative

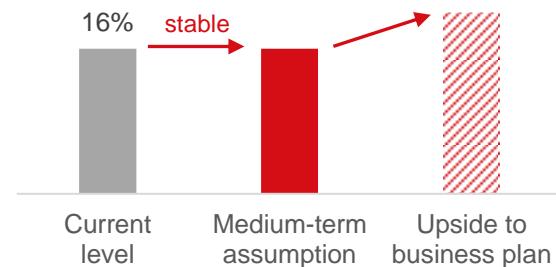


Conservative assumptions embedded in group business plan

Net interest margin, illustrative



Fee income as % of operating income, illustrative



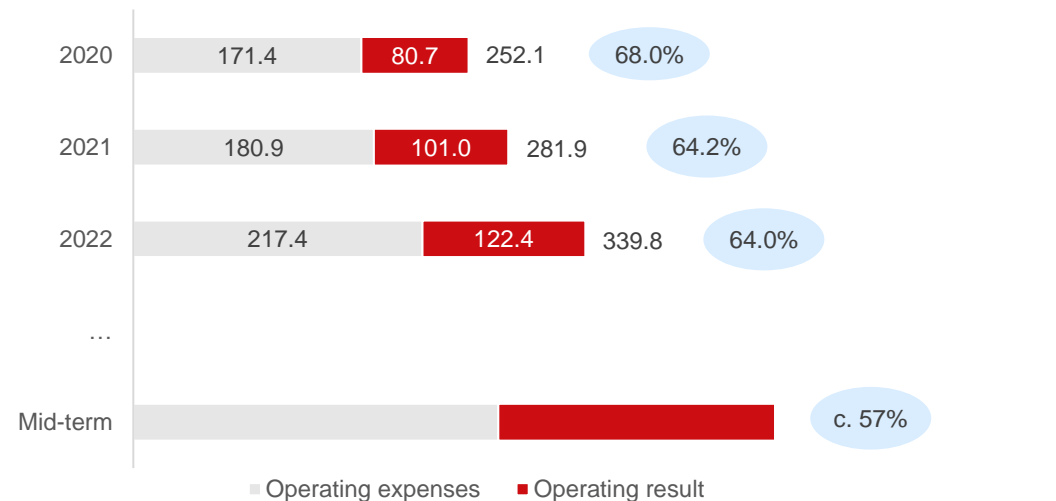
Key strategic direction

- ▶ Continuous growth with existing and new SME and private clients as main driver for operating income growth
- ▶ Net interest income:
 - ▶ Slightly declining NIM assumed vs. Q4-22 level
 - ▶ Anticipated increase in funding cost to be almost matched by increased average loan margin
 - ▶ Upside from NIM expansion beyond Q4-22 level e.g. depending on general market environment, loan / deposit structure and strategic steering of growth of individual banks
- ▶ Net fee income:
 - ▶ Expansion of fee income mainly as result of 'Hausbank' approach and ProCredit private client strategy: key drivers additional # of (non-loan) clients, growth in private individuals, expansion of trade finance
 - ▶ Assumed fee income growth rates on the level of good overall operating income – resulting in assumed stable share of fee income
 - ▶ Upside from e.g. higher transaction levels or increasing fee structures



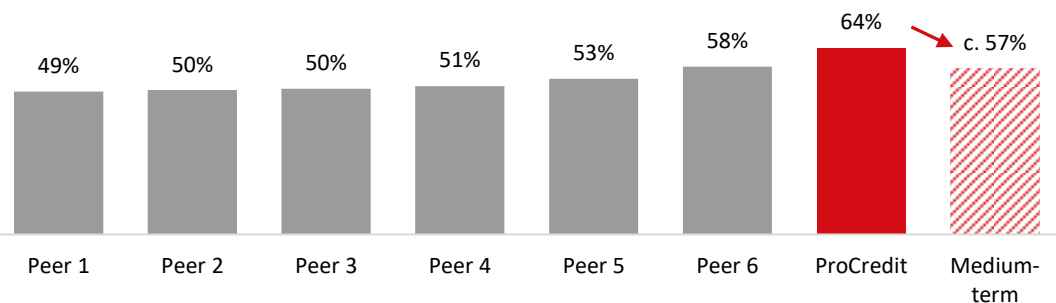
Operating leverage via scale and continued cost discipline

Illustrative development of operating income and expenses, illustrative



Upside potential on group CIR yet to be realized

Group cost-income ratio (FY-22), illustrative

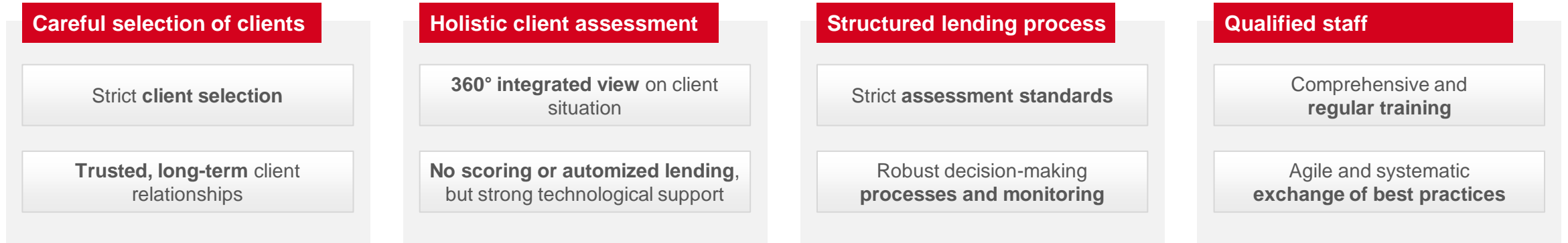


Key strategic direction

- ▶ Continued cost management and revenue expansion in order to reduce CIR further towards a level of around 57%
- ▶ FY-22 already achieved cost efficiency improvements on an underlying basis – **CIR of 60.8%** w/o EUR 10.2m net extraordinary items mainly related to the war in Ukraine
- ▶ CIR in FY 2022 on segmental level in SEE of 57.8% and EE of 51.1%
- ▶ Previous years strategic investments into IT, its digital platforms, marketing and staff to be continued in 2023/24, resulting in a strong franchise with good scaling potential going forward
- ▶ Headwinds from inflation and regulatory costs included, e.g. personnel costs per FTE with anticipated further increase over plan horizon; however, loan portfolio per employee assumed to further increase as well
- ▶ ProCredit approach to scale based on already fully digitalized operations partially differs from efforts of main larger competitors

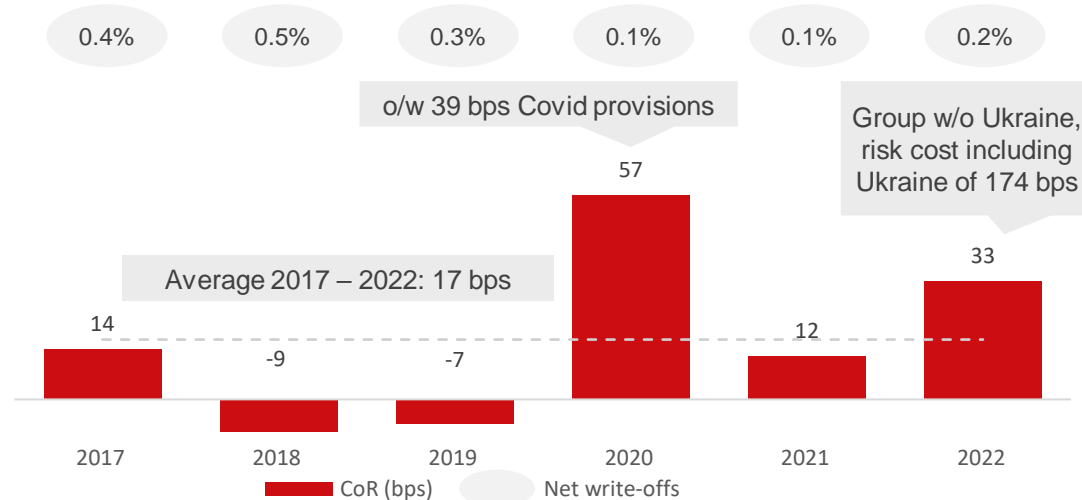


ProCredit key success factors of credit risk management



Strong track record of low credit risk costs

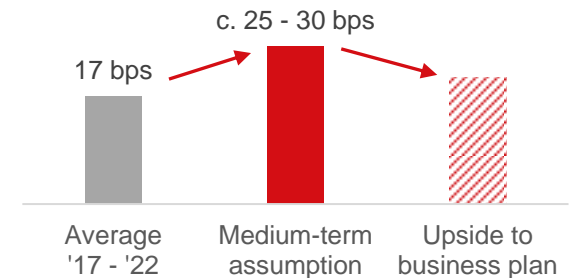
Group cost of risk and net-write offs 2017 - 2022



Conservative risk cost assumptions

Group cost of risk

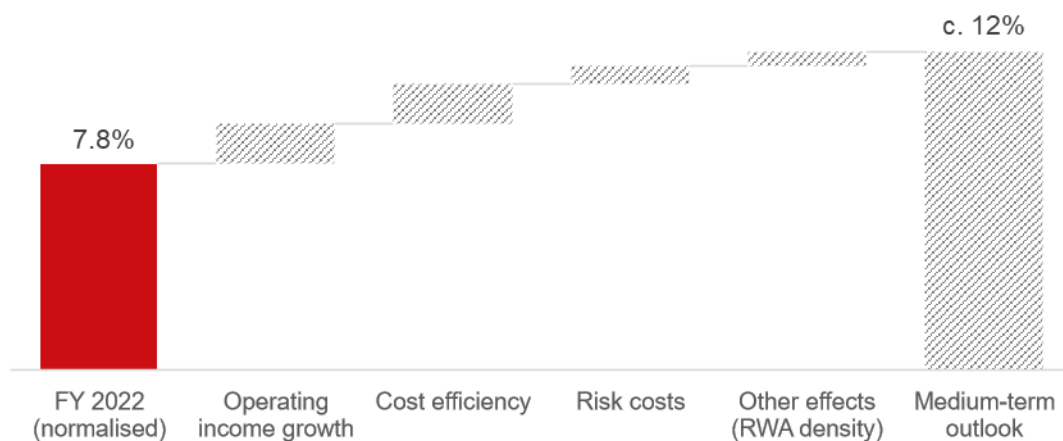
- ▶ After FY 2024, group cost of risk assumed to gradually return towards level of c. 25 – 30 bps
- ▶ Provisioning in PCB Ukraine expected to normalise starting in FY 2023 based on significant level of provisions built, however, outlook largely depending on further development of the war





Different sources for improved RoE level

Illustrative development of return on equity



Improvement of 'weaker' banks as key group driver

Assumed RoE development of ProCredit banks

RoE level	FY 2022	Medium-term ambition
> 15%	3 banks Kosovo, Moldova, Georgia	Few selected banks
10 – 15%	1 bank Bulgaria	Majority of banks
5 – 10%	4 banks Serbia, Romania, Bosnia, N. Maced.	
< 5%	3 banks Albania, Ukraine, Ecuador	

Key strategic direction

- ▶ Group profitability enhancement driven by scaling operating income whilst increasing cost efficiency
- ▶ Normalisation of risk costs and other effects on income side assumed to be complemented by increased RWA efficiency
- ▶ On bank level, medium-term ambition to
 - ▶ expand good market positions and profitability levels of banks that already deliver strong RoE levels
 - ▶ optimise and improve RoE performance of currently 'weaker' banks – individual approach per bank depending on bank positioning and market environment / external conditions
- ▶ Benefit of strong regional diversification of ProCredit group of 12 banks as banks usually at different points of the cycle with strategic importance that target RoE can be achieved on a structural level
- ▶ Upside potential to c.12% RoE target exists
- ▶ **Case study Bosnia:** 2019 – 2022 strong subsequent improvement of RoE from -3% to 8% based on +70bps increased income on loans, -60bps decreased funding costs, +52% ppt increased deposit / loan ratio

Post-war reconstruction scenario

(Upside case)

- ▶ Participation of PCB Ukraine in post-war reconstruction of the country and its infrastructure – recent estimations for cost of reconstruction in the range of around EUR 400 billion, depending on source and war scenario
- ▶ Such scenario could translate into double-digit loan growth rates of the bank p.a. based on good positioning of PCB Ukraine and established relationships with IFIs
- ▶ **Indicative medium-term upside potential on group RoE: 1.0 – 1.5% ppt p.a.**

Moderate scenario

(Business plan case)

- ▶ 2023 expectation of no bottom-line group contribution with still elevated risk costs and increased expenses offsetting operating income; continued targeted loan portfolio reduction
- ▶ Moderate bottom-line group contribution from 2024 onwards
- ▶ **From 2024, expected net income contribution in the upper single digit to lower double digit €m area p.a.**

Write-off scenario

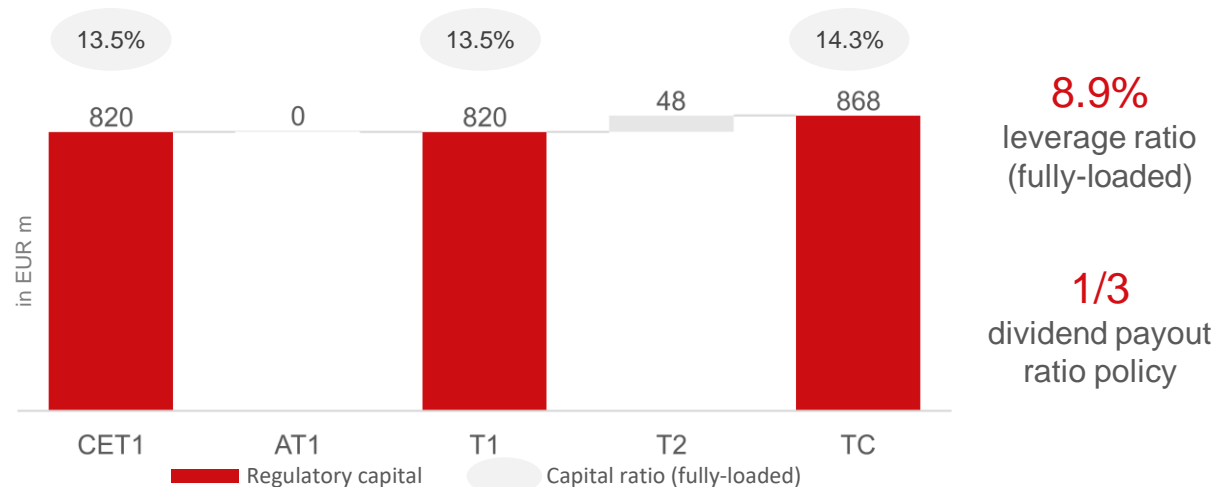
(Worst case, not considered)

- ▶ One-time write-off of remaining equity of EUR 56.7m (as per Dec-22) and group funding of EUR 20m (as per Jan-23), with group FY-22 CET1 ratio after one-time write-off stable at c. 14.0%, as RWA likewise de-consolidated
- ▶ No profit contribution from PCB Ukraine going forward
- ▶ **Group w/o PCB Ukraine medium-term RoE target unchanged at c. 12%; CIR target unchanged at c. 57%**



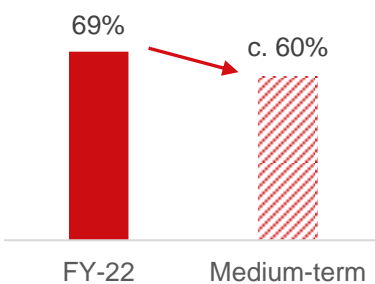
Prudent capitalisation levels

Capitalisation (fully-loaded), FY-22

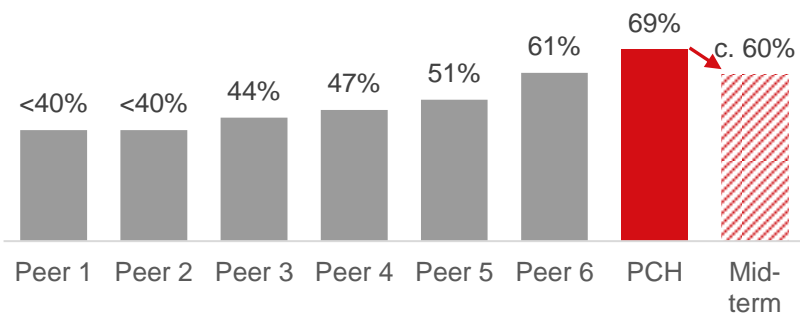


RWA density improvement as key lever for capital efficiency

RWA / total assets ratio (illustrative)



Benchmarking of RWA / total assets ratio (FY-22) (illustrative)



Key strategic measures

- ▶ Comfortable capitalisation levels to be maintained on all levels
- ▶ Return to dividend payout assumed for FY 2023 profits in line with dividend policy (payout ratio of 1/3 of profits), final decision on dividend proposal as usually taken ahead of 2024 AGM
- ▶ Selected RWA efficiency measures planned or already in execution:
 - ▶ Attribution of infrastructure factor to selected renewable energy projects
 - ▶ Attribution of hard collateral to RWA calculation according to CRR standardized approach for Bulgarian portfolio
 - ▶ Widening of MIGA agreement
 - ▶ Securitization of portfolio
 - ▶ In total approx. EUR 0.3 – 0.4bn RWA reduction measures envisaged, with additional medium-term potential

Outline of corporate development and capital market strategy

Continued strengthening of the impact-oriented capital markets presence well under way ...

Selected milestones:

- ▶ Listing of shares on Frankfurt Stock Exchange (Dec-16), successful €60m capital increase as listed company (Feb-18)
- ▶ Investment story sharpened with strong exposure to serving SMEs in Eastern and South Eastern Europe
 - ▶ Sale of Banco ProCredit Colombia (Q4-19)
 - ▶ SMEs account for 91% of total loans (Dec-22)
 - ▶ SEE/EE accounts for 91% of total loans (Dec-22)
- ▶ Further developed management board (Chair, CFO) reflecting maturity of ProCredit as a listed banking group (Q4-22)
- ▶ Intention to convert into an AG published (Q4-22), with conversion targeted within the next two years
- ▶ Announced transaction (Mar-23) of EBRD to become a core shareholder in ProCredit

... with further enhancing attractiveness from investor perspective on top of management agenda

Key targets:



Continue sharpen unique investment profile
as 'pure-play' Eastern Europe/SME share



Deliver attractive capital returns
(1/3 dividend payout ratio, close potential 'valuation gap')



Enhance visibility of ProCredit share
(equity research, IR, communication)



Improve communication of ProCredit impact focus –
impact embedded in business model, not add-on



Increase share liquidity
(traded liquidity, ADTV)

Milestones of Conversion into AG




Important clarifications from legal and shareholder perspective:

- ▶ Upon conversion, a new share class of ownership in ProCredit AG will be created
- ▶ In such event, the current class of shares reflecting ownership in ProCredit Holding KGaA will cease to exist and be delisted from the stock exchange
- ▶ From a shareholder perspective, existing shares in ProCredit Holding KGaA will automatically convert into the newly created shares in ProCredit AG
- ▶ The total number and notional par value of outstanding shares is not subject to changes

Strategic rationale

- ✓ Conversion embedded in the ongoing strengthening of the corporate structure and capital market presence of the group
- ✓ More internationally recognised corporate structure
- ✓ Group's unique development mission and long-term partnerships with IFIs to be preserved
- ✓ Timing reflecting the maturity of the ProCredit group as a publicly listed company and the confidence in its further development



Well-diversified presence in our focus regions South Eastern and Eastern Europe – no large “home market” and HQ focused on enhancing group performance with standardized, best practice approaches implemented in all banks

Impact-orientated, responsible approach underpins all aspects of our business: no focus on consumer loans, strict exclusion lists, extensive credit risk & ES analysis and high AML standards

Focused Hausbank approach for SMEs, particularly the transparent, innovative SMEs investing in new and green technologies, driving **strong organic business growth** combined with **steady high loan portfolio quality**

Purely digital, highly transparent ProCredit Direct service package that speaks to forward-looking private clients

State-of-the-art, scalable technology central to client experience and efficient back-end operations – supported by group IT provider Quipu, consistently implemented, with no legacy systems

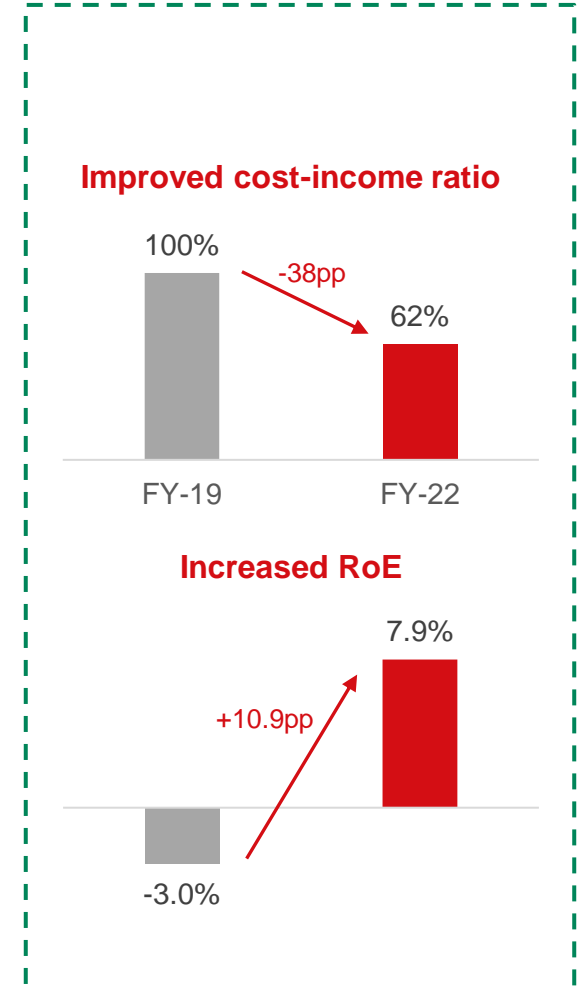
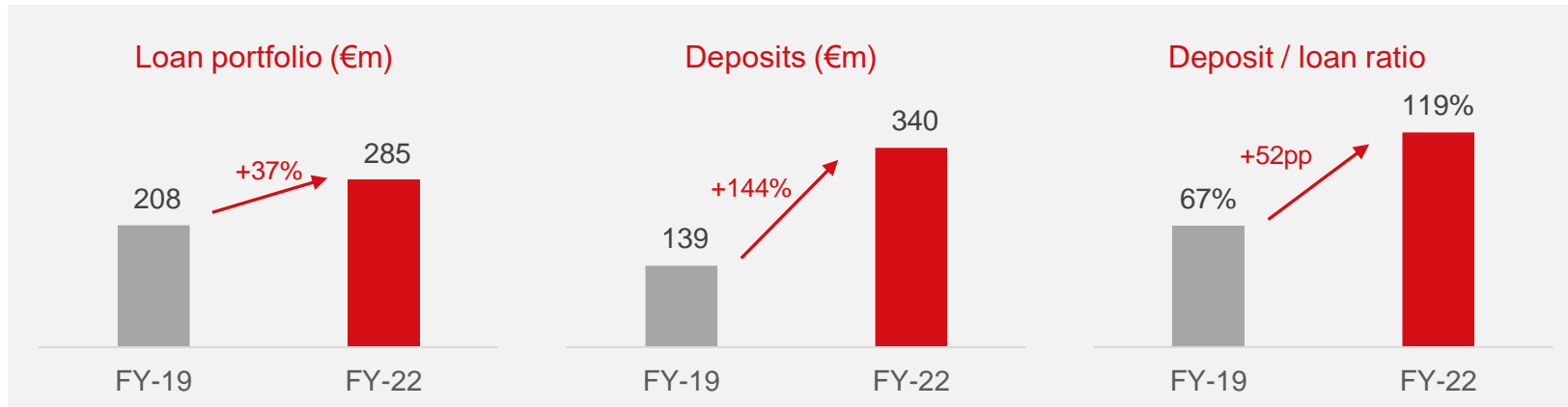
Skilled, loyal staff are the backbone of strong client relations and good credit risk management – comprehensive group-wide approach to staff selection and development



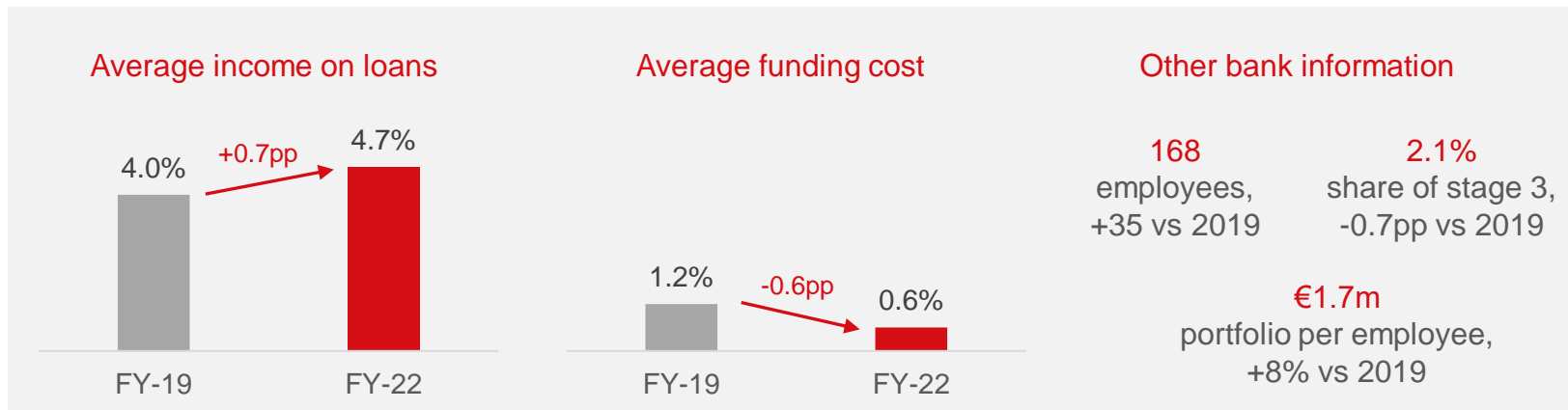
Photovoltaic project financed by ProCredit Bulgaria

Appendix

Structural change of bank balance sheet as starting point ...



... supporting income streams with continued investment into staff

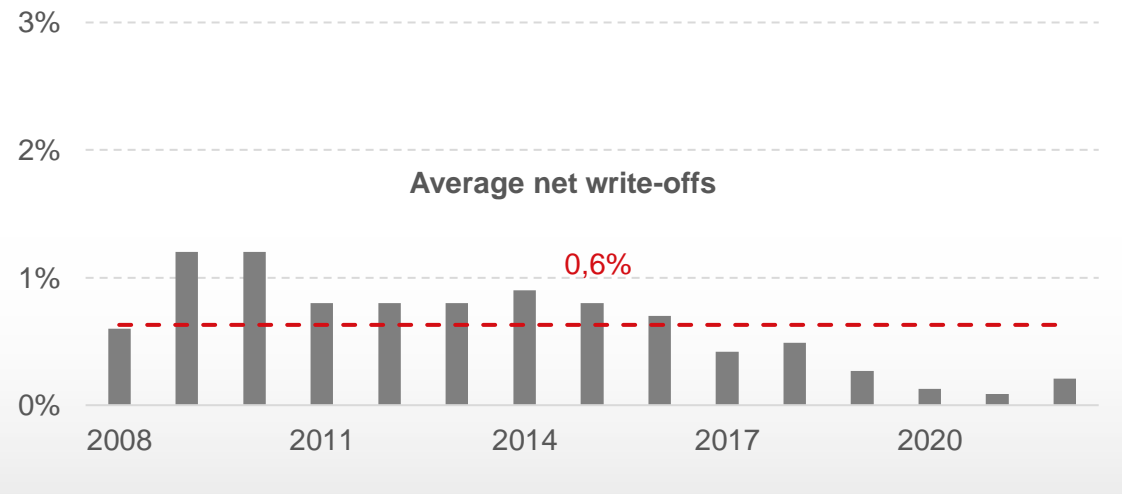


High quality loan portfolio built around

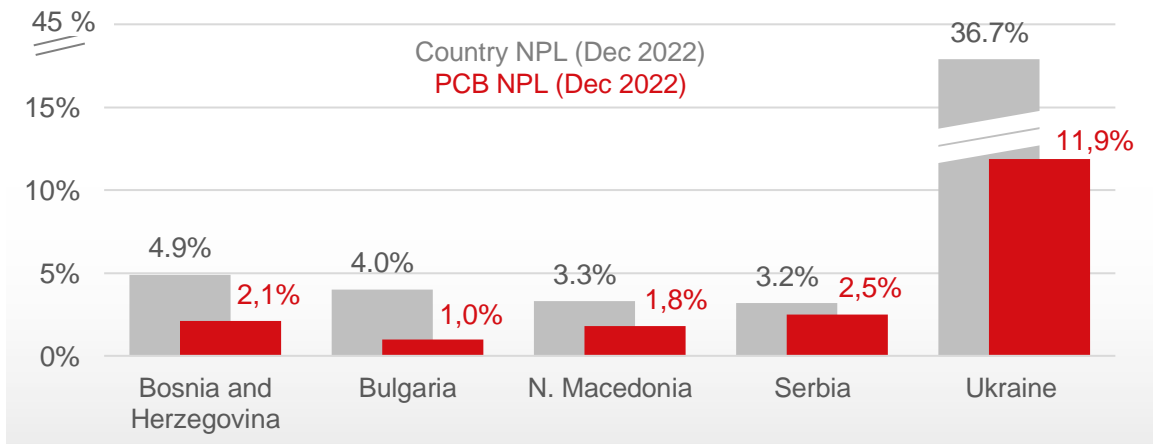
- ▶ Careful client selection and strong client relationships
- ▶ Well trained staff
- ▶ Effective group credit risk assessment and monitoring
- ▶ Solid risk profile with consistently low net write offs
- ▶ Loan portfolio quality consistently better than market



Consistently low net write-offs



Non-performing loans of ProCredit significantly below local banking sectors



Experienced management collaborating at Holding and local level

Hubert Spechtenhauser (Chairman)



- ▶ Corporate Office
- ▶ Group Communications
- ▶ Legal
- ▶ Group and PCH Internal Audit

Dr Gian Marco Felice



- ▶ Group Environmental Management and Impact Reporting
- ▶ Group and PCH IT
- ▶ Business Support and Development

Christian Edgardo Dagrosa



- ▶ Accounting and Taxes
- ▶ Supervisory Reporting and Capital Planning
- ▶ Group Funding and Treasury
- ▶ Controlling
- ▶ Reporting and Data Management
- ▶ Investor Relations
- ▶ Administration and Translation

Sandrine Massiani



- ▶ Group and PCH Human Resources
- ▶ Group Credit Risk Management
- ▶ Group and PCH Risk Control
- ▶ Group Financial Risk Management
- ▶ Group Operational Risk Management
- ▶ Fraud Prevention and Compliance and PCH AML

Local ProCredit banks

33 key management members

Collective training...

- ▶ Central training in Fürth
- ▶ English as lingua franca
- ▶ Regular specialist events and regional meetings

...as catalyst for a shared vision and teamwork...

- ▶ Common set of values
- ▶ Closely-knit network
- ▶ Rapid diffusion of best practices

...supported by clear framework

- ▶ Strict common operating standards and policy guidelines
- ▶ Strong, standardised MIS reporting
- ▶ Holding management with supervisory board seats at local banks involved in strategic business processes

On average **13 years** of experience with ProCredit

General note

Return on equity, net interest margin, cost of risk and net write-off ratio are consistently annualised for all interim (quarterly and half-year) figures.

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The Fitch Issuer Default Rating of BBB has been last re-affirmed on March 23 2023.

The shareholder structure shown is according to the voting right notifications, voluntary disclosure of voting rights and ad-hoc news as published on our website www.procredit-holding.com.

EBRD will purchase from IFC their remaining stock of 5.06 per cent in ProCredit Holding. Upon completion of the transaction, EBRD will replace IFC as a core shareholder of ProCredit Holding and hold 8.7 per cent of its share capital.

Completion of the share purchase is subject to fulfilment of conditions precedent including receipt of regulatory approvals where applicable (for further details see the [corporate news](#) as of 20.03.2023).

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ProCredit Holding AG & Co. KGaA is a member of the UNEP FI, joined the United Nations Global Compact (UNGC) as well as the Net-Zero Banking Alliance (NZBA) and has committed to disclose according to SBTi Net-Zero Standard.

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RoE since 2005 as disclosed in “Bundesanzeiger” (German Federal Gazette) Figures and ratios for Dec-13 relate to the disclosures in the consolidated financial statements as of 2013.

Dec-22 results shown without the negative contribution of PCB Ukraine, whose current result is strongly affected by the war against Ukraine.

Consolidated result and RoE: EUR 16.5m; 1.9%

Result and RoE excl. PCB Ukraine: EUR 68.5m; 7.8%

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The extension of the war to further areas of the country or to further countries of operation is a risk factor to the guidance.

Further risk factors include major disruptions in the Eurozone, further supply chain and energy sector disruptions such as gas supply shock scenarios, significant changes in foreign trade or monetary policy, a worsening of interest rate margins, increasing inflationary pressures, banking sector crises and pronounced exchange rate fluctuations.

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NPL figures for banking sectors are derived from respective central or national banks as per Dec-22

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