

ProCredit Group
Impact Report
Highlights

2019



OUR ORGANISATION

ProCredit is an international group of development-oriented commercial banks with a geographical focus on South Eastern and Eastern Europe and a structural emphasis on small and medium-sized enterprises (SMEs). The parent company of the group, ProCredit Holding AG & Co. KGaA (ProCredit Holding), is headquartered in Frankfurt and controls 100% of the shares in all ProCredit banks.

ProCredit Holding has been licensed by the German Federal Financial Supervisory Authority (BaFin) as the superordinated company of the group. The main functions of ProCredit Holding vis-à-vis its subsidiaries are strategic guidance and supervision, and the provision of equity and debt financing.

If you are interested in learning more about our organisation, please visit the ProCredit Holding website www.procredit-holding.com.

Structure of the ProCredit group



ProCredit Holding AG & Co. KGaA



Quipu GmbH –
IT service provider

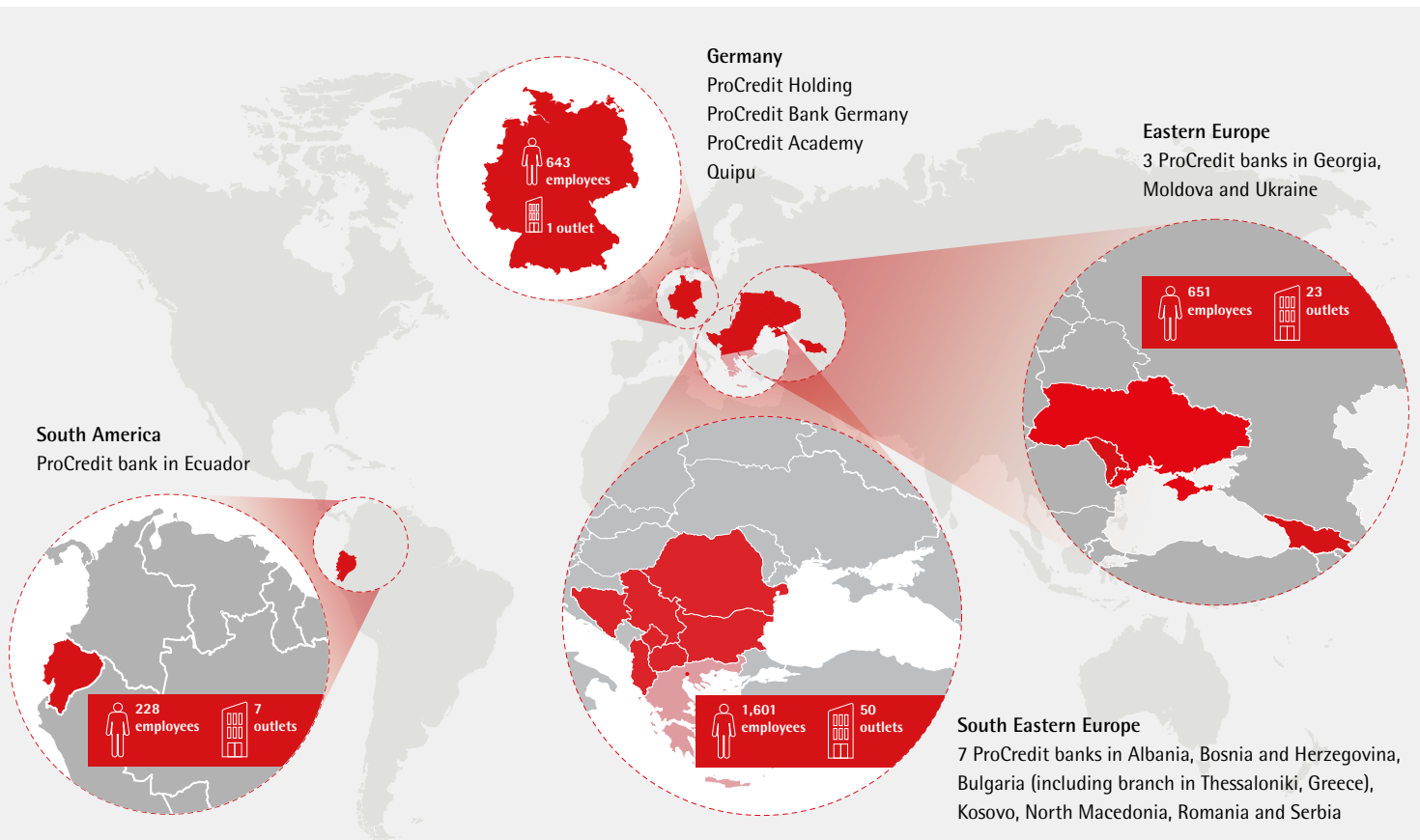


12 ProCredit banks



ProCredit Academy GmbH –
training centre

ProCredit countries and regions of operation¹



¹ All data as of 31 December 2019



Key figures 2019

	Dec 2019
Total assets (EUR m)	6,698
Customer loan portfolio (EUR m)	4,797
of which, loans to businesses	93%
of which, green loan portfolio	17%
Number of business clients	35,256
Share of credit-impaired loans (%)	2.5%
Customer deposits (EUR m)	4,333
Profit for the period (EUR m)	54.3
Return on average equity	7%
Number of employees	3,123
Number of financial institutions	12
Number of outlets	81

PROCREDIT AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Through our responsible banking policies and practices, we contribute to solving sustainable development challenges, and in this sense we strive to address many of the SDGs formulated by the United Nations. For the purpose of our impact reporting, we have selected eight SDGs and 23 associated targets which are most relevant for us and to which we can make the greatest contribution.

Curious to learn more? You can find more information starting on page 65 of our [2019 Impact Report](#).



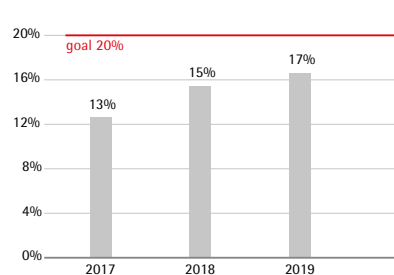
OUR MEDIUM-TERM SUSTAINABILITY GOALS AND 2019 ACHIEVEMENTS

In its 2018 Impact Report, the group set itself three specific goals aimed at helping us to achieve our sustainability ambitions more widely. The graphic illustrates the progress made with regard to these three goals in the course of 2019.

20% green loans

Increase the relative size of the group's green loan portfolio to 20% of the total loan portfolio, while at the same time maintaining its high quality.

Development of green loan portfolio share

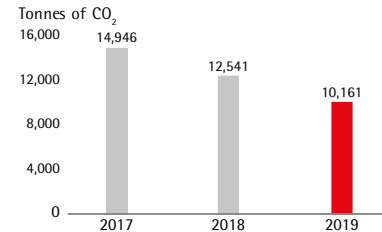


By the end of 2019, the share of the green loan portfolio in relation to the total loan portfolio amounted to 17%.

Carbon neutral

Become carbon neutral with regard to the group's own CO₂ emissions.

Development of ProCredit's CO₂ footprint

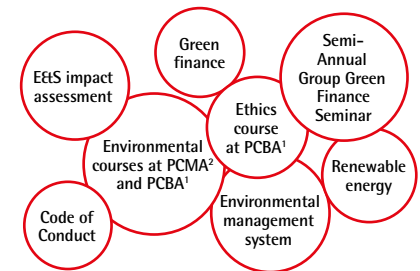


The group was able to reduce CO₂ emissions by 19% in 2019 compared to the previous year thanks to investing in energy efficiency and sourcing renewable energy for our electricity supply.

Staff competence

Maintain and further increase the high level of social and environmental competence among our staff.

Social and environmental training for staff



Due to our comprehensive and regular environmental training (>12,000 total person-hours), we are continuously increasing the competence of our staff.

¹ ProCredit Banker Academy

² ProCredit Management Academy

KEY MATERIAL TOPICS FOR THE PROCREDIT GROUP

The concept of materiality is key to meaningful impact reporting in line with the Global Reporting Initiative (GRI) Standards. It requires us to evaluate, along with our stakeholders, a variety of issues which are specific to ProCredit and relevant for assessing our economic, environmental and social impacts and which substantively affect the decisions of our stakeholders.

We grouped our material topics under three key areas. The overarching topic is our business model, which is supported by two pillars, our approach to clients and our approach to staff.



ENVIRONMENTAL MANAGEMENT



Environmental protection and awareness have been high on our agenda for many years. By implementing our three-pillar Environmental Management System we have increasingly formalised our approach to managing and improving our environmental performance.

Internal environmental management

Our approach is based on processes and procedures that help us to systematically reduce our direct environmental footprint and raise awareness.

Management of environmental and social risk in lending

We do not support practices and activities that are harmful to the environment and society.

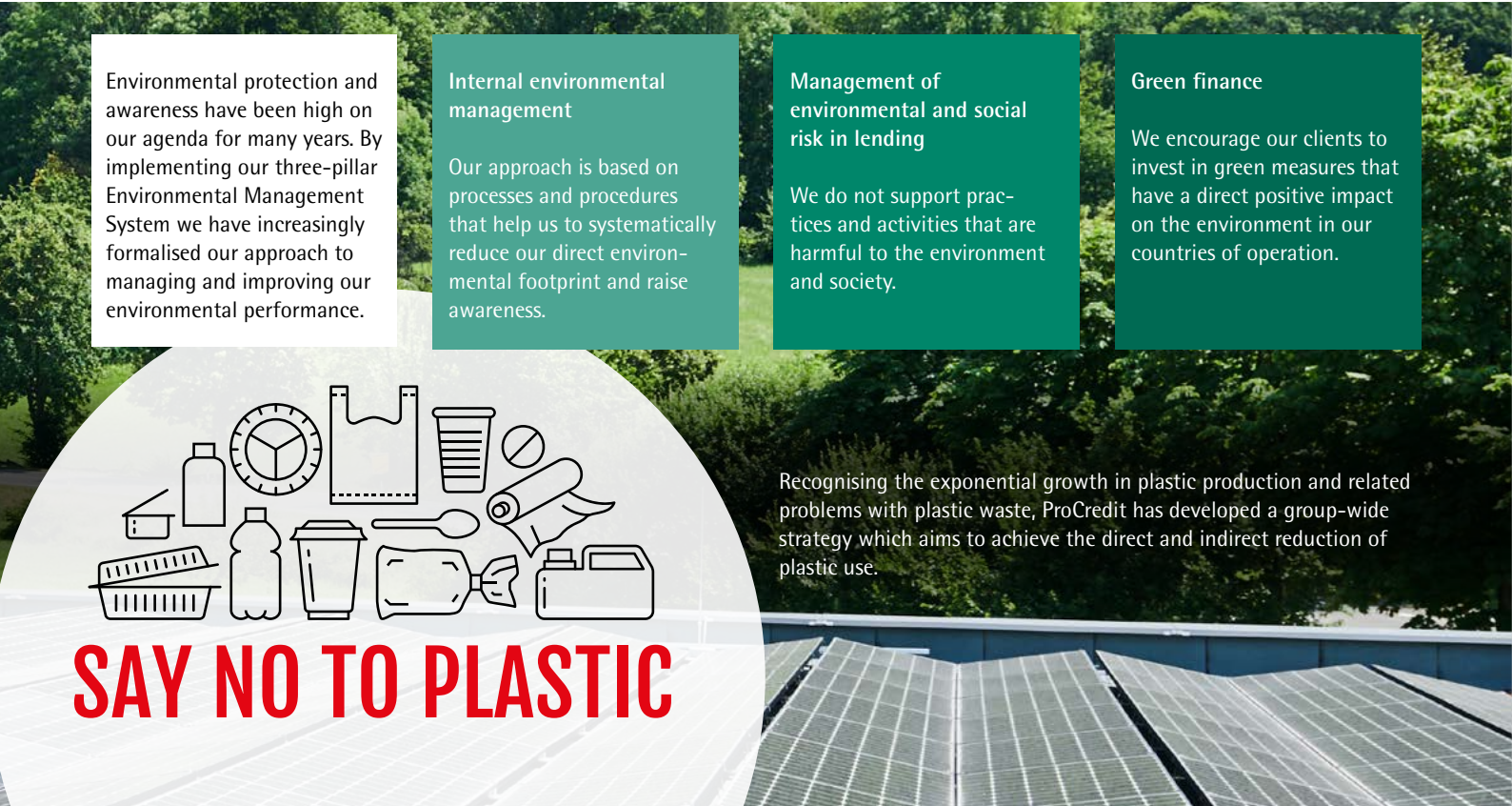
Green finance

We encourage our clients to invest in green measures that have a direct positive impact on the environment in our countries of operation.

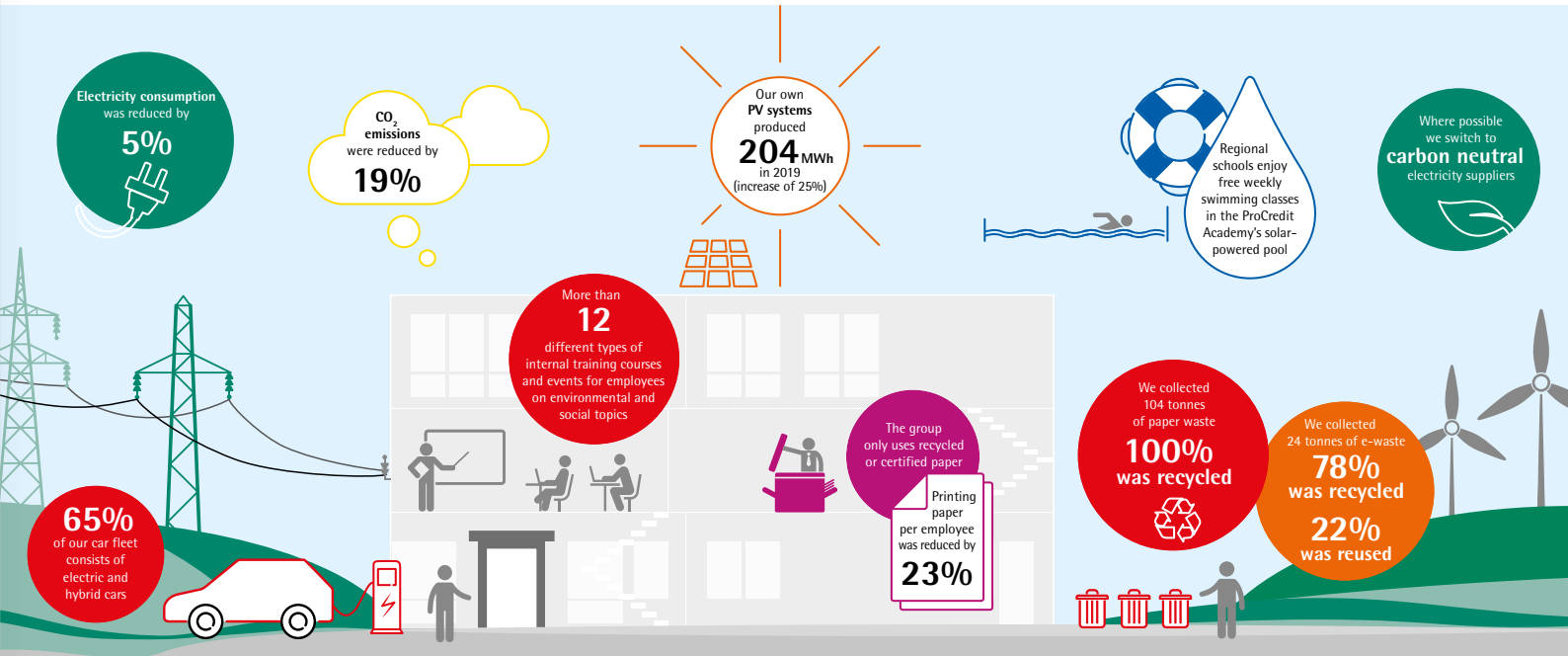


SAY NO TO PLASTIC

Recognising the exponential growth in plastic production and related problems with plastic waste, ProCredit has developed a group-wide strategy which aims to achieve the direct and indirect reduction of plastic use.



The ProCredit group's environmental and social performance - Highlights in 2019¹



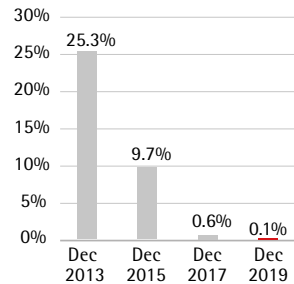
¹% refers to reductions 2018-2019

TECHNOLOGY AND INNOVATION

An increasingly important theme is the accessibility, efficiency and security of banking services. We have equipped our branches and service points with modern technology and 24/7 access for our clients. We are further investing in direct banking facilities, enhancing the services and communication options provided by our electronic and mobile banking applications.

At our 24/7 Zones, clients can make withdrawals, deposit cash and carry out cashless transactions, such as transfers and account information retrieval. Today, almost 100% of their transactions are handled through automated systems.

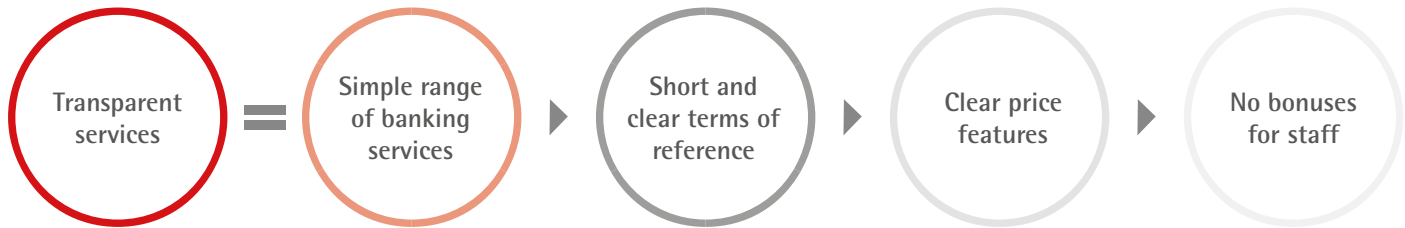
Cash transactions as percentage of total number of transactions



The new and innovative technologies we have implemented in our markets support modernisation, transparency and efficiency for our clients and the banking sectors in which we work.



RELIABLE AND STABLE PARTNERSHIPS



ProCredit banks promote long-term reliable and stable partnerships with business and private clients as their "Hausbank".

We offer financial services through various easy-to-use digital channels with a high level of security. Our well-trained staff takes the time to provide sound advice to small and medium enterprises, a client group that is still underserved in terms of appropriate financial services. This approach contributes to sustainable development for our business clients and prevents them from becoming over-indebted.

In addition, we are increasingly supporting private clients with transparent and well-structured account services, savings options and lending products.

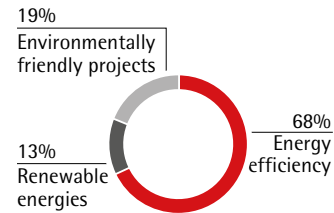


SUSTAINABLE FINANCE

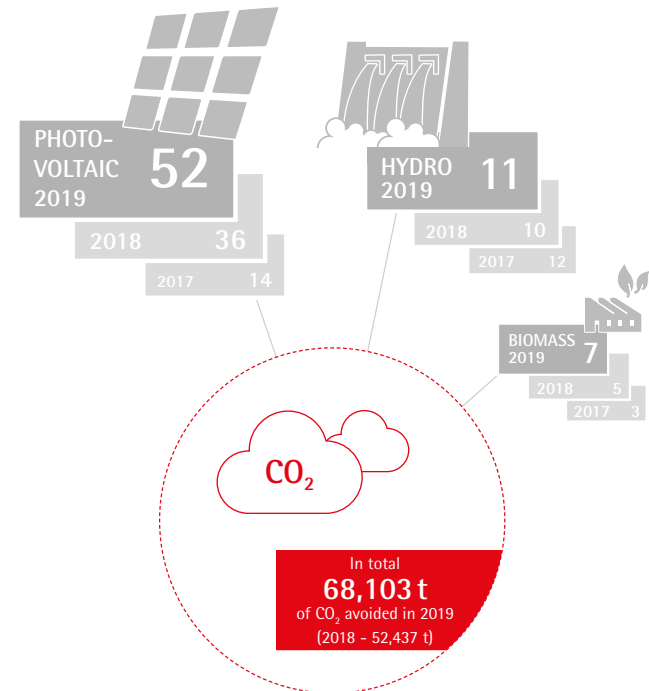


By offering sustainable finance we intend to put into action our economically, socially and environmentally inclusive approach to responsible finance. Our focus is on providing financial instruments for our client groups and on supporting projects which are innovative and relevant for the local economies. Our green loan portfolio promotes technologies which are climate-friendly and contribute positively to the environment.

Green loan portfolio by investment category in 2019



Number of RE projects in the green loan portfolio



Practical examples of our sustainable approach to finance include:

- Our successful and well-established cooperation with the European Investment Fund (EIF) InnovFin Guarantee Facility has incentivised many innovative SMEs in South Eastern and Eastern Europe over the years to further invest in their business.
- The placement of our first Green Bonds – totalling USD 90 million – with the International Finance Corporation (IFC) aims at financing green investments by SMEs in emerging economies.

Exclusion list

Despite ProCredit's inclusive approach and openness towards the many different business models of our clients, there are certain harmful practices and activities that ProCredit banks categorically refuse to support. To ensure that the ProCredit banks apply this principle consistently, we have formulated an unambiguous Exclusion List which is subject to regular revision and updates, covering the following areas:

- Unethical practices and labour conditions
- Activities that are not in compliance with standard health and safety regulations
- Activities that are harmful from an ecological standpoint
- Activities with a negative impact on the community

The Exclusion List forms part of our [Code of Conduct](#).



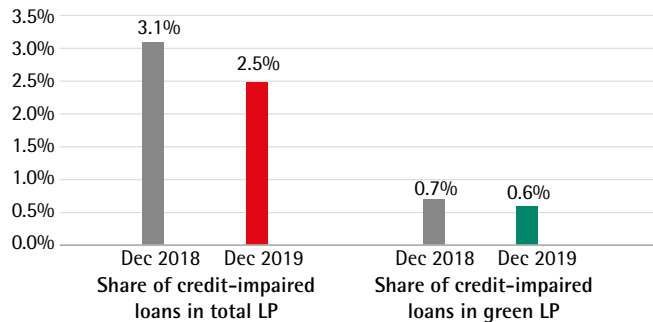
PRUDENT CREDIT RISK MANAGEMENT

For more than two decades, the ProCredit group has been operating successfully and applying high standards of credit risk management in challenging markets. Our overall aim is to minimise the potential negative impacts of lending operations, such as over-indebtedness or negative environmental and social impacts of the projects we finance.

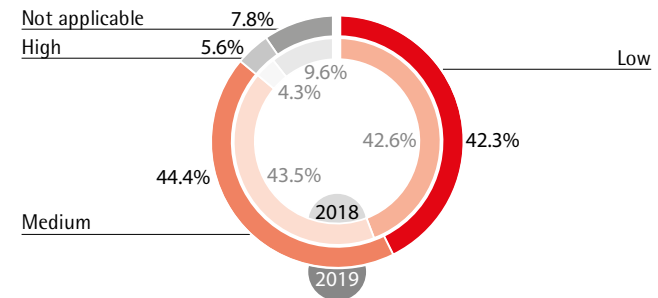
We have a long track record of sustaining low default and net write-off figures. In light of the continuously favourable development of the main quality indicators, we consider the credit risk level of our portfolio to be well managed.

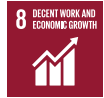
As environmental and social risks may turn into financial risk for our clients and reputational risk for our banks, effective environmental and social risk management is indispensable to us.

LP quality development



Loan portfolio by environmental risk category



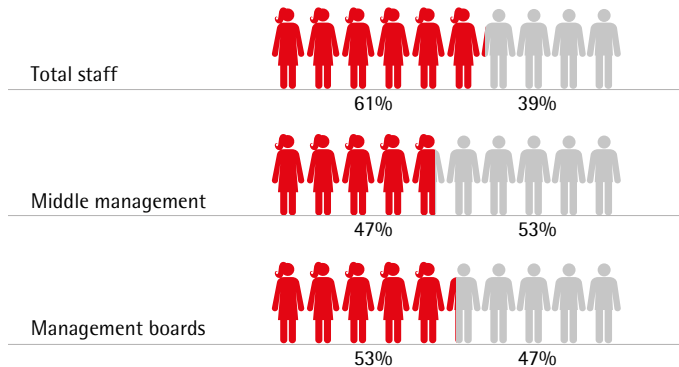


STAFF

We promote a positive working environment characterised by diversity, flat hierarchies and open communication, with the aim of retaining key personnel on a long-term basis. Our ethical approach to banking is fundamental and fully integrated into our corporate culture.

Among other things, we heavily promote independence and critical thinking, responsibility, gender equality, diversity and fairness among our staff. Our values are manifested in our **Code of Conduct** and form the ethical compass of the ProCredit group.

Gender diversity of staff as of December 2019

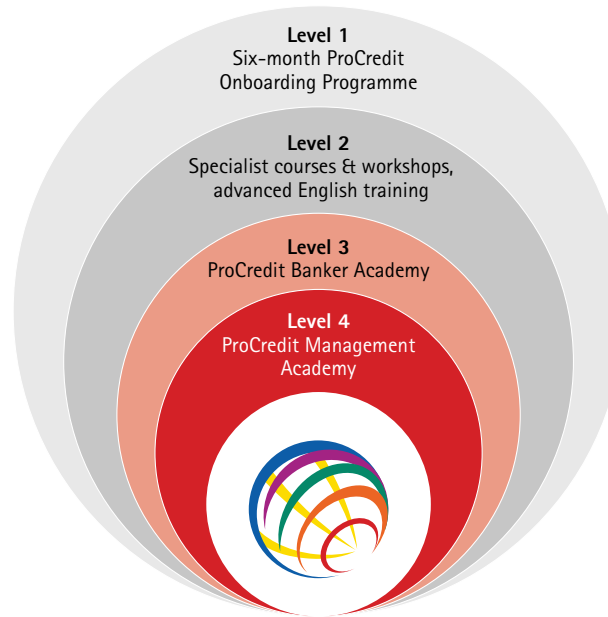


STAFF DEVELOPMENT

Our approach to staff development emphasises capacity-building through comprehensive knowledge and skills training, regular performance reviews and clear career options.

We provide our employees with continuous training at various levels in the banks and at our Academy in Fürth, Germany.

Levels of training at ProCredit



Code of Conduct

Our ethical responsibility is documented in our **Code of Conduct**, which contains the core principles that all employees of the ProCredit group are obliged to observe:

- Personal integrity and commitment
- High professional standards
- Social responsibility
- Culture of open communication
- Transparency

The Code of Conduct is closely linked to the daily life of our staff and influences their dealings with clients, colleagues, and public authorities.

The Code of Conduct is a binding document which forms an integral part of the employment contract and is therefore discussed intensively with all our staff.





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