



**ProCredit**  
H O L D I N G



# Group Presentation

9th June 2010

EFSE Annual Meeting: Growing Responsibly – Growing Responsibility





# The ProCredit group worldwide



# Key figures of the ProCredit group

	Dec 2006	Dec 2007	Dec 2008	Dec 2009
<b>Loans</b>				
Volume (EUR '000s)*	2,111	2,820	3,380	3,341
Number	735	926	1,053	921
PAR>30 days (as % of GLP)	1.3%	1.4%	1.8%	2.7%
<b>Deposits</b>				
Volume (EUR '000s) **	1,814	2,489	2,756	2,998
Number	1,924	2,822	3,509	3,777
<b>Net Profit for ProCredit group</b>				
in EUR millions	36	44	30	11
<b>Capital Adequacy ratio (Basle II)</b>				
Tier 1			9.8%	10.9%
Total			13.1%	16.2%
<b>Number of staff</b>	12,585	16,876	21,407	19,616
<b>Number of branches</b>	476	622	814	831

## Key features of 2009

- Loan portfolio stable
- Increase in PAR, but manageable levels
- Increase in deposit volume and number
- Lower profit, with 6 investment phase and 4 loss-making institutions
- Comfortable capital adequacy
- Reduction in number of staff with focus on efficiency and quality

## Liquidity

All ProCredit banks are highly liquid, based on loyal retail base. As of March 2010 deposit/loan ratio is 91% and all ProCredit banks had a highly liquid assets to deposits ratio of well above 20%.

## Capital & Profitability

ProCredit group enjoys comfortable capital adequacy (16% March 2010) with strong shareholders. Profit of EUR 11 million in 2009, with strong focus on loan portfolio quality and efficiency. Predicted to be higher in 2010, as investment phase banks reach breakeven.

## Loan portfolio

Portfolio quality and growth are challenges for the ProCredit group. However loan portfolio quality remains **much** better than the market, given our credit technology, resilience of small enterprise clients and strong client relationships. The PAR >30 days for the group at end March 2010 was 3.6%. The group has excellent experience in arrears management and is well provisioned (with coverage ratio of PAR >90 days of 175%). Looking forward, portfolio growth will be steady, although demand is depressed and lending conditions are more stringent there are opportunities for responsible growth with the SME segment.

## Some lessons learned from the crisis by ProCredit in Eastern Europe

- Our approach to responsible banking is important and works
  - a bank has a significant influence on and responsibility towards its clients and the economy in which it works
- High levels of overindebtedness were created in consumer (and some SME) segments across the region where aggressive, “no questions asked”, asset-backed lending was the norm. ProCredit has the most problems with NPLs in the:
  - “micro-micro” credit segment where the impact of consumer lending is strongest. ProCredit will limit its microenterprise lending to enterprise loans >EUR 2,000 and focus on very small, small and medium enterprise lending
  - markets where growth was strongest and the supervising environment weakest (e.g. Ukraine and Bosnia). ProCredit will be particularly careful in such markets.
- There was too strong a focus growth and quantity rather than quality
  - ProCredit will focus even more on the quality of staff and relationships with clients, but it is difficult to be a responsible bank in an “irresponsible” market

# What does responsible banking mean to ProCredit?

- Responsible banking services for target groups which contribute to economic development, particularly very small, small and medium-sized enterprises to support their growth, job creation and integration into the formal economy
  - Lending decisions made on strong relations with a client and an understanding of their capacity to repay (i.e. assessment of the real cash flow of a business and its exposure to currency risk, and only secondary reliance on collateral)
  - Conservative loan loss provisioning policy to reflect volatility of emerging markets
  - Lending activities funded largely by locally mobilised savings
- Transparency and financial literacy for “ordinary people” to help build a savings culture
- Good staff and significant investment in staff training
  - The ProCredit group invested in more than 225,000 days of staff training in 2009 in training at the local, regional and international level
- Application of Basle II MA-Risk standards in all risk and internal audit policies
- Stable, decisive shareholders with a commitment to steady growth and RoE over the long-term, **not** a high growth, high RoE, high risk/volatility business model

# Some challenges for growing responsibly for ProCredit in Eastern Europe

ProCredit will focus in the future on growing responsibly with very small, small and medium sized enterprises, the segments which

- have the greatest capacity to contribute to economic growth, and
- value a responsible long-term banking relationship

Challenges for responsible growth in this segment:

- Will markets be distorted again with too much liquidity and aggressive market share strategies?
- Will markets focus enough on the quality of lending decisions and client relationships rather than the speed of growth?
- How best to manage interest rate risk and fund longer term SME loan assets (particularly in local currency), given shorter term deposit structure?