

**To the annual shareholders meeting
of the joint stock company «ProCredit Bank»**

JSC PROCREDIT BANK SUPERVISORY BOARD REPORT 2019

This report is presented to the annual general shareholders meeting of the Joint Stock Company “ProCredit Bank” (“**the Bank**”) and complies with the requirements of the Laws of Ukraine “On joint stock companies”, “On banks and banking”, as well follows the principles of the Methodological Recommendations on Corporate Governance Organization in the Banks of Ukraine, approved by the resolution of the National bank of Ukraine on 03.12.2018 No. 814. The report aims to provide the shareholders of the Bank with the information on the Supervisory Board’s activity and actions undertaken during the 2018 financial year.

Structure of the Supervisory Board of the Bank in 2018

Supervisory Board member	Term of appointment	Positions held outside the Bank	Compliance with independence criteria
Dr. Claus-Peter Zeitinger, Chairperson	2015 till present	ProCredit Holding AG & Co. KGaA, ProCredit General Partner AG; Chairman of the supervisory board ProCredit Bank, Bulgaria; member of the supervisory board	n/a
Borislav Kostadinov	2015 till present	ProCredit Holding AG & Co. KGaA, ProCredit General Partner AG; member of the management board ProCredit Bank, Albania; Chairman of the supervisory board ProCredit Bank AG, Germany; member of the supervisory board ProCredit Bank, Kosovo; Chairman of the supervisory board ProCredit Bank, Bosnia and Herzegovina; Chairman of the supervisory board ProCredit Bank, Macedonia; Chairman of the supervisory board ProCredit Bank, Bulgaria; member of the supervisory board ProCredit Bank, Serbia; Chairman of the supervisory board	n/a
Rainer Peter Ottenstein, independent director	2015 till present	ProCredit Bank AG, Germany; member of the supervisory board ProCredit Bank, Columbia; deputy member of the supervisory board ProCredit Bank, Romania; Chairman of the supervisory board	Complied

		ProCredit Bank, Kosovo; member of the supervisory board ProCredit Bank, Serbia; member of the supervisory board ProCredit Holding AG & Co. KGaA; member of the supervisory board	
Wolfgang Bertelsmeier, independent director	2017 till present	ProCredit Bank, Bosnia and Herzegovina; member of the supervisory board ProCredit Bank, Albania; member of the supervisory board ProCredit Bank, Georgia; member of the supervisory board Equity Bank, Democratic Republic of Congo; non-executive director	Complied
Christian Krämer	2014 - 2018	KfW; First Vice President ProCredit Bank, Bulgaria; member of the supervisory board	n/a
Dr. Klaus Ekkehard Glaubitt, independent director	2018 till present	ProCredit Bank, Serbia; member of the supervisory board	Complied

No committees were formed within the Supervisory Board in the fiscal year 2018. The relatively small size of the Supervisory Board, the particular scope of the business activities of the Bank, and the fact that all Board members are sufficiently qualified, have sound knowledge of banking and good understanding of financial analysis and risk aspects of banking, meet regularly and devote enough time to their duties renders the formation of committees, particularly, the risk management committee, audit committee and the committee on remuneration, superfluous. Moreover, the Supervisory Board of the Bank deems it important that all of its members are familiar with the areas of responsibility that normally fall within the remit of such committees. The Supervisory Board believes that it complies with the specific concrete objectives regarding its composition and structure.

During the reporting period each of the independent members of the Supervisory Board complied with the criteria for independence of the Board directors within the meaning of the provisions of the Ukrainian laws on Joint Stock Companies and on Banks and Banking. As at the year-end, the number of the independent directors in the Supervisory Board of the Bank (3 members) meets the requirements of the National bank of Ukraine.

No facts of inappropriate behavior related to the Bank's officials have been identified during the reporting period. Information on transactions carried out during the year with the Bank's related parties in terms of income and expenses under transactions with the parent company, other shareholders, economic operators under joint control and key management staff can be found in the Bank's financial statements for 2018 (Note 53).

Changes to the members of the Supervisory Board

In December 2018 Dr. Klaus Ekkehard Glaubitt was elected as a new independent member of the Supervisory Board replacing on this position Mr Christian Krämer, representative of KfW, whose authorities were terminated following the re-election of the Board by means of cumulative voting.

Supervisory Board activities during 2018

Having performed its activities, the Supervisory Board acted within the limits of its competence defined by the legislation of Ukraine and article 10 of the charter of the Bank, as well as complying with the provisions of the Regulations on the Supervisory Board and the Code on Corporate Governance of the Bank.

During the year 2018 organization of the Supervisory Board's activities corresponded to the forms envisaged by the charter of the Bank, namely, included regular meetings or adopting decisions by absentee voting (polling). In total, four routine in-person meetings were held during the reporting period, one for each calendar quarter, and nine individual decisions were approved by absentee voting, based on prior assessment by the Board members. The Management Board members took part in every routine Board meeting since the quarterly Management report is mandatorily included into the agenda of each meeting and presented by the Bank's managers. The meetings of the Supervisory Board featured open and extensive exchange of information and opinions, regular reports were provided with prompt and comprehensive information on all issues of relevance to the Bank.

The Supervisory Board meetings with physical attendance were attended by all members on one occasion, while for the other three routine meetings during the year the quorum was made of four Board members (absent Mr Christian Krämer). All decisions proposed for absent voting were delivered to all Board members and adopted with the required quorum in each case.

During the reporting period, the Supervisory Board reviewed and decided on numerous issues among which are the following:

1. Convocation of the annual and extraordinary shareholders meetings of the Bank, approval of their agenda and all issues related to their organization.
2. Acknowledgement of the quarterly Management reports on the macroeconomic situation of the country, situation in the banking sector, financial and economic activity of the Bank, changes to the Bank's organizational structure and to the branch network, business and risk strategies implementation and recommendations of the Supervisory Board.
3. Approval of the annual internal audit plan for 2018 and review of the quarterly reports of the Bank's controlling bodies on their activities throughout the year (internal audit reports, risk management and compliance reports);
4. Approval of the business plan with 5 year outlook.
5. Approval of the internal policies on defined activities of the Bank for the purpose of compliance with group standards and with the local regulatory requirements.
6. Approval of terms and conditions of external funding from different international counterparties including ProCredit Holding, GGF, EFSE.
7. Approval of the external auditor for 2018, review of the opinion of the Bank's external auditor KPMG on the Bank's annual financial statements for the year 2017.

All approved decisions were duly recorded in the minutes of the respective meetings of the Supervisory Board or formalized as decisions taken by absentee voting (minutes of absent voting). Acting according to their duties, the Supervisory Board members complied with the effective legislation of Ukraine and international supervision standards.

Performance results of the Bank's systems of risk management and internal controls during the fiscal year 2018 are estimated as satisfactory. An updated organizational structure of the Bank was approved in November 2018 to include a separate compliance unit as an independent function in the system of Bank's risk management (second line of defense) directly subordinated to the Supervisory Board.

By the decision of the Bank's Supervisory Board dated 24.07.2018 KPMG Audit PrJSC, an international company providing audit, tax, legal and consulting services on the Ukrainian market for eighteen years, was selected and approved to execute external audit of the financial statements of the Bank drawn up in accordance with the requirements of the International Financial Reporting Standards ("IFRS") for and as of the year ending on 31 December 2018, and the Bank's package of financial statements drawn up in accordance with the requirements of the international ProCredit group. The Supervisory Board is of the opinion that the approved external auditing firm meets all the requirements as an independent auditor. The external audit did not result in any objections; the auditors granted an unmodified audit opinion in each case.

The Supervisory Board examined the annual financial statements of the Bank, acknowledged the findings of the auditor's reports and submitted no objections. The audited annual financial statements of the Bank are recommended for adoption by the general shareholder's meeting of the Bank.

Frankfurt am Main, Germany, 23 April 2019



Dr. Claus-Peter Zeitinger

**Chairperson of the Supervisory Board
of JSC ProCredit Bank (Ukraine)**