

**To the annual shareholders meeting
(sole shareholder)
of the joint stock company «ProCredit Bank»**

JSC PROCREDIT BANK SUPERVISORY BOARD REPORT 2019

This report is made to comply with the requirements of the Laws of Ukraine “On joint stock companies”, “On banks and banking”, and 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 full information on the Supervisory Board’s activity, decisions and actions undertaken during the year 2019.

Throughout the reporting year the Supervisory Board (hereinafter also – “the Board”) continued to act as a collegiate governing board of the Joint Stock Company “ProCredit Bank” (hereinafter – “the Bank”), responsible for strategic governance of the Bank, control and regulation of the Management Board’s activity and protection of the rights of shareholders, depositors and other creditors of the Bank. Members of the Board hold consultations and joint meetings with the Bank’s managers to discuss implementation of the business strategies and lines of activity. During the year, the Supervisory Board also analyzed the reports on managing the risks of the Bank and reviewed numerous internal regulations within its competence to update or restate their editions.

Composition and structure of the Supervisory Board of the Bank in 2019

Supervisory Board member	Term of appointment	Positions held outside the Bank	Compliance with independence criteria
Dr. Claus-Peter Zeitinger, Chairperson	Since 2015 till present	ProCredit Holding AG & Co. KGaA, ProCredit General Partner AG, Germany, Chairman of the supervisory board ProCredit Bank, Bulgaria; member of the supervisory board	n/a
Borislav Kostadinov	Since 2015 till 2019	Resigned from the Supervisory Board in 2019	n/a
Dr Gian Marco Felice	Since 2019 till present	Member of the Supervisory Board in ProCredit Banks of Germany, Romania, Bulgaria, Bosnia and Herzegovina. Quipu GmbH, Germany, member of the Supervisory Board	n/a
Rainer Peter Ottenstein, independent director	Since 2015 till present	Member of the Supervisory Board in ProCredit Banks of Germany, Kosovo, Georgia and Serbia. ProCredit Bank, Romania; Chairman of the supervisory board ProCredit Holding AG & Co. KGaA, ProCredit General Partner AG, Germany; member of the supervisory board	Complied

Wolfgang Bertelsmeier, independent director	Since 2017 till present	Member of the Supervisory Board in ProCredit Banks of Bosnia and Herzegovina, Albania, Georgia. Equity Bank, Democratic Republic of Congo, non-executive director	Complied
Dr. Klaus Ekkehard Glaubitt, independent director	Since 2018 till present	Independent consultant of the financial institutions/funds, ProCredit Bank, Serbia; member of the supervisory board	Complied

The number of independent directors in the composition of the Supervisory Board (3 persons) during the whole year corresponded to the requirements set forth by the National bank of Ukraine.

No committees were formed within the Supervisory Board during the reporting period. Quantitative composition 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.

Changes to the members of the Supervisory Board

In August 2019, Dr. Gian Marco Felice was elected as a new member of the Supervisory Board representing the major shareholders of the Bank and replacing on this position Mr Borislav Kostadinov, whose authorities were terminated following the re-election of the Board by means of cumulative voting.

Supervisory Board activities during 2019

During the year 2019 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 ten 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 in line with their particular competence. The meetings of the Supervisory Board featured open and extensive exchange of information, comments and opinions, regular reports were provided with prompt and comprehensive information on all issues of relevance to the Bank.

All decisions proposed for absent voting were delivered to all Board members without exception and adopted with the required quorum in each case.

Attendance of the regular meetings of the Supervisory Board in 2019:

<i>Date of the meeting</i>	<i>Attendees</i>	<i>Absent members</i>
19.02.2019	Klaus-Peter Zeitingner, Reiner Ottenstein, Wolfgang Bertelsmeier, Klaus Glaubitt (total - 4)	1 (Borislav Kostadinov)
30.04.2019	Klaus-Peter Zeitingner, Borislav Kostadinov, Reiner Ottenstein, Klaus Glaubitt (total - 4)	1 (Wolfgang Bertelsmeier)
09.07.2019	Klaus-Peter Zeitingner, Reiner Ottenstein, Wolfgang Bertelsmeier, (total - 3)	2 (Borislav Kostadinov, Klaus Glaubitt)
19.11.2019	Klaus-Peter Zeitingner, Gian Marco Felice Reiner Ottenstein, Wolfgang Bertelsmeier (total - 4)	1 (Klaus Glaubitt)

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 2019 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. Review of the results of the scheduled full scope inspection carried out by the National bank of Ukraine, and the list of findings with recommendations under the inspection report with further approval of the action plan.
5. Approval of the business plan with 5 year outlook.
6. 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.
7. Approval of terms and conditions of external funding from international counterparties and general credit agreements with the National bank of Ukraine.
8. Approval of the external auditor for 2019, review of the opinion of the Bank's external auditor on the Bank's annual financial statements for the year 2018.
9. Approval of re-election of the Management Board of the Bank for the new term of office.
10. Approval of the market value of the Bank's shares and their allocation price in the process of additional share capital increase in 2019 in accordance with the applicable legislation as to the securities and stock market in Ukraine.

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 2019 are estimated as satisfactory.

Assessment of compliance of the Supervisory Board members with qualification requirements in 2019

Pursuant to the requirements of Article 42 of the Law of Ukraine "Banks and Banking Activities", the Law of Ukraine "On Joint-Stock Companies", Article 360 of Chapter 43 of Section VI of the Regulation on Licensing of Banks approved by Regulation of the Board of the National Bank of Ukraine No. 149 dated 22 December 2018, and following the internal regulation "Examination of Conformity of the Bank's Executives", and examination was conducted in December 2019 to confirm professional competence and business reputation of the Board members.

According to the conclusions of the qualification commission of the Bank, drawn in its report as to the results of examination of conformity to qualification requirements, as well as conformity of the Bank's independent directors to requirements for independence, it was concluded that throughout the reporting year all Supervisory Board members met the regulatory requirements applicable to them for professional competence, have no signs of flawed business reputation, and 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. No facts of inappropriate behavior related to the Bank's directors have been identified during the reporting period

By the decision of the Bank's Supervisory Board dated 09.07.2019 KPMG Audit PrJSC 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 2019, as well as for the review of 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 for the fiscal year 2019, acknowledged the findings and recommendations in the auditor's report and submitted no objections. The audited annual financial statements of the Bank has been recommended for approval by the shareholder of the Bank.

Frankfurt am Main, Germany, 29 April 2020


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

Dr. Claus-Peter Zeitinger