Dr Gabriel Schor

Member of the Management Board

ProCredit General Partner AG

Extraordinary General Meeting

Frankfurt am Main, 8 December 2021

– The spoken word shall prevail –

Ladies and gentlemen,

We are pleased to welcome you to this Extraordinary General Meeting of ProCredit Holding! On behalf of the Management Board of ProCredit General Partner, the personally liable general partner of ProCredit Holding, we would like to thank you for taking the time to attend.

The reason for this Extraordinary General Meeting is primarily to vote on a second dividend payment for this year. Due to the regulatory recommendations in force last year, we did not pay any dividends in the 2020 pandemic year. With our proposal today to pay out a second dividend of 35 cents per share, we wish to retroactively honour our dividend policy of consistently paying out 1/3 of group profits.

In addition, we propose that the Management Board of ProCredit Holding be authorised to issue profit participation rights of up to EUR 100m, which may be recognised as additional Tier 1 capital instruments under CRR. In this way, we want to secure the possibility of replacing parts of our subordinated loans with hybrid instruments of higher quality from a regulatory point of view, thereby diversifying our capital structure in the future and making more efficient use of the capital paid in by shareholders.

We also want to take the opportunity to put the proposed dividend in the context of the group's consistently good business and financial performance. Our recommendations in relation to the dividend and to the profit participation rights reflect the fundamental confidence we currently have as a group.

Despite the considerable uncertainties surrounding the future path of the pandemic and its impact on the global economy, the ProCredit group stands stronger. Today, we look forward with greater confidence in terms of both our financial results and our sustainable impact on the societies and economies in which we operate.

1. <u>ProCredit Performance</u>

Let me therefore begin by summarising the development of our group in 2021.

After many years of economic expansion, the need for sustainable action and economic activity became clear once again, especially in the year of the 2020 pandemic. In our address to the last Annual General Meeting, we therefore made the strengths of our sustainability-oriented business model in the context of the pandemic and the subsequent economic upheavals the central theme.

As we explained in detail in our last Impact Report, the sustainability aspect is so deeply rooted in our business model that in our view, business and financial performance cannot be separated from impact performance. In other words, we believe that we (and not only we, by the way) can only be successful in the long term if we always keep our environment and our fellow human beings firmly in mind. This is one of the main reasons why we have always achieved a positive return since our foundation some 20 years ago, and thus also now in the years of the pandemic. Put simply, the only way to achieve sustainable financial results is to adhere to sustainable practices from a comprehensive point of view.

Today, despite the ongoing difficulties faced in our countries, we see convincingly strong interim results. Our loan portfolio grew by 10.4% in the first nine months of this year and our return on equity ratio has reached our medium-term target of 10%. The strong growth in recent years, coupled with rigorous digitalisation measures and our direct banking concept has been reflected in significant scaling effects since the previous year, increasing cost efficiency and thus sustainably supporting profitability.

In the current financial year, we have seamlessly continued our strong and steady growth momentum from recent years. Our loan portfolio grew by EUR 549 million, with green loans contributing more than 20%. As in the 2020 pandemic year, we thus remained true to our role as the Hausbank for SMEs, and even in uncertain times we continue to support businesses that make sustainable investments in growth sectors and thus make an important contribution to the long-term stability of local economies.

In addition to strong portfolio growth, we also saw good growth in deposits, more than EUR 350 million or 7.6% as of September 30. We achieved this growth with both our business and private customers and almost exclusively through low-interest sight deposits and savings accounts, which further improve the funding structure. The strength of our now well-established direct banking approach has clearly manifested itself during these times of pandemic.

A look at the portfolio quality also shows that we are able to sustain this solid growth. The careful selection of good SMEs is an important pillar of our business model and supports the long-term stability of our earnings and profitability. The share of credit-impaired loans in the total portfolio remained stable at 2.6% during the financial year. The share of loans with an elevated risk profile declined significantly during the financial year. Some of the SMEs to which we provided intensive support at the beginning of the year are now showing stable business performance again. This trend gives us confidence that the measures we took with our customers in need during the pandemic were effective and appropriate. At the same time, the level of new loan defaults or problem cases has remained remarkably low and net write-offs have amounted to virtually 0%, as in previous years.

To be sure, the improved portfolio quality is one of the main drivers of our good financial performance. Compared to the previous year, our cost of risk was EUR 17.8 million lower, accounting for around 60% of the improvement in our total comprehensive income. The cost of risk in the previous year was mainly due to parameter effects in our credit risk model resulting from the deteriorated macroeconomic outlook.

However, the group's earnings also improved notably in structural terms. Our operating income before risk provisioning increased by EUR 16.5 million, while operating expenses rose by only EUR 2.7 million. At 62.4%, the cost-income ratio is 4 percentage points below the previous year's level. Our ability to increase cost efficiency is primarily based on the restructuring measures successfully completed two years ago, whereby we digitalised processes, closed branches and reduced staff over a period of several years. Today, our direct banking concept, coupled with highly digitalised back-office processes, means that our banking business is based on a much leaner staff structure and on a far smaller number of branches than is typical for other banks in our countries of operation. Since September 2019, a period of exactly two years, we have thus been able to increase our loan portfolio by almost EUR 1.1 billion without registering a noticeable increase in operating expenses.

Thus, with a return on equity of 10.1%, we were able to take an important step towards our medium-term target of 10%. We see further potential to scale our business, which should further increase our cost efficiency and strengthen our profitability.

In general, the economic outlook for the countries in which we operate is encouraging and we feel well positioned to benefit from this.

The improved earnings situation also has a positive effect on our capital base. Our CET1 (fully loaded Tier 1 capital ratio) of 13.8% as of 30 September is well above our requirement of 8.2%.

Given these circumstances, we consider our capital position to be comfortable. Currently, our focus is more on the issue of share liquidity – that is, the average daily trading volume of our shares. Here, too, we have already made significant progress over the last 18 months. At the beginning of 2020, the average daily trading volume was still below 5,000 shares. In the last three months, an average of about 48,000 shares have been traded per day. Our shareholder base has also more than tripled in the last 18 months. We are striving to further increase the liquidity of our shares and our presence on the capital market.

The continued good business and financial results, especially in the first nine months of this year, give us confidence.

Moreover, investors finally seem to be taking environmental and social sustainability issues more seriously, and not just since the UN Climate Change Conference COP26. From the outset, we have positioned ourselves with investors as a particularly sustainable investment that combines positive impact with financial success. We have observed that our profile is increasingly better understood and perceived on the capital market.

2. Dividends

Our dividend policy plays an important role in our positioning on the capital market as a solid and sustainable long-term investment. Just as investors should be able to expect steady growth and solid financials year after year, they should also be able to count on seeing 1/3 of the group's profits distributed.

We did not pay any dividends in 2020. As mentioned above, we made this decision in order to comply with the recommendations of the regulatory authorities to refrain from distributing profits during the pandemic. We regard our dividend policy as a core commitment to our shareholders and as an important element of our capital market strategy. We therefore continued to set aside 1/3 of our consolidated earnings for 2019 and 2020 from Tier 1 capital for dividend purposes. The actions of the supervisory authorities were completely understandable to us in the overall context of the economic situation of the past year, even though we felt that our capitalisation was more than sufficient at all times to pay dividends AND fulfil our Hausbank role for SMEs – including being there for them in times of crisis. Our confidence was confirmed by the good results and by the very low level of loan defaults that occurred during the pandemic.

We had already announced in 2020 that we would make up for this omitted dividend at the earliest possible date. Following the relaxation of regulatory recommendations in early 2021, we took the first step towards fulfilling this promise – a dividend of 18 cents per share, as approved at the last Annual General Meeting. Today we would like to take the second step. The distribution we are proposing today would increase the total payout this year to 35 cents per share, which is equivalent to one-third of the consolidated results for 2019 and 2020.

As mentioned previously, the group's capitalisation is fundamentally sound and will not be affected by the payout. At the end of the third quarter, our fully loaded Tier 1 capital ratio was 5.6 percentage points above our regulatory requirements.

We are very aware that the pandemic will continue to have a major impact on the countries in which we operate in the coming months, but as the results of recent years show, we are well positioned to cover our risks and support the expected growth. The dividend payment of EUR 20.6 million that you are deciding on today has already been deducted in full from our Tier 1 capital. The good financial result of the third quarter of EUR 25 million has not yet been recognised as Tier 1 capital. This will occur as of the 31 December 2021 balance sheet date, less the usual 1/3 for dividend purposes.

3. <u>Additional Tier 1</u>

Our second agenda item for today concerns the General Meeting's granting of authorisation to the Management Board to issue profit participation rights that can be recognised as Additional Tier 1 capital instruments in accordance with the regulatory requirements.

The ProCredit group has been making use of subordinated loans, which are eligible as Tier 2 instruments, to meet its overall capital requirements for many years.

The long-term eligibility of subordinated loans in capital adequacy calculations of banks is increasingly under discussion. In addition, the eligibility of some of our subordinated instruments with a remaining maturity of less than 5 years is currently declining. We therefore consider it prudent to keep open the possibility of repaying parts of our subordinated debt portfolio early and replacing them with hybrid bonds that are of higher quality from a regulatory perspective. These bonds can then be counted not only towards our total capital ratio, but also towards our Tier 1 capital ratio. We currently meet our Tier 1 capital requirements exclusively with CET1 capital. This is reflected in a balance sheet capitalisation of nearly 10% relative to total assets, which is a comparatively high level in the banking environment. Hybrid capital instruments are generally less expensive than CET1 capital from a cost-of-capital perspective, and are used by most larger European banks to diversify their capital structure and make it more efficient. A concrete example of such AT1 instruments are perpetual bonds, where call rights lie solely with the issuer, not with the investor. This is precisely the reason for its equity character.

With AT1 instruments, we thus aim to create a more efficient capital structure overall, which would set the course for further years of profitable growth.

With this prospect of further years of profitable growth while expanding our sustainable contribution to the development of local economies, I would now like to conclude.

Allow me to summarise by saying that we have achieved good results this year under conditions that remain challenging and that by the end of the year we will achieve the objectives that we most recently specified in our quarterly report, without losing sight of the impact of our actions on the societies and economies in our countries of operation.

In view of these results, we would first and foremost like to acknowledge the extraordinary efforts of our staff during the pandemic period. They have shown exceptional commitment to mitigating the impact of the pandemic on our clients and to playing a proactive role in implementing efforts to control the pandemic in all its aspects. Furthermore, in our assessment the group as a whole has taken a pioneering role in the implementation of vaccination programmes in the workplace and has thus shown a very clear stance. We would like to thank our employees for this sustained positive attitude and their responsible commitment during this period.

And once again we would like to thank you, our shareholders, for the trust you have placed in us. We hope that you share our confidence in the results we presented and that you will continue to accompany us on our journey.

Thank you very much!