



Report of the General Partner to the General Meeting on the proposal under agenda item 3.2 to exclude the subscription right pursuant to sections 278 (3) and 221 (4) sentence 2 in conjunction with sections 278 (3) and 186 (4) sentence 2 AktG

The proposed resolution to amend the resolution of the General Meeting of 8 December 2021 under agenda item 2 authorising the issuance of profit participation rights is intended to give ProCredit Holding AG & Co. KGaA expanded options for raising own funds. The authorisation is to provide the necessary flexibility to enable the ProCredit group to meet its future needs for own funds eligible for regulatory purposes. For this purpose, the General Partner is to be authorised, until 7 December 2026, to issue profit participation rights on one or more occasions with or without a limited term against cash or non-cash contributions (including in the form of existing bonds and profit participation rights) up to a total nominal amount of EUR 100 million. This gives the General Partner the necessary room for manoeuvre to be able to raise further equity at any time and in accordance with the situation on the market.

In order to achieve ProCredit Holding AG & Co. KGaA's objective of strengthening the ProCredit group's regulatory own funds base by issuing profit participation rights, the profit participation rights must be structured in such a way that they qualify as instruments of Additional Tier 1 capital in accordance with Article 52 (1) of Regulation (EU) No. 575/2013 (**CRR**), as amended or replaced from time to time, in particular by Regulation (EU) No. 2019/876 (**CRR II**) or otherwise may be recognised as regulatory own funds.

In principle, the profit participation rights are to be offered to shareholders for subscription. In accordance with the usual placement practices, profit participation rights may also be underwritten by one or more credit institutions or other companies within the meaning of section 186 (5) sentence 1 AktG, with the obligation to offer them to shareholders for subscription; consequently, shareholders have an indirect subscription right and a direct subscription right is therefore excluded.

In addition, the possibility of excluding the subscription right of the shareholders of ProCredit Holding AG & Co. KGaA is provided for by the General Partner with the consent of the Supervisory Board as follows:

- a. The exclusion of the subscription right for fractional amounts enables the utilisation of the requested authorisation with round amounts and facilitates the processing of the capital measure.
- b. Furthermore, it will be possible to exclude the subscription right altogether,

aa. insofar as the profit participation rights are solely structured similarly to obligations.

and

bb. insofar as the interest rate and the issue amount of the profit participation rights correspond to the current market conditions for comparable borrowings at the time of issue.

Should the profit participation rights not be structured similarly to obligations, the subscription right of the shareholders remains in place. Profit participation rights are structured similarly to obligations if they

- i. do not confer any membership rights or subscription or conversion rights to shares,
- ii. do not grant any participation in liquidation proceeds and
- iii. do not provide for any profit-oriented interest payments.

Participation in the liquidation proceeds within the meaning of point ii. above is also not applicable if the profit participation rights do not have a fixed term and repayment is only permissible with the approval of the supervisory authorities. An interest payment is also not profit-oriented within the meaning of point iii. above if it is conditional on there being no net loss for the year or balance sheet loss or if it arises as a result of the interest payment or if interest may only be paid from distributable items within the meaning of Art. 4 (1) No. 128 CRR, as amended or superseded from time to time.

In these cases, excluding the subscription right does not lead to any relevant encroachment on the rights of the shareholders. Furthermore, the exclusion of subscription rights gives ProCredit Holding AG & Co. KGaA the flexibility it needs to take advantage of favourable capital market situations at short notice. Otherwise, there would be a corresponding interest rate risk between the beginning of the subscription period, when the conditions are determined, and the end of the subscription period. Should market interest rates rise within the subscription period, the subscription rights would either not be exercised or only exercised to a minimal extent. A subsequent placement of the unsubscribed profit participation rights could not be guaranteed due to the non-market conditions. In the event of falling market interest rates, the conditions for borrowing would also no longer be in line with the market at the time of issue. An interest rate above the market level would have to be paid for the entire issuance. In the case of such an exclusion of subscription rights, the return on the profit participation rights must also correspond to the current market

conditions for comparable borrowings. Consequently, the subscription right has no value of its own. Therefore, the shareholder will suffer no economic disadvantage as a result of the exclusion of the subscription right. The shareholders' need for protection with regard to a possible economic dilution of their shareholdings is therefore taken into account; the shareholders' membership position remains unaffected.

- c. The General Partner shall also be authorised to exclude the subscription right in order to be able to issue obligation-like profit participation rights against non-cash contributions. The non-cash contribution must consist of the acquisition of securities or comparable instruments issued by ProCredit Holding AG & Co. KGaA directly or indirectly through its subsidiaries or other issuers. In such cases, it can be an interesting alternative to offer profit participation rights instead of or in addition to cash benefits. This also provides the ProCredit Holding AG & Co. KGaA with further flexibility to place profit participation rights in the capital market and at the same time to acquire already issued securities or comparable instruments. Thus, in the case of a new placement of profit participation rights, it may be advisable also or even exclusively to address groups of investors with whom corresponding securities or comparable instruments have already been placed. This may be the case, for example, if the new profit participation rights to be issued are more advantageous for the capital situation of ProCredit Holding AG & Co. KGaA than older instruments that have already been placed. In addition, such an approach may also facilitate the successful placement of the new profit participation rights. In these cases, the interests of the shareholders are taken into account by the fact that ProCredit Holding AG & Co. KGaA must maintain an appropriate ratio between the value of the non-cash contribution and the profit participation right when acquiring non-cash contributions in exchange for the issue of profit participation rights; the relevant date for this is the date on which the resolution on the issue of profit participation rights is passed.