



Hubert Spechtenhauser  
Chair of the Management Board  
ProCredit Holding AG

**Annual General Meeting**

Frankfurt am Main, 4 June 2024

-The spoken word prevails over the written transcript-

## **Speech for the Annual General Meeting 2024**

### **Speech of Mr. Hubert Spechtenhauser, Chair of the Management Board, ProCredit Holding AG**

-The spoken word prevails over the written transcript-

Ladies and Gentlemen, Dear Shareholders,

On behalf of the entire Management Board, I would like to welcome you once again to today's Annual General Meeting.

In its 25-year history, the ProCredit group has always adapted to a changing and often challenging market environment and has grown continuously and profitably. Our group's greatest strength and most important asset are its employees. In conversations with ProCredit employees, whether in the holding company in Frankfurt or in the banks abroad, one always finds a very high level of enthusiasm, commitment and sense of responsibility and an exceptionally strong identification with the ProCredit group's mission to make a sustainable positive contribution to the economic, ecological and social development of our clients and the countries where we operate.

In the past two years, this unique ProCredit spirit has enabled us to overcome the challenges posed by the Russian war of aggression against Ukraine and at the same time lay the foundations for a very successful 2023.

The 2023 financial year can be summarised in a few words: The group's capital position, financial performance and liquidity situation as a whole have never been as strong and solid as today. In 2023, the ProCredit group became more stable and resilient on the one hand and significantly more profitable on the other.

With a return on equity of 12.2%, the financial result for the 2023 financial year was significantly higher than expected at the beginning of 2023 and in line with our medium-term target of 12% at the time. We were able to achieve significant improvements in profitability and cost efficiency in almost all of our banks.

Our business growth was also positive, particularly with regard to our deposit business, which we had placed at the centre of our strategic priorities in 2022. Since then, so in a period of just over two years, we have been able to increase our deposits by around EUR 2 billion, which corresponds to very impressive growth of 35%.

Credit growth was more restrained during this period. In the past financial year, the figure here was 1.9%. This has a lot to do with the overall geopolitical and macroeconomic situation over the last 24 months: The war in Ukraine, high inflation, uncertainties regarding energy prices and energy supply, as well as high interest rates, significantly dampened the investment climate in 2022 and 2023. Since the end of last year, we have seen a clear trend reversal: the macroeconomic outlook for our region is stabilising at a good level and small and medium-sized enterprises (SMEs) are increasingly investing for the long term again. All of this

contributed to our very good results in the first quarter of 2024. These results also underpin our main objective for the coming years: strong growth in loans, deposits and customer numbers in all segments, in order to establish ProCredit as the leading bank for SMEs in the region and an attractive bank for private clients. More on this later.

The year 2023 was not only successful in terms of financial and business results. In September, we finalised the change in ProCredit Holding's legal form to a stock corporation. The new structure makes us leaner, more attractive and more transparent in the eyes of the capital market and more agile in terms of our own corporate governance.

But there are also other successes to note. Our colleagues in Ukraine continue to withstand extremely challenging conditions. Our bank in Ukraine achieved a return on equity of 28% in the 2023 financial year, contributing more than EUR 17 million to the record high consolidated result of EUR 113 million. This good financial result for the bank shows that the loss allowances recognised in 2022, which had a significant impact on the consolidated result, were prudent and conservative and that the portfolio continues to be managed professionally and appropriately. In 2023, we further reduced our loan portfolio in Ukraine by EUR 85 million to around EUR 500 million. At the same time, we have further strengthened the resilience of our bank in Ukraine and created the conditions to be able to make a significant contribution to the reconstruction of the country once the situation in Ukraine has stabilised. In the 2023 financial year, for example, growth in deposits of more than 7% was achieved, important IT projects were driven forward, and the number of employees increased. On a side note, despite the war, our colleagues also managed to achieve EDGE Green Building certification for their office building, making ProCredit Bank Ukraine's head office in Kyiv the first EDGE-certified building in the entire country.

We also inaugurated our ProEnergy solar park in Kosovo in 2023, which can generate clean energy for almost 500 households and will greatly contribute to offsetting the ProCredit group's emissions. The solar park shows our customers and other stakeholders that ProCredit is more than just a lender for green projects. Rather, we are a partner that actively supports and drives forward the ecological transformation in our markets.

Also in 2023, ProCredit Bank Ecuador was the first ProCredit bank to publish its own impact report.

In addition, ProCredit was asked to represent the Finance Leadership Group on Plastic at the second and third meetings of the Intergovernmental Negotiating Committee in Paris, France, and in Nairobi, Kenya. At these international conferences, the UN member states negotiated the development of an international, legally binding instrument to reduce and end plastic pollution.

These are just a few of the many success stories that show that 2023 was a thoroughly successful year for our group, also in terms of our aspiration to make a sustainable and positive contribution to the economic, environmental and social development of the countries where we operate.

The good results for 2023 give us confidence for the future and at the same time oblige us to make even greater and more consistent use of our opportunities in the years ahead. In 2023, we began implementing various strategic measures with which we aim to be even more successful in the future. We presented these at our second Capital Markets Day on 21 March 2024. For those who missed this event, we have made a recording available on our website.

Our business model has always been geared towards sustainability in various dimensions. Sustainable in the commercial sense in that it offers an attractive return for shareholders and

has delivered on this promise every year since the group was founded. But also sustainable in terms of its impact on the economy, environment and society in our region. Today, the financial sectors in Eastern and South Eastern Europe contain:

- several thousand employees who have learned ethical, transparent and fair banking at ProCredit
- tens of thousands of companies that ProCredit has supported as a partner with financing and advice – even in turbulent years
- a social and economic transformation towards renewable energies, EU integration, transparency, formality, digitalisation and democracy, which ProCredit has always actively supported

The business model of the ProCredit group has been geared towards solidity for many years. At our Capital Markets Day, we therefore did not speak of a completely new business strategy, but rather of a very ambitious further development of the business strategy that has ushered in a new era for the development of our group. To get to the heart of the matter: Over the next few years, we want to greatly expand the scope of our banking group in our region and realise significant economies of scale through ambitious growth. We plan to significantly expand our banks' market shares and make a greater positive contribution to economic, environmental and social development, and to achieve even better financial results by strengthening our presence in our countries. To this end, we want to supplement our very successful business with SMEs with significantly strengthened, fully comprehensive retail business. We define retail primarily as business with private customers, but also business with very small companies. On the lending side, we want to grow strongly in all segments, i.e. small and medium-sized companies, microenterprises and private customers, and thus increase our loan portfolio from the current level of around EUR 6.5 billion to over EUR 10 billion in the medium term. The proportion of loans to larger SMEs, which generally have lower interest rates and often tie up more capital, is to fall from the current 60% to around 50%. On the deposit side, we primarily want to increase the proportion of local private customer deposits in order to make the funding structure much more granular and reduce the share from institutional funding partners or the capital market.

We have already laid a solid foundation for this new strategic direction in the retail area in recent years with our "ProCredit Direct" offer. We currently serve around 190,000 private clients. We want to increase this figure by a factor of 2.5 to over half a million in the medium term. The business figures of recent years show that we have already made good progress in terms of positioning ourselves as an attractive bank for private clients and that the momentum of our business is quite remarkable. Growth in private client deposits was still around EUR 200 million in 2021, around EUR 300 million in 2022 and around EUR 500 million in 2023. Nevertheless, we want to position ourselves even more broadly in this business area, better align our offer to the entire private client segment of our markets, and significantly increase the visibility of our banks in these markets. Of course, we primarily want to use private client deposits to fund our impact-oriented business with small and medium-sized business clients. We believe that we are excellently positioned in our markets in this client segment, as – unlike many other banks, which pay little attention to this client segment and standardise it excessively – we take our business clients very seriously, communicate with them on an equal footing, and give them professional advice. Despite our good positioning, we want to further expand our offer for SMEs: We still see opportunities to further optimise our range, particularly in the areas of trade finance, payment terminals and e-commerce, and thus establish ourselves as the leading bank for SMEs in the region.

However, we also see a lot of potential for a positive impact in our business with private clients. In markets where loans are often priced in a non-transparent way, where customers have little control over their financial products and where financial institutions strengthen their margins through sometimes aggressive business practices, we want to send out a clear signal as a fair and ethical bank with a transparent pricing and fee structure that promotes a savings culture and actively works to prevent over-indebting borrowers.

In order to achieve our goals as quickly as possible, we want to press ahead with significant investments in employees, IT, marketing and selectively in our branch network in this and the next financial year. With these strategic investments, we want to expand our business volume, further increase the degree of automation of our processes, optimise the customer experience and customer satisfaction with our products, raise the profile of our banks, and strengthen our presence in emerging regions in our countries. Even during this investment phase, profitability in the form of return on equity should remain at a good double-digit level.

In the medium term, we expect to be able to increase our return on equity to a structural level of around 13-14% as a result of these measures. In the event that the situation in Ukraine stabilises and we can support our customers there with their investments in the reconstruction of the country, we see potential for an even stronger return on equity of around 15%. We also see further potential for improvement in terms of cost efficiency and are aiming for a cost-income ratio of around 57% in the medium term.

On 13 May of this year, we presented our financial figures for the first quarter. Even if they only represent three months of a multi-year growth path, these figures show that we are well on the way to achieving our ambitious targets. We are particularly pleased to see that after two years of relatively subdued new lending business – characterised by a reduction of loans in Ukraine and a low appetite for investment from SMEs in our region – we have been able to record good loan portfolio growth again: 3% or EUR 187 million in just three months. It is particularly encouraging that this growth was achieved at the level of all banks outside Ukraine and in all segments. Growth in the private client segment was particularly positive at over 6%. We also continue to see very positive momentum in our deposit business with private clients. Customer deposits grew by a total of over EUR 200 million – slightly more than customer loans – with almost all deposit growth coming from private clients. Profitability also remained convincing: as of 31 March, the return on equity was 13.4%, which was slightly above our expectations for the year as a whole, particularly due to lower cost of risk.

Even more important than the good quarterly results, however, was the placement of green Tier 2 bonds in the amount of EUR 125 million just a few weeks ago on 25 April. The success of this important project underlines the confidence that capital market participants have in our banking group. At a time when the financial markets were particularly volatile due to the Iranian regime's attack on Israel, we were able to exceed our original issue target of EUR 100 million by 25%. With these bonds, we are strengthening the group's total capital ratio by almost two percentage points and diversifying our capital structure towards more favourable instruments. This capital structure is very solid and allows us to adhere to our dividend policy of distributing one third of the group's profit, even against the backdrop of our ambitious growth targets.

All in all, we could hardly have wished for a better start to the new year. We are therefore looking to the future with great courage and confidence.

On behalf of the entire Management Board – and I am sure you will agree with me, dear shareholders – I would like to thank all of our group's employees for their commitment and outstanding results. This includes colleagues in all ProCredit banks, who are the face of our group in our respective markets; the colleagues in the support functions of our IT subsidiary

Quipu, who have sustainably driven digitalisation in our group over many years; the employees in our internal academies, who create an outstanding learning environment for our employees every day; and the colleagues in ProCredit Holding, who are jointly responsible for the uniform management and leadership of the group. In this context, I would once again like to express my special thanks to our colleagues in Ukraine, who continue to demonstrate a high degree of professionalism and resilience under the most difficult circumstances imaginable. We would like to express our deepest appreciation and special thanks for their commitment.

I would also like to thank the Supervisory Board for its constructive cooperation in the past financial year.

And of course I would also like to thank you, our shareholders, for your support and your interest in this unique banking group.

Thank you very much!