ProCredit
HOLDING

Q2 2020
Interim Report

Contents

Interim Group Management Report

Condensed Consolidated Interim Financial Statements

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Strategic orientation

The ProCredit group focuses on banking services for Small and Medium-sized Enterprises (SMEs) in transition economies. We operate in South Eastern Europe, Eastern Europe, South America and Germany. Through our business activities we aim to provide a sustainable return on investment for our shareholders while making a contribution to economic, social and ecological development.

We want to fulfil the “Hausbank” role for our customers. As such, we aim to always be their first point of contact for financing and deposits as well as for account and payment services and, in particular, support them in carrying out their long-term investment projects. In addition, we offer them efficient and attractive solutions for trade finance business and international payments. We focus on innovative companies showing dynamic growth and stable, formalised structures. We also place an emphasis on expanding our green loan portfolio and promoting local production, especially in agriculture.

Our direct banking services offer comprehensive account management and savings facilities to private clients. At the same time, we combine the intelligent application of technology with professionally competent advice.

In the countries in which we operate, the COVID-19 pandemic was countered with strict containment measures, which had a negative impact on the performance of local economies. In the current market environment, which is marked by turbulence and uncertainty, we feel that the strategic orientation of our banking group has been validated. Our conservative approach to lending business and the advanced level of digitalisation in our retail banking activities have enabled us to continue our business operations without any major constraints.

For a number of years now, our branches have offered only an absolute minimum of counter services and cash transactions. Most banking transactions are concluded via digital channels and customer enquiries are processed through our call centers. As a result, physical customer contact during pandemic times has been relatively low, making contact and social distancing rules relatively easy to implement and there has been little impact on branch operations. Our branches have remained accessible to our customers throughout and it was not necessary to implement short-time working models for employees in our banks. Overall, the number of employees has increased by 127 persons since the end of last year, as planned.

To date, the disbursement of new loans has also remained largely unaffected. Although we continue to see strong demand for business finance, we also note that lending by other banks in our markets have declined. Our customer loan portfolio recorded strong growth in the first six months of this year, even surpassing the growth enjoyed in the same period of the previous year. Longer-term investment loans continue to account for most of this growth. Moreover, our green loan portfolio performed very well and grew almost twice as fast as the rest of the portfolio.

Credit risk has increased due to the deterioration in the macroeconomic outlook over the last six months. Our asset quality indicators remained largely stable compared with the previous year. Our credit risk approach has always been based on close client relationships. In view of the pandemic, we are currently re-analysing each of our credit exposures in order to be able to identify significant increases in default risks at an early stage.

REPORT ON ECONOMIC POSITION

in EUR m			
Statement of Financial Position	**30.06.2020**	**31.12.2019**	**Change**
Customer loan portfolio	5,052.1	4,797.3	254.8
Customer deposits	4,446.7	4,333.4	113.3
Statement of Profit or Loss	**01.01.-30.06.2020**	**01.01.-30.06.2019**	**Change**
Net interest income	99.9	92.7	7.2
Loss allowance	15.7	4.1	11.6
Net fee and commission income	22.6	25.8	-3.2
Operating expenses	82.8	83.5	-0.7
Profit of the period from continuing operations	21.7	24.4	-2.7
Profit of the period	21.7	22.9	-1.2
Key performance indicators	**30.06.2020**	**30.06.2019**	**Change**
Change in customer loan portfolio	5.3%	5.0%	0.3 pp
Cost-income ratio	66.5%	70.7%	-4.2 pp
Return on equity (annualised)	5.5%	6.0%	-0.5 pp
Common Equity Tier 1 capital ratio	14.1%	14.3%	-0.2 pp
Additional indicators	**30.06.2020**	**31.12.2019**	**Change**
Customer deposits to customer loan portfolio	88.0%	90.3%	-2.3 pp
Net interest margin (annualised)	3.0%	3.1%	-0.1 pp
Share of credit-impaired loans	2.5%	2.5%	0.0 pp
Ratio of allowances to credit-impaired loans	93.6%	89.1%	4.5 pp
Green customer loan portfolio	874.5	795.4	79.1

Key figures of the ProCredit group

Financial performance

The group's profit for the period of EUR 21.7 million represents a return on equity of 5.5% and, despite an increase in net interest income of EUR 7 million, is slightly below the result for the same period of the previous year. This development was mainly due to an increase in loss allowances. The proportion of non-performing loans remained virtually unchanged compared with the end of the previous year while our coverage ratio improved. Taking into account the macroeconomic impact of the COVID-19 pandemic, the result is in line with our expectations.

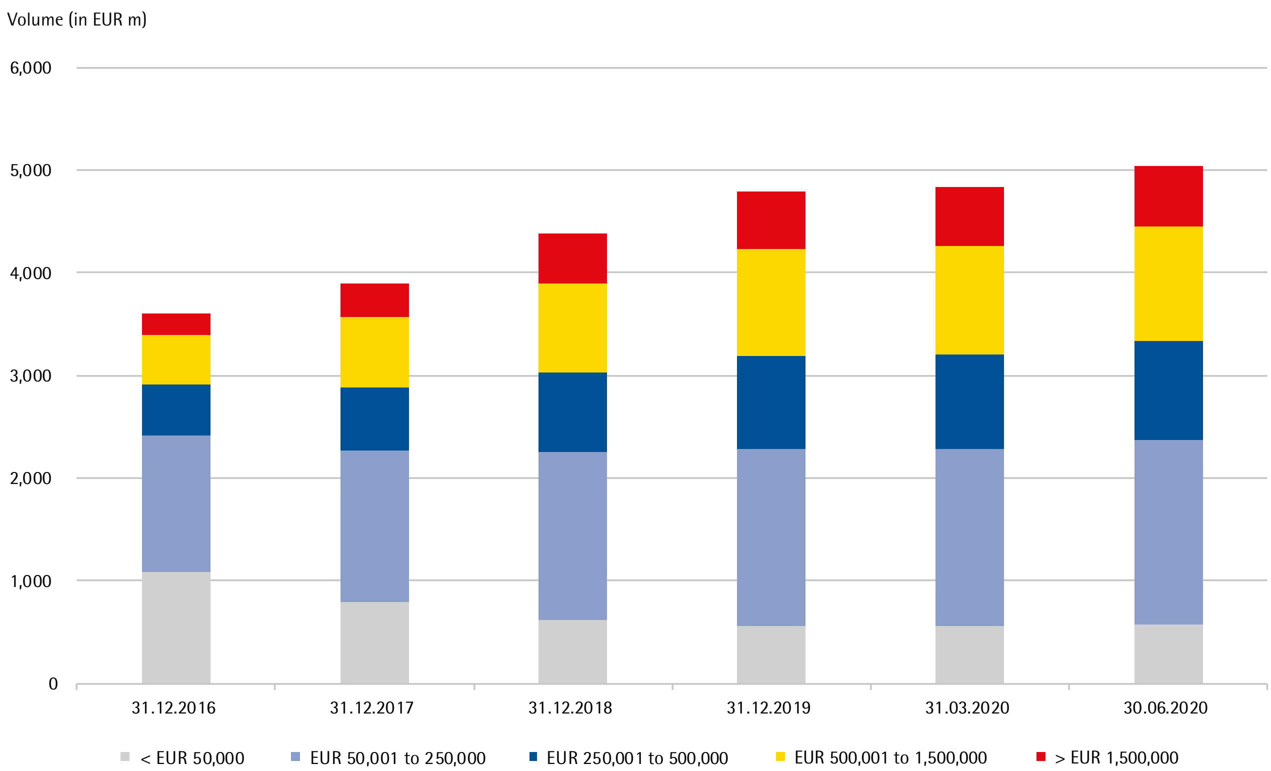
Net interest income showed a solid increase of 7.8% over the corresponding period of the previous year. The increase in interest income of around EUR 9 million is mainly attributable to the portfolio growth over the last twelve months. At the same time, our interest expenses rose by around EUR 2 million. Loss allowances increased by EUR 11.6 million due to the deterioration in the overall macroeconomic outlook as well as an increase in the loan portfolio in Stage 2.

Non-interest income is largely earned from fees and commissions. The decline in net fee and commission income of EUR 3.2 million is mainly due to a decline in transactions during COVID-19 times and a reduction in income from account management fees.

Our operating expenses decreased slightly, mainly due to a reduction in administrative expenses. The cost-income ratio decreased significantly, from 70.7% to 66.5%. On a stable cost basis, profit before tax and loss allowances rose to EUR 41.8 million, an increase of EUR 8.7 million or 26.2% compared to the previous year.

Assets situation

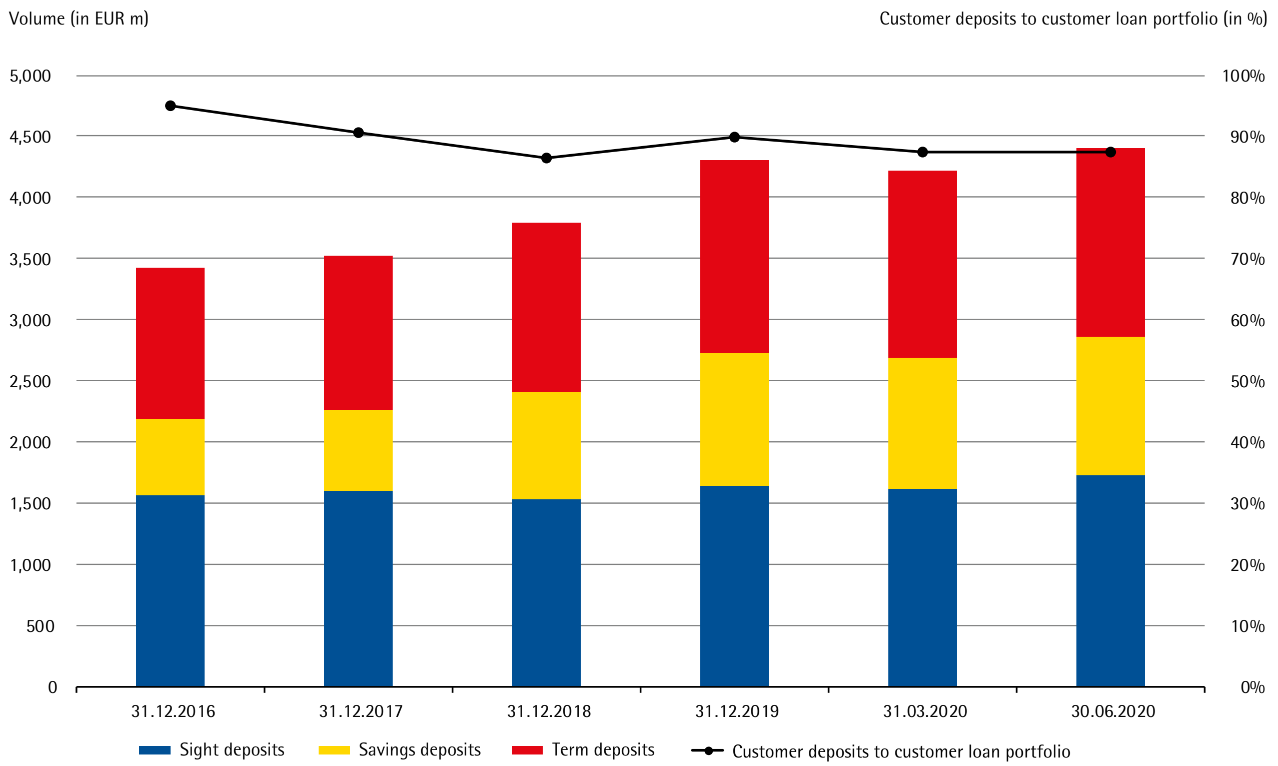
Overall, our customer loan portfolio grew by 5.3% or EUR 255 million. We recorded growth in all of our loan-size segments, with growth being particularly strong in the segment between EUR 50,000 and EUR 1.5 million. Our green customer loan portfolio enjoyed strong overall growth of EUR 79 million or 9.9%, rising to EUR 875 million.



Loan portfolio development, by loan volume

Financial position

Customer deposits constitute the most important source of funding. The volume of customer deposits amounted to EUR 4.4 billion at the end of Q2.



Customer deposits development

Growth in customer deposits of EUR 113 million was higher than in the same period of the previous year, largely due to an increase in the business client segment. Term deposits declined slightly in the first half of the year, sight and savings deposits in contrast enjoyed strong growth.

The decrease in equity of over EUR 7 million is mainly the result of a reduction in the currency translation reserve of more than EUR 19 million, but also due to the buyout of minority interests in ProCredit Bank Ukraine. This was largely offset by an increase in retained earnings of around EUR 22 million due to the profit of the period.

The financial position and financial performance of the group remain solid and are in line with expectations.

SEGMENT PERFORMANCE

Developments in the geographic segments South Eastern Europe, Eastern Europe and South America are presented below. The Germany segment is not shown separately. It essentially comprises the activities of ProCredit Holding, ProCredit Bank Germany and Quipu, which mainly perform supporting functions for the ProCredit banks.

in '000 EUR	01.01.-30.06.2020	01.01.-30.06.2019
South Eastern Europe	13,321	16,253
Eastern Europe	14,179	15,793
South America	-852	-560
Germany*	-4,952	-7,116
Discontinued Operations**	0	-1,462
Profit of the period	**21,697**	**22,908**

* *Segment Germany includes consolidation effects*
** *ProCredit Bank Colombia and ARDEC Mexico were shown in previous year as discontinued operations.*

South Eastern Europe

in EUR m			
Statement of Financial Position	**30.06.2020**	**31.12.2019**	**Change**
Customer loan portfolio	3,581.7	3,362.2	219.5
Customer deposits	3,170.2	3,066.6	103.6
Statement of Profit or Loss	**01.01.-30.06.2020**	**01.01.-30.06.2019**	**Change**
Net interest income	56.0	54.4	1.6
Loss allowances	7.6	3.0	4.6
Net fee and commission income	15.7	18.1	-2.4
Operating expenses	48.5	48.5	0.0
Profit of the period	13.3	16.3	-3.0
Key performance indicators	**30.06.2020**	**30.06.2019**	**Change**
Change in customer loan portfolio	6.5%	5.4%	1.1 pp
Cost-income ratio	68.3%	69.1%	-0.8 pp
Return on equity (annualised)	5.1%	6.6%	-1.5 pp
Additional indicators	**30.06.2020**	**31.12.2019**	**Change**
Customer deposits to customer loan portfolio	88.5%	91.2%	-2.7 pp
Net interest margin (annualised)	2.4%	2.5%	-0.1 pp
Share of credit-impaired loans	2.4%	2.3%	0.1 pp
Ratio of allowances to credit-impaired loans	91.9%	93.3%	-1.4 pp
Green customer loan portfolio	635.8	575.3	60.5

Key figures for the South Eastern Europe region

South Eastern Europe is the group's largest segment. Its customer loan portfolio increased by EUR 220 million to EUR 3.6 billion. Particularly strong growth was recorded for our banks in Serbia, Bulgaria, Romania and North Macedonia. The green customer loan portfolio recorded a considerable increase of EUR 61 million. The proportion of credit-impaired loans increased slightly, while the ratio of allowances to credit-impaired loans fell by 1.4 percentage points to 91.9%.

Customer deposits increased by a substantial EUR 104 million. The increase in customer deposits is mainly attributable to the ProCredit banks in Serbia, Bulgaria and Romania. In contrast, ProCredit Kosovo's customer deposits decreased by more than EUR 33 million.

Profit of the period decreased by EUR 3.0 million, primarily due to a rise in expenses for loss allowances and at the same time a decrease in net commission income. On the other hand, higher net interest income was achieved in this segment. Operating expenses remained stable. Overall, the cost-income ratio improved by 0.8 pp to 68.3%.

Eastern Europe

in EUR m			
Statement of Financial Position	**30.06.2020**	**31.12.2019**	**Change**
Customer loan portfolio	1,093.8	1,090.2	3.6
Customer deposits	893.0	894.6	-1.6
Statement of Profit or Loss	**01.01.-30.06.2020**	**01.01.-30.06.2019**	**Change**
Net interest income	32.4	30.2	2.2
Loss allowances	6.3	1.8	4.5
Net fee and commission income	4.2	4.7	-0.5
Operating expenses	16.8	16.2	0.6
Profit of the period	14.2	15.8	-1.6
Key performance indicators	**30.06.2020**	**30.06.2019**	**Change**
Change in customer loan portfolio	0.3%	4.5%	-4.2 pp
Cost-income ratio	42.3%	44.0%	-1.7 pp
Return on equity (annualised)	11.7%	16.5%	-4.8 pp
Additional indicators	**30.06.2020**	**31.12.2019**	**Change**
Customer deposits to customer loan portfolio	81.6%	82.1%	-0.5 pp
Net interest margin (annualised)	4.2%	4.6%	-0.4 pp
Share of credit-impaired loans	2.8%	3.3%	-0.5 pp
Ratio of allowances to credit-impaired loans	98.2%	77.6%	20.6 pp
Green customer loan portfolio	190.7	188.9	1.8

Key figures for the Eastern Europe region

The customer loan portfolio in the Eastern Europe segment was influenced by negative currency effects and therefore remained almost unchanged compared with the end of last year. Notwithstanding this, ProCredit Bank Moldova registered a clear increase of 14%. The proportion of credit-impaired loans fell by 0.5 percentage points to 2.8%. At the same time, the ratio of allowances to credit-impaired loans improved by a substantial 20.6 percentage points to 98.2%.

Customer deposits remained virtually unchanged. The reduction in savings and term deposits was offset by an increase in sight deposits from business clients.

Profit of the period declined by about 10% despite the increase in net interest income. This development is mainly due to an increase in loss allowances. Net fee and commission income also saw a slightly negative trend. The minor increase in operating expenses is mainly due to higher personnel expenses. The cost-income ratio improved from 44.0% to 42.3%.

South America

in EUR m			
Statement of Financial Position	**30.06.2020**	**31.12.2019**	**Change**
Customer loan portfolio	321.7	288.9	32.9
Customer deposits	140.8	138.9	1.9
Statement of Profit or Loss	**01.01.-30.06.2020**	**01.01.-30.06.2019**	**Change**
Net interest income	9.3	7.8	1.5
Loss allowances	1.4	-0.7	2.1
Net fee and commission income	-0.2	-0.1	-0.1
Operating expenses	8.3	7.9	0.4
Profit of the period	-0.9	-0.6	-0.3
Key performance indicators	**30.06.2020**	**30.06.2019**	**Change**
Change in customer loan portfolio	11.4%	11.4%	0.0 pp
Cost-income ratio	92.2%	109.0%	-16.8 pp
Return on equity (annualised)	-3.4%	-2.2%	-1.2 pp
Additional indicators	**30.06.2020**	**31.12.2019**	**Change**
Customer deposits to customer loan portfolio	43.8%	48.1%	-4.3 pp
Net interest margin (annualised)	5.1%	5.3%	-0.2 pp
Share of credit-impaired loans	2.9%	2.3%	0.6 pp
Ratio of allowances to credit-impaired loans	87.9%	100%	-12.1 pp
Green customer loan portfolio	45.0	28.0	17.0

Key figures for the South America region

The customer loan portfolio of ProCredit Bank Ecuador increased by EUR 33 million or 11.4%. There was also a slight increase of EUR 2 million in customer deposits. Net interest income rose to EUR 9.3 million, an increase of EUR 1.5 million or 19%. The profit of the period is essentially at the same level as the previous year, although it was negatively affected by a significant increase in loss allowances of EUR 2.1 million. The increase in loss allowances is mainly due to the economic impact of the COVID-19 pandemic.

RISK REPORTING

In accordance with our simple, transparent and sustainable business strategy, we follow a conservative risk strategy. The aim is to ensure the internal capital adequacy of the group and each individual bank at all times and to achieve stable results, despite volatile external conditions, by following a consistent group-wide approach to managing risks. The forecasts for global economic development in 2020 are negative. The markets of our South Eastern Europe segment are expected to experience a decline in economic output of 3.0% to 5.0%, Eastern Europe between 3.0% and 7.7% and South America 6.3%. We anticipate growth figures of 3.0% to 8.0% for our markets in 2021. The COVID-19 pandemic will continue to have an impact in the coming quarters. The exact extent will depend on various factors, including how the COVID-19 pandemic plays out, whether lockdown measures are reintroduced, how effective government support programms will be to mitigate the economic impact and how quickly the global economy will recover. Working groups, in particular on credit risk, liquidity/funding, operational risk and IT, as well as supervision and regulation, have been established to monitor and assess the impact of the pandemic on the group as well as to ensure that appropriate measures are taken in good time. The group complies with internal limits as well as all applicable regulatory requirements. Even in light of the uncertainties resulting from the COVID-19 pandemic, the group's overall risk profile remains adequate and stable. Developments in the risk situation are closely monitored.

In general, the details given in the 2019 management report are still valid. An explanation is given if there have been any changes in the methodology and processes involved in risk management.

Capital management

During the reporting period, the ProCredit group met all regulatory capital requirements at all times.

As of 30 June 2020, the CET1 and T1 capital ratios of the ProCredit group remained unchanged at 14.1%. The total capital ratio was also unchanged at 15.7%.

The capitalisation of the ProCredit group is thus comfortably above the regulatory requirements, which are currently set at 8.2% for the CET1 capital ratio, 10.1% for the T1 capital ratio and 12.6% for the total capital ratio.

in EUR m	30.06.2020	31.12.2019
Common equity (net of deductions)	731	742
Additional Tier 1 (net of deductions)	0	0
Tier 2 capital	82	84
Total capital	813	826
RWA total	5,176	5,252
o/w Credit risk	4,172	4,240
o/w Market risk	571	574
o/w Operational risk	432	436
o/w Credit Valuation Adjustment risk	2	1
Common Equity Tier 1 capital ratio	14.1%	14.1%
Total capital ratio	15.7%	15.7%
Leverage ratio (CRR)	10.3%	10.8%

Own funds, risk-weighted assets and capital ratios

In the first half of the year, the ProCredit group's capital base was always ensured in the economic and normative perspective as was its stress resistance level. In view of the COVID-19 pandemic, additional stress scenarios were also analysed.

The following section briefly describes developments in the group's individual risks.

Credit risk

Credit risk is the most significant risk our group faces. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Customer credit exposures account for the largest share. At group and bank level, the customer loan portfolio is monitored continuously for possible risk-relevant developments. The riskiness of a client is determined using a range of indicators, including the risk classification, restructuring status and client compliance with contractual payment requirements. Loss allowances are established in line with the defined group standards, which are based on IFRS 9. The forward-looking expected credit loss (ECL) model is the central element of the approach to quantifying loss allowances. Accordingly, all credit exposures to customers are allocated among three stages, with a distinct provisioning methodology applied to each group.

Several measures have been taken in response to the impacts of the COVID-19 pandemic. This includes all of the banks in the group granting forbearance measures, mainly over a time frame of three to six months. However, as agreed with the supervisory authorities, the application of such measures has no direct impact on the level of loss allowances. We have implemented a risk-oriented approach and are carrying out additional credit analyses in order to detect any increase in credit risk in good time, especially with regard to clients who have taken advantage of support measures. At the end of the second quarter, the share of the loan portfolio subject to a moratorium amounted to EUR 869.8 million.

In anticipation of a general deterioration in market developments and increased uncertainty due to the COVID-19 pandemic, also in the longer term, appropriate adjustments have been made to the macroeconomic factors used to determine the ECL model parameters. These adjustments were based on the latest macroeconomic forecasts published by IMF World Economic Outlook Database, which take the longer-term outlook into account. Loss allowances in stage 1 and stage 2 increased by EUR 6.0 million and EUR 4.6 million, respectively, compared to the previous year-end levels. Of this, approximately EUR 8 million can be attributed to the adjustment of macroeconomic factors. The loan volumes in stage 1 and 2 also increased. Stage 3 loss allowances fell by EUR 0.7 million, mainly due to utilisation.

in '000 EUR As of 30 June 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Germany					
Gross outstanding amount	51,121	3,697	0	0	**54,818**
Loss allowances	-226	-369	0	0	**-595**
Carrying amount	50,896	3,328	0	0	**54,223**
South Eastern Europe					
Gross outstanding amount	3,339,236	157,965	82,815	1,695	**3,581,711**
Loss allowances	-23,809	-6,525	-46,960	-399	**-77,694**
Carrying amount	3,315,427	151,440	35,855	1,295	**3,504,017**
Eastern Europe					
Gross outstanding amount	971,446	91,795	28,542	2,014	**1,093,797**
Loss allowances	-10,204	-4,857	-14,286	-648	**-29,995**
Carrying amount	961,242	86,938	14,256	1,366	**1,063,802**
South America					
Gross outstanding amount	300,313	12,254	9,181	0	**321,748**
Loss allowances	-3,814	-453	-3,799	0	**-8,066**
Carrying amount	296,499	11,801	5,382	0	**313,682**

in '000 EUR As of 31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Germany					
Gross outstanding amount	54,122	1,940	0	0	**56,062**
Loss allowances	-224	-69	0	0	**-293**
Carrying amount	53,898	1,871	0	0	**55,769**
South Eastern Europe					
Gross outstanding amount	3,169,889	115,976	74,649	1,667	**3,362,181**
Loss allowances	-20,613	-5,488	-44,599	-491	**-71,192**
Carrying amount	3,149,276	110,488	30,050	1,175	**3,290,989**
Eastern Europe					
Gross outstanding amount	1,018,989	34,981	34,031	2,204	**1,090,206**
Loss allowances	-7,878	-1,699	-17,937	-588	**-28,101**
Carrying amount	1,011,112	33,283	16,094	1,616	**1,062,105**
South America					
Gross outstanding amount	272,281	9,826	6,776	0	**288,884**
Loss allowances	-3,308	-319	-3,159	0	**-6,786**
Carrying amount	268,974	9,507	3,617	0	**282,098**

Loss allowances in customer lending activities

The positive long-term development of portfolio quality is founded on our clear focus on small and medium-sized businesses, as well as careful credit analysis and customer service. Close relationships with our clients enable us to gain a good understanding of their individual circumstances. This is particularly important in times of crisis and enables credit risks to be identified at an early stage and appropriate measures to be taken. At the end of the second quarter, the share of credit-impaired loans was 2.5%, which was at the same level as at year-end. The ratio of allowances to credit-impaired loans rose from 89.1% to 93.6%. As at 30 June, legislative and non-legislative moratoria were in effect for approximately 17% of the loan portfolio.

in '000 EUR **As of 30 June 2020**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Germany	131	1,250	53,438	54,818
South Eastern Europe	449,567	1,221,685	1,910,458	3,581,711
Eastern Europe	59,628	454,350	579,819	1,093,797
South America	61,437	122,473	137,838	321,748
Customer loan portfolio	**570,763**	**1,799,758**	**2,681,553**	**5,052,074**

in '000 EUR **As of 31 December 2019**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Germany	90	1,364	54,608	56,062
South Eastern Europe	446,605	1,170,464	1,745,112	3,362,181
Eastern Europe	57,658	455,353	577,195	1,090,206
South America	59,473	113,573	115,838	288,884
Customer loan portfolio	**563,826**	**1,740,754**	**2,492,752**	**4,797,332**

Portfolio diversification: Loan size, by region

In the first half of the year, we recorded strong growth in almost all industry sectors. In general, the industries most affected by COVID-19, such as transport and storage (approx. 5%) or tourism (approx. 4%), account for a relatively small share of our loan portfolio.

in '000 EUR **As of 30 June 2020**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Business loans	**407,543**	**1,655,417**	**2,667,462**	**4,730,422**
Wholesale and retail trade	107,333	485,451	730,257	1,323,042
Agriculture, forestry and fishing	131,823	431,555	462,020	1,025,398
Production	63,470	348,517	737,208	1,149,195
Transportation and storage	37,040	106,874	105,979	249,892
Other economic activities	67,876	283,021	631,998	982,895
Private loans	**163,220**	**144,341**	**14,091**	**321,652**
Housing	125,460	139,834	13,571	278,865
Investment loans	30,250	3,746	520	34,516
Others	7,510	761	0	8,271
Customer loan portfolio	**570,763**	**1,799,758**	**2,681,553**	**5,052,074**

in '000 EUR **As of 31 December 2019**	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
Business loans	**387,774**	**1,602,548**	**2,481,267**	**4,471,590**
Wholesale and retail trade	107,849	478,846	692,787	1,279,482
Agriculture, forestry and fishing	116,117	411,898	445,057	973,072
Production	62,793	342,366	673,028	1,078,187
Transportation and storage	36,631	103,969	108,697	249,297
Other economic activities	64,385	265,468	561,699	891,552
Private loans	**176,052**	**138,206**	**11,485**	**325,743**
Housing	135,944	129,327	9,596	274,867
Investment loans	31,988	7,392	1,392	40,772
Others	8,119	1,487	498	10,103
Customer loan portfolio	**563,826**	**1,740,754**	**2,492,752**	**4,797,332**

Portfolio diversification: Business areas, by loan size

Foreign currency risk

Foreign currency risk at group level arises as a result of the equity investments that ProCredit Holding maintains in its subordinated companies in countries which do not have the euro as the national currency. The group's regulatory capital and risk-taking potential are exposed to fluctuations due to changes in the exchange rates of national currencies against the euro, as most banks hold their capital in the local currency. These differences are included in the translation reserve in the consolidated equity. These had decreased EUR 19 million by the end of the first half of the year. The reduction is due to the devaluation of some Eastern and South-Eastern European national currencies in March, mainly caused by the spread of the COVID-19 pandemic.

Interest rate risk in the banking book

At group level, interest rate risk is quantified and limited accordingly on the basis of economic value impact and on the basis of the 12-month P&L effect. At the end of June 2020, these indicators were still comfortably below the assigned limits.

Liquidity and funding risk

We evaluate the short-term liquidity risk of the ProCredit banks using a maturity gap analysis and monitor this risk on the basis of a 30-day sufficient liquidity indicator (SLI), the survival period and the minimum liquidity coverage ratio (LCR) prescribed by the Capital Requirements Regulation (CRR) as well as by means of liquidity stress tests.

The (potential) impact of the COVID-19 pandemic on the liquidity position of the group and individual banks has been and is being regularly analysed in order to be able to take any necessary measures in good time. In addition, COVID-19-specific stress tests have been carried out; these consider forbearance measures and hypothetical outflows of customer deposits as well as other factors. All of the ProCredit banks had sufficient liquidity available to meet all financial obligations in a timely manner at all times.

At the end of the first half of 2020, the LCR was 142% at group level, and thus comfortably above the regulatory requirement of 100%.

ProCredit Holding keeps an adequate liquidity reserve available for the group. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis.

Other material risk

For us, other material risks include operational risk and fraud risk as well as business risk and model risk. The assessment of operational risk has not changed despite the uncertainty surrounding the COVID-19 pandemic. Unlike other types of risk, such as customer credit risk, where the impact of the pandemic would not be expected until after a certain time lag, the majority of potential losses associated with operational risk would have been observed during the early stages (transition to home-based working and shortly thereafter). Since the beginning of March 2020, the ProCredit group has not recorded any losses from operational risks in the areas of IT, information security and business continuity that could be attributed to the pandemic. The measures taken in the area of business continuity include timely equipping employees to be able to work from their homes in compliance with information security rules, splitting teams across different locations, coordinating with critical service providers and raising awareness of hygiene and security measures at an early stage. All this has helped to minimise the impact of the pandemic on our employees. The prevention of money laundering, terrorist financing and fraud is also a key component of our risk management. There have been no substantial changes to any of these risks, so the statements from the 2019 management report still apply.

OUTLOOK

Growth in the first six months exceeded our expectations given the economic impact of the COVID-19 pandemic. There was a brief decline in demand for loans at the onset of the pandemic, but we recorded strong growth over the remainder of the second quarter, particularly in the area of longer-term investment financing, which includes our green portfolio. This strong growth is partly due to a decline in lending by other banks in our markets. We also see good growth opportunities for the second half of the year. After originally forecasting low single-digit growth in our customer loan portfolio at the beginning of the year, we now expect growth in the region of 8% to 10% for the year as a whole. This forecast does not take into account possible effects from currency translation at year-end. The danger of another wave of the pandemic and the introduction of additional restrictions on national and international trade are key risk factors for this forecast.

We continue to expect a positive return on average equity, albeit lower than that of the previous year, with risk costs of around 75 basis points. In this regard, we assume that the economies of our countries will begin to recover in the second half of the year. At the end of this year, we still expect the cost-income ratio to be around 70% and the tier 1 capital ratio to be above 13%.

Based on the information available at the time of publication, we assume that the statements in the 2019 Annual Report concerning mid-term opportunities, risks and forecasts continue to be valid.

SUPPLEMENTARY REPORT

On 9 July 2020, we signed a USD 100 million loan agreement with the International Finance Corporation, which is part of the World Bank Group. The loan will be used to provide targeted funding to small and medium-sized enterprises to enable them to bridge COVID-19-related liquidity bottlenecks as well as to take advantage of potential opportunities that may arise from the crisis.

On 28 July 2020, the Serbian central bank announced the introduction of new moratoria that had previously expired on 30 June. It is not possible at this stage to estimate the extent to which the additional moratoria will be used; they will apply for the period from 1 August to 30 September 2020.

Consolidated Statement of Profit or Loss

in '000 EUR	Note	01.01.-30.06.2020	01.01.-30.06.2019
Interest income (effective interest method)		153,595	144,758
Interest expenses		53,660	52,084
Net interest income	(3)	**99,935**	**92,674**
Loss allowance	(4)	15,702	4,109
Net interest income after allowances		**84,233**	**88,564**
Fee and commission income		31,550	33,941
Fee and commission expenses		8,936	8,134
Net fee and commission income	(5)	**22,613**	**25,806**
Result from foreign exchange transactions		7,274	7,021
Result from derivative financial instruments		727	-191
Result on derecognition of financial assets measured at amortised cost		4	182
Net other operating result		-5,952	-7,416
Operating income		**108,898**	**113,967**
Personnel expenses		41,216	38,647
Administrative expenses		41,583	44,832
Operating expenses		**82,799**	**83,479**
Profit before tax		**26,099**	**30,489**
Income tax expenses	(10)	4,403	6,119
Profit of the period from continuing operations		**21,697**	**24,370**
Profit of the period from discontinued operations		0	-1,462
Profit of the period		**21,697**	**22,908**
Profit attributable to ProCredit shareholders		21,697	22,038
from continuing operations		*21,697*	*23,432*
from discontinued operations		*0*	*-1,394*
Profit attributable to non-controlling interests		0	870
from continuing operations		*0*	*938*
from discontinued operations		*0*	*-69*

Consolidated Statement of Other Comprehensive Income

in '000 EUR	Note	01.01.–30.06.2020	01.01.–30.06.2019
Profit of the period		**21,697**	**22,908**
Items that are or may be reclassified to profit or loss			
Change in revaluation reserve		-188	202
Reclassified to profit or loss		*0*	*0*
Change in value not recognised in profit or loss		*-210*	*335*
Change in loss allowance (recognised in profit or loss)		*22*	*-133*
Change in deferred tax on revaluation reserve		21	4
Change in translation reserve		-17,882	1,781
Reclassified to profit or loss		*0*	*92*
Change in value not recognised in profit or loss		*-17,882*	*1,689*
Other comprehensive income of the period, net of tax		**-18,049**	**1,986**
Total comprehensive income of the period		**3,648**	**24,894**
Profit attributable to ProCredit shareholders		3,648	23,477
from continuing operations		*3,648*	*24,783*
from discontinued operations		*0*	*-1,306*
Profit attributable to non-controlling interests		0	1,417
from continuing operations		*0*	*1,480*
from discontinued operations		*0*	*-63*
Earnings per share* in EUR		0.37	0.37
from continuing operations		*0.37*	*0.40*
from discontinued operations		*0.00*	*-0.02*

** Basic earnings per share were identical to diluted earnings per share.*

Consolidated Statement of Financial Position

in '000 EUR	Note	30.06.2020	31.12.2019
Assets			
Cash	(7,12)	143,402	142,982
Central bank balances	(7,8,12)	925,551	938,741
Loans and advances to banks	(8,12)	197,222	320,737
Derivative financial assets	(12)	1,037	306
Investment securities	(8,12)	369,583	378,281
Loans and advances to customers	(8,9,12)	4,935,724	4,690,961
Property, plant and equipment		140,901	138,407
Intangible assets		20,858	20,345
Current tax assets		7,534	5,314
Deferred tax assets		1,064	739
Other assets	(8,12)	61,768	60,747
Total assets		**6,804,644**	**6,697,560**
Liabilities			
Liabilities to banks	(12)	250,376	226,819
Derivative financial liabilities	(12)	1,267	1,742
Liabilities to customers	(12)	4,446,732	4,333,436
Liabilities to international financial institutions	(12)	856,840	852,452
Debt securities	(11,12)	308,929	343,727
Other liabilities		42,145	33,361
Provisions		13,846	12,060
Current tax liabilities		905	2,022
Deferred tax liabilities		1,638	1,251
Subordinated debt	(12)	86,175	87,198
Total liabilities		**6,008,851**	**5,894,068**
Equity			
Subscribed capital and capital reserve		441,277	441,277
Retained earnings		427,736	405,199
Translation reserve		-74,950	-55,821
Revaluation reserve		1,730	1,896
Equity attributable to ProCredit shareholders		**795,793**	**792,551**
Non-controlling interests		0	10,941
Total equity		**795,793**	**803,492**
Total equity and liabilities		**6,804,644**	**6,697,560**

Consolidated Statement of Changes in Equity

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders	Non-controlling interests	Total equity
Balance as of 1 January 2020	**441,277**	**405,199**	**-55,821**	**1,896**	**792,551**	**10,941**	**803,492**
Profit of the period		21,697			21,697	0	21,697
Other comprehensive income of the period, net of tax			-19,129	-165	-19,294	1,246	-18,049
Total comprehensive income of the period	0	21,697	-19,129	-165	2,402	1,246	3,648
Change of ownership interests		840			840	-12,187	-11,347
Balance as of 30 June 2020	**441,277**	**427,736**	**-74,950**	**1,730**	**795,793**	**0**	**795,793**

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders	Non-controlling interests	Total equity
Balance as of 1 January 2019	**441,277**	**368,303**	**-75,392**	**1,684**	**735,872**	**7,762**	**743,634**
Profit of the period		22,038			22,038	870	22,908
Other comprehensive income of the period, net of tax			1,231	208	1,439	547	1,986
Total comprehensive income of the period		22,038	1,231	208	23,477	1,417	24,894
Distributed dividends		-17,670			-17,670		-17,670
Change of ownership interests		-49			-49	-5	-54
Balance as of 30 June 2019	**441,277**	**372,623**	**-74,161**	**1,892**	**741,631**	**9,173**	**750,804**

Consolidated Statement of Cash Flows (condensed)

in '000 EUR	Note	01.01.–30.06.2020	01.01.–30.06.2019
Cash and cash equivalents at end of previous year		**1,229,077**	**1,011,586**
Cash flow from operating activities		–182,999	–173,079
of which discontinued operations		*0*	*5,273*
Cash flow from investing activities		-9,432	–2,813
of which discontinued operations		*0*	*–708*
Cash flow from financing activities		–12,665	–16,932
of which discontinued operations		*0*	*0*
Effects of exchange rate changes		–20,451	3,182
Cash and cash equivalents at end of period	**(7)**	**1,003,529**	**821,943**

Notes to the Condensed Consolidated Interim Financial Statements

A. Accounting principles

(1) Basis of accounting

The ProCredit group ("the group") comprises development-oriented commercial banks which operate in South Eastern and Eastern Europe, South America and Germany. Our group offers the full range of banking services in terms of financing, account operations, payments and deposit business. The parent company of the group is ProCredit Holding AG & Co. KGaA ("ProCredit Holding"), domiciled at Rohmerplatz 33-37, 60486 Frankfurt am Main, Germany (Commercial Register Frankfurt, Section B No. 91858). We prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as applicable within the European Union.

The Condensed Consolidated Interim Financial Statements as at 30 June 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting". Unless otherwise stated, the preparation of these Condensed Consolidated Interim Financial Statements follows the same recognition and measurement principles as were applied for the Consolidated Financial Statements for the 2019 financial year. We have been applying the amendments to IAS 1 and IAS 8: "Definition of Material", as well as amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" and the amendments to the references to the framework in IFRS since 1 January 2020. The amendments have a minor impact on the consolidated financial statements. There was no early adoption of any standards, amendments and interpretations not yet effective. Disclosures with regard to financial position and financial performance as well as the nature and extent of risks arising from financial instruments are presented in the Interim Group Management Report. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the 2019 financial year.

All amounts are presented in thousands of euros, unless otherwise stated. For computational reasons, rounding differences of ± two units (EUR, %, etc.) may occur in the tables. Reporting and valuation are made on a going concern assumption.

In preparing the Condensed Consolidated Interim Financial Statements, all assumptions, estimates and necessary discretionary judgements that have an effect on the presentation and amount of the financial result were made by the Management Board. All estimates and assumptions required are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances. The following material changes in assumptions, estimates and discretionary decisions were made during the current year:

- Effective 1 January 2020 "Investment securities" can be allocated to either the "hold to collect" business model or to the "hold to collect and sell" business model. Previously, investment securities could only be allocated to the "hold to collect and sell" business model.
- In response to the impacts of the COVID-19 pandemic, we have intensified the monitoring of our loan portfolio.
- We have also made an additional adjustment to macroeconomic factors (GDP growth, inflation and unemployment rates for the years 2020, 2021 and 2022) in order to determine our expected credit loss model parameters. We have identified limitations in our standard approach, most notably that no significant correlation between the macroeconomic factors forecast for 2020 and historical default rates could be established due to the particularities of the COVID-19 pandemic. In this respect, we gave additional weighting to the factors used in order to more adequately determine the expected losses over a medium-term period. The weighting has reduced the increase in loss allowances that result from the adjustment of macroeconomic factors. The weighting was based on the distribution of maturities in our customer loan portfolio. Further details are presented in the risk report.
- All banks in the group have granted forbearance measures, predominantly for a period of three to six months.

(2) Principles of consolidation

There were no changes in the composition of the group in the reporting period compared with the consolidated financial statements as at 31 December 2019. In January 2020 ProCredit Holding acquired the minority shares in ProCredit Bank Ukraine. ProCredit Holding now owns 100% of ProCredit Bank Ukraine. The change in shareholdings is as follows:

in '000 EUR	**Ukraine**
Carrying amount of non-controlling interests acquired	9,645
Consideration paid to non-controlling interests	8,808
Difference	**838**

B. Notes to the Consolidated Statement of Profit or Loss

(3) Net interest income

in '000 EUR	01.01.–30.06.2020	01.01.–30.06.2019
Interest income from		
Cash and central bank balances	-377	97
Loans and advances to banks	1,049	894
Derivatives	1,008	73
Investment securities	7,737	5,371
Loans and advances to customers	143,944	138,134
Prepayment penalty	234	190
Interest income (effective interest method)	**153,595**	**144,758**
Interest expenses on		
Liabilities to banks	2,120	2,034
Derivatives	524	271
Liabilities to customers	29,762	25,869
Liabilities to international financial institutions	14,515	17,040
Debt securities	3,903	2,427
Subordinated debt	2,837	4,443
Interest expenses	**53,660**	**52,084**
Net interest income	**99,935**	**92,674**

(4) Loss allowances

in '000 EUR	01.01.–30.06.2020	01.01.–30.06.2019
Change in loss allowances	19,907	9,945
Recovery of written-off loans	–4,307	–5,921
Direct write-offs	102	86
Loss allowance	**15,702**	**4,109**

(5) Net fee and commission income

in '000 EUR	01.01.–30.06.2020	01.01.–30.06.2019
Fee and commission income from		
Payment services	10,377	10,937
Debit/credit cards	4,477	5,199
Account maintenance fee	11,647	13,139
Letters of credit and guarantees	2,639	2,315
Other fee and commission income	2,411	2,350
Fee and commission income	**31,550**	**33,941**
Fee and commission expenses on		
Payment services	1,713	1,830
Debit/credit cards	4,806	4,456
Account maintenance fee	1,340	1,122
Letters of credit and guarantees	910	500
Other fee and commission expenses	167	226
Fee and commission expenses	**8,936**	**8,134**
Net fee and commission income	**22,613**	**25,806**

(6) Segment reporting

The group aggregates its operations into reporting segments according to geographical regions. We carry out our business activities in the regions: South Eastern Europe, Eastern Europe, South America and Germany. With the exception of the relationship between the German segment and the individual subsidiaries, there are no significant income or expense items between the individual segments. These items are allocated to the country in which the respective subsidiary is based. All income and expense items between the segments are disclosed separately in the following table.

in '000 EUR **01.01.-30.06.2020**	**South Eastern Europe**	**Eastern Europe**	**South America**	**Germany**	**Consoli-dation**	**Group**
Interest income (effective interest method)	71,089	65,809	15,707	11,752	-10,762	153,595
of which inter-segment	*-143*	*130*	*1*	*10,775*		
Interest expenses	15,101	33,377	6,358	10,725	-11,900	53,660
of which inter-segment	*4,622*	*4,164*	*2,731*	*383*		
Net interest income	**55,988**	**32,432**	**9,349**	**1,027**	**1,138**	**99,935**
Loss allowance	7,634	6,309	1,447	312	0	15,702
Net interest income after allowances	**48,354**	**26,123**	**7,902**	**715**	**1,138**	**84,233**
Fee and commission income	24,057	6,485	558	6,013	-5,563	31,550
of which inter-segment	*994*	*0*	*0*	*4,569*		
Fee and commission expenses	8,351	2,315	738	1,032	-3,500	8,936
of which inter-segment	*2,284*	*921*	*283*	*12*		
Net fee and commission income	**15,705**	**4,170**	**-180**	**4,981**	**-2,063**	**22,613**
Result from foreign exchange transactions	4,832	3,823	18	-2,579	1,181	7,274
of which inter-segment	*0*	*0*	*0*	*-1,181*		
Result from derivative financial instruments	6	461	0	1,528	-1,269	727
Result on derecognition of financial assets measured at amortised cost	0	4	0	0	0	4
Net other operating result	-5,566	-1,077	-216	23,558	-22,651	-5,952
of which inter-segment	*309*	*0*	*0*	*22,343*		
Operating income	**63,332**	**33,503**	**7,524**	**28,203**	**-23,664**	**108,898**
Personnel expenses	18,340	6,287	2,942	13,647	0	41,216
Administrative expenses	30,118	10,541	5,332	15,039	-19,447	41,583
of which inter-segment	*10,110*	*3,968*	*2,132*	*3,236*		
Operating expenses	**48,458**	**16,828**	**8,274**	**28,685**	**-19,447**	**82,799**
Profit before tax	**14,874**	**16,675**	**-750**	**-482**	**-4,217**	**26,099**
Income tax expenses	1,553	2,496	102	253		4,403
Profit of the period from continuing operations	**13,321**	**14,179**	**-852**	**-735**	**-4,217**	**21,697**
Profit of the period from discontinued operations						0
Profit of the period	**13,321**	**14,179**	**-852**	**-735**	**-4,217**	**21,697**
Profit attributable to ProCredit shareholders						*21,697*
Profit attributable to non-controlling interests						*0*

in '000 EUR 01.01.-30.06.2019	South Eastern Europe	Eastern Europe	South America	Germany	Consoli-dation	Group
Interest income (effective interest method)	70,221	62,055	12,675	10,764	-10,957	144,758
of which inter-segment	*-29*	*402*	*2*	*10,582*		
Interest expenses	15,810	31,890	4,854	11,076	-11,545	52,084
of which inter-segment	*5,226*	*3,972*	*1,606*	*742*		
Net interest income	**54,411**	**30,164**	**7,821**	**-311**	**588**	**92,674**
Loss allowance	3,002	1,831	-652	-72	0	4,109
Net interest income after allowances	**51,409**	**28,333**	**8,473**	**-239**	**588**	**88,564**
Fee and commission income	25,790	6,966	556	6,204	-5,577	33,941
of which inter-segment	*773*	*0*	*0*	*4,803*		
Fee and commission expenses	7,708	2,309	706	1,050	-3,639	8,134
of which inter-segment	*2,413*	*943*	*274*	*9*		
Net fee and commission income	**18,082**	**4,657**	**-150**	**5,155**	**-1,937**	**25,806**
Result from foreign exchange transactions	4,818	2,872	-7	-631	-30	7,021
of which inter-segment	*0*	*297*	*0*	*-267*		
Result from derivative financial instruments	-130	-54	0	-8	1	-191
Result on derecognition of financial assets measured at amortised cost	189	16	0	-22	0	182
Net other operating result	-7,159	-847	-431	16,205	-15,183	-7,416
of which inter-segment	*911*	*0*	*2*	*14,271*		
Operating income	**67,208**	**34,978**	**7,884**	**20,459**	**-16,561**	**113,967**
Personnel expenses	17,535	5,837	2,712	12,563	0	38,647
Administrative expenses	30,947	10,344	5,174	14,581	-16,214	44,832
of which inter-segment	*8,507*	*3,261*	*1,750*	*2,696*		
Operating expenses	**48,482**	**16,181**	**7,886**	**27,144**	**-16,214**	**83,479**
Profit before tax	**18,726**	**18,797**	**-2**	**-6,685**	**-347**	**30,489**
Income tax expenses	2,473	3,005	558	84		6,119
Profit of the period from continuing operations	**16,253**	**15,793**	**-560**	**-6,769**	**-347**	**24,370**
Profit of the period from discontinued operations*						-1,462
Profit of the period	**16,253**	**15,793**	**-560**	**-6,769**	**-347**	**22,908**
Profit attributable to ProCredit shareholders						*22,038*
Profit attributable to non-controlling interests						*870*

** ProCredit Bank Colombia and ARDEC Mexico are shown as discontinued operations.*

in '000 EUR 30.06.2020	Total assets excl. taxes	Total liabilities excl. taxes	Contingent liabilities
South Eastern Europe	4,720,756	4,200,351	652,518
Eastern Europe	1,534,920	1,296,463	182,098
South America	378,684	329,117	11,386
Germany	1,948,257	1,260,809	9,671
Consolidation	-1,786,571	-1,080,431	0
Total	**6,796,046**	**6,006,309**	**855,673**

in '000 EUR 31.12.2019	Total assets excl. taxes	Total liabilities excl. taxes	Contingent liabilities
South Eastern Europe	4,575,803	4,065,666	570,669
Eastern Europe	1,568,519	1,320,541	153,493
South America	353,129	301,948	9,563
Germany	2,028,330	1,340,137	11,635
Consolidation	-1,834,273	-1,137,497	0
Total	**6,691,507**	**5,890,795**	**745,360**

C. Notes to the Consolidated Statement of Financial Position

(7) Cash and central bank balances

in '000 EUR	30.06.2020	31.12.2019
Cash in hand	143,402	142,982
Balances at central banks	926,343	939,225
Loss allowances for central bank balances	-792	-484
Cash and central bank balances	**1,068,953**	**1,081,723**
Loss allowances for central bank balances	792	484
Loans and advances to banks with a maturity up to 3 months	186,201	303,121
Investment securities with a maturity up to 3 months	197,749	292,003
Minimum reserve, which does not qualify as cash for the statement of cash flows	-450,166	-448,254
Cash and central bank balances for the statement of cash flows	**1,003,529**	**1,229,077**

(8) Financial instruments and contingent liabilities by stages

	30.06.2020					31.12.2019
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Central bank balances						
Gross outstanding amount	926,343	0	0	0	**926,343**	**939,225**
Loss allowances	-792	0	0	0	**-792**	**-484**
Carrying amount	925,551	0	0	0	**925,551**	**938,741**
Loans and advances to banks						
Gross outstanding amount	197,225	0	0	0	**197,225**	**320,742**
Loss allowances	-3	0	0	0	**-3**	**-5**
Carrying amount	197,222	0	0	0	**197,222**	**320,737**
Investment securities						
Gross outstanding amount	367,663	2,010	0	0	**369,673**	**378,281**
Loss allowances	-94	-62	0	0	**-156**	**-46**
Carrying amount	367,569	1,948	0	0	**369,517**	**378,236**
Loans and advances to customers						
Gross outstanding amount	4,662,116	265,711	120,538	3,709	**5,052,074**	**4,797,332**
Loss allowances	-38,053	-12,204	-65,045	-1,047	**-116,350**	**-106,372**
Carrying amount	4,624,063	253,506	55,493	2,661	**4,935,724**	**4,690,961**
Other assets (Financial Instruments)						
Gross outstanding amount	40,267	0	0	0	**40,267**	**35,347**
Loss allowances	-454	0	0	0	**-454**	**-431**
Carrying amount	39,813	0	0	0	**39,813**	**34,916**
Contingent liabilities (Financial guarantees)						
Loss allowances	-2,077	0	0	0	**-2,077**	**-1,674**

(9) COVID-19 effects on our customer loan portfolio

The following table shows the share of our customer loan portfolio which is subject to moratoria due to COVID-19 or which has been restructured due to COVID-19. A moratorium does not automatically trigger a stage transfer.

	30.06.2020				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Customer loan portfolio					
currently under moratorium:					
moratorium only	797,104	56,524	5,914	153	**859,694**
moratorium and restructuring	1,069	4,445	4,517	86	**10,117**
with expired moratorium:					
moratorium only	817,160	51,537	4,658	15	**873,369**
moratorium and restructuring	799	6,445	1,990	48	**9,282**
with restructuring but not under moratorium	3,653	2,713	2,733	873	**9,972**

(10) Income taxes

Taxes on income incurred in the interim period are calculated for the expected full-year result using local tax rates. The estimated average annual income tax rate for the year 2020 is 11.1% (the income tax rate for the six months ended 30 June 2020 was 14.5%; for the six months ended 30 June 2019 it was 27.4%).

(11) Debt securities

In the first half of 2020, new bonds amounting to EUR 21 million (financial year 2019: EUR 146 million) were issued and EUR 56 million (financial year 2019: EUR 10 million) repaid.

(12) Fair value of financial instruments

in '000 EUR **30.06.2020**	**Category**	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Cash	FV	143,402	143,402	143,402	0	0
Central bank balances	AC	925,551	925,551	0	925,551	0
Loans and advances to banks	AC	197,222	197,222	0	197,222	0
Derivative financial assets	FV	1,037	1,037	0	1,037	0
Investment securities	FVOCI	202,637	202,637	109,895	92,742	0
Investment securities	AC	166,946	166,946	0	166,946	0
Loans and advances to customers	AC	4,935,724	4,933,728	0	0	4,933,728
Other assets (Shares)	FVOCI	6,273	6,273	2,796	1,507	1,970
Other assets (Financial instruments)	AC	39,813	39,813	0	38,440	1,373
Total		**6,618,605**	**6,616,609**	**256,093**	**1,423,446**	**4,937,070**
Financial liabilities						
Liabilities to banks	AC	250,376	247,952	0	30,807	217,145
Derivative financial liabilities	FV	1,267	1,267	0	1,267	0
Liabilities to customers	AC	4,446,732	4,448,001	0	3,131,444	1,316,557
Liabilities to international financial institutions	AC	856,840	841,782	0	10,221	831,561
Debt securities	AC	308,929	319,169	0	0	319,169
Subordinated debt	AC	86,175	89,548	0	0	89,548
Total		**5,950,319**	**5,947,719**	**0**	**3,173,740**	**2,773,979**

Categories: FV - at Fair Value; AC - Amortised cost; FVOCI - at Fair Value through other comprehensive income

in '000 EUR **31.12.2019**	**Category**	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Cash	FV	142,982	142,982	142,982	0	0
Central bank balances	AC	938,741	938,741	0	938,741	0
Loans and advances to banks	AC	320,737	320,737	0	320,737	0
Derivative financial assets	FV	306	306	0	306	0
Investment securities	FVOCI	378,281	378,281	104,213	274,068	0
Loans and advances to customers	AC	4,690,961	4,703,408	0	0	4,703,408
Other assets (Shares)	FVOCI	6,266	6,266	2,787	1,505	1,974
Other assets (Financial instruments)	AC	34,916	34,916	0	34,282	635
Total		**6,513,190**	**6,525,638**	**249,983**	**1,569,638**	**4,706,017**
Financial liabilities	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Liabilities to banks	AC	226,819	225,665	0	36,869	188,796
Derivative financial liabilities	FV	1,742	1,742	0	1,742	0
Liabilities to customers	AC	4,333,436	4,339,305	0	3,004,703	1,334,603
Liabilities to international financial institutions	AC	852,452	813,154	0	1,333	811,820
Debt securities	AC	343,727	343,727	0	0	343,727
Subordinated debt	AC	87,198	92,777	0	0	92,777
Total		**5,845,374**	**5,816,370**	**0**	**3,044,647**	**2,771,723**

Categories: FV - at Fair Value; AC - Amortised cost; FVOCI - at Fair Value through other comprehensive income

ProCredit's fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for financial instruments and the lowest priority to unobservable inputs. For short-term financial instruments carried at amortised costs, the carrying value represents a reasonable estimate of fair value. The ProCredit group has no fair value financial instruments with Level 3 inputs, with the exception of an insignificant amount of shares. Any reclassification between levels of the fair value hierarchy is carried out at the end of the reporting period.

Upon acquisition, financial instruments are measured at fair value. In principle, this is the transaction price at the time they are acquired. Depending on their respective category, financial instruments are subsequently recognised either at fair value or at (amortised) cost. In general, financial instruments at fair value are measured on a recurring basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date.

The ProCredit group applies the IFRS hierarchy to measure fair value. The hierarchy categorises the inputs used in the valuation techniques to measure fair value into three levels:

(a) Level 1 Inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Level 2 Inputs
Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value of similar instruments and discounted cash flow models using observable market parameters. Each subsidiary applies individual observable interest and exchange rates, predominantly from local central banks.

(c) Level 3 Inputs
Unobservable inputs for the asset or liability. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. ProCredit Group Funding interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

(13) Regulatory own funds

As of 30 June 2020, the CET1 and T1 capital ratios of the ProCredit group remained unchanged at 14.1%. The total capital ratio was also unchanged at 15.7%.

The capitalisation of the ProCredit group is thus comfortably above the regulatory requirements, which are currently set at 8.2% for the CET1 capital ratio, 10.1% for the T1 capital ratio and 12.6% for the total capital ratio.

D. Additional Notes

(14) Contingent liabilities

in '000 EUR	30.06.2020	31.12.2019
Credit commitments (revocable)	611,154	518,714
Payment guarantees	129,776	119,853
Performance guarantees	96,154	89,700
Credit commitments (irrevocable)	15,378	15,037
Letters of credit	3,212	2,056
Total	**855,673**	**745,360**

The above table discloses the contractually agreed maximum amounts of contingent liabilities, without consideration of collateral. We expect that a significant portion of the guarantees will expire without being drawn upon. It is not practicable to estimate the future use of the loan commitments.

(15) Related-party transactions

No significant transactions were carried out with related parties during the first half of 2020. The most relevant expenditures for the ProCredit group arising in connection with related parties were for remuneration of the Management Board of ProCredit General Partner AG in the amount of EUR 218 thousand (June 2019: EUR 302 thousand).

(16) Events after the reporting period

On 9 July 2020, we signed a USD 100 million loan agreement with the International Finance Corporation, which is part of the World Bank Group. The loan will be used to provide targeted funding to small and medium-sized enterprises to enable them to bridge COVID-19-related liquidity bottlenecks as well as to take advantage of potential opportunities that may arise from the crisis.

On 28 July 2020, the Serbian central bank announced the introduction of new moratoria that had previously expired on 30 June. It is not possible at this stage to estimate the extent to which the additional moratoria will be used; they will apply for the period from 1 August to 30 September 2020.

Responsibility of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, we assert that the consolidated interim financial statements give a true and fair view of the financial position and financial performance of the group, and the consolidated interim management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the significant opportunities and risks associated with the expected development of the group.

Frankfurt am Main, 05 August 2020

ProCredit Holding AG & Co. KGaA
represented by
ProCredit General Partner AG (personally liable shareholder)

Management Board

Sandrine Massiani | Dr. Gabriel Schor | Dr. Gian Marco Felice

Review Report

To ProCredit Holding AG & Ko. KGaA, Frankfurt am Main

Introduction

We have reviewed the condensed interim consolidated financial statements of the ProCredit Holding AG & Co. KGaA – comprising the Consolidated Statement of Profit and Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows (condensed) as well as selected explanations (Notes to the Condensed Consolidated Interim Financial Statements) – together with the interim group management report of the ProCredit Holding AG & Co. KGaA for the period from 1 January to 30 June 2020 that are part of the semi-annual according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

Scope of the review

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally in accordance with International Standard on Review Engagements 2410 for the review of interim financial information performed by the independent auditor of the entity. Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Conclusion

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, 11 August 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:

Fox	Dyhr
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

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