ProCredit HOLDING

INTERIM REPORT AS OF 30 JUNE

2021

Contents

Interim Group Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our strategy

The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies and on direct banking activities for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. Our business strategy is based on a long-term relationship with our clients and employees and a conservative approach to risk, which allows us to report lower loan default rates than the banking sectors in which we operate. Sustainability is a key component of our business strategy and we want our activities to make a positive, sustainable contribution to the environment and to society.

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, we support them in carrying out their long-term investment projects. In addition, we offer solutions for trade finance business and international payment transactions. Our target group comprises innovative companies showing dynamic growth and stable, formalised structures. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture.

In addition to serving SMEs, we also pursue a direct banking strategy that provides clients with comprehensive account services and savings opportunities. At the same time, we combine the intelligent application of technology with professionally competent advice. Our clients conduct their banking transactions directly via our digital channels and customer enquiries are processed in a focused way through our call centres. In general, we do not offer counter and cash transactions, which meant that the contact and distance rules introduced in the time of the pandemic were relatively easy for us to implement and had virtually no impact on business operations.

In the current market environment, which continues to be marked by turbulence and uncertainty due to the COVID-19 pandemic, 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 despite the pandemic.

To date, the disbursement of new loans has remained largely unaffected. Although we continue to see strong demand for business finance, we also note that lending by other banks in our markets remains restrictive, albeit less subdued than in 2020. In the first half of this year, our customer loan portfolio again recorded a strong increase, to which our green loan portfolio contributed more than 20%.

Credit risk remains elevated due to the pandemic, and yet our portfolio quality indicators have developed positively to date. Compared to the end of the year, the share of loans in Stage 2 decreased while the share of credit-impaired loans remained relatively stable. At the same time, net write-offs remained at the usual low level of 0.1%. Our credit risk approach has always been based on close client relationships. In view of the pandemic, we have intensified analysis of our credit exposures in order to address potential default risks at an early stage.

REPORT ON THE ECONOMIC POSITION

Course of business operations

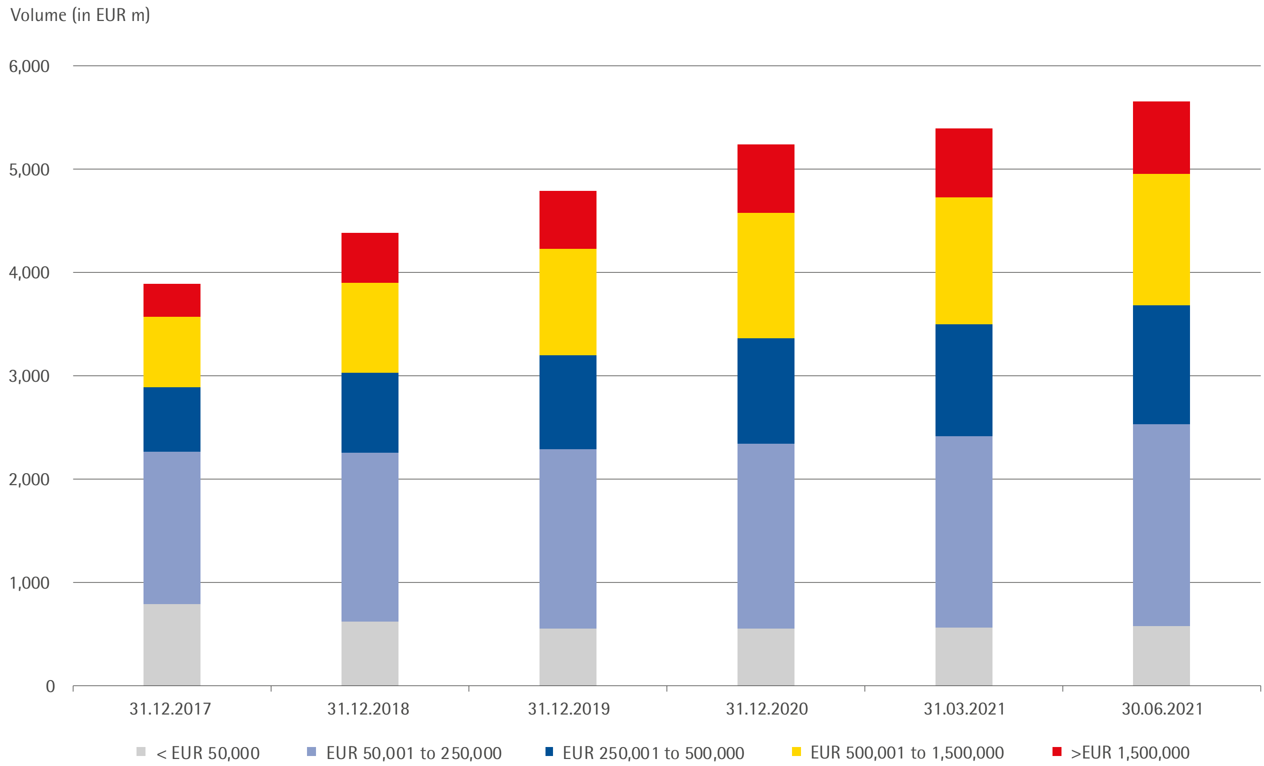
Our overall business performance has been positive in the first six months of 2021, even as the COVID-19 pandemic continues to significantly impact the economies and societies where we operate. The customer loan portfolio increased by more than EUR 402 million, or 7.7%, which was influenced to a minor extent by positive currency effects. More than 20% of the total growth came from green loans. Customer deposits recorded an increase of EUR 123 million. At EUR 36.4 million, our profit of the period is significantly higher (by EUR 14.7 million or 68%) than in the same period of the previous year, mainly due to the positive business development and lower expenses for loss allowances. As a result, our annualised return on equity improved to 9.1%. The financial position and financial performance of the group are solid and, in light of the ongoing COVID-19 pandemic, above our original expectations. Accordingly, we adjusted our return on equity and cost-income ratio forecast for the 2021 financial year on 23 July 2021 (see the "Outlook" section).

in EUR m

Statement of Financial Position	30.06.2021	31.12.2020	Change
Customer loan portfolio	5,656.5	5,254.3	402.2
Customer deposits	5,021.4	4,898.9	122.5
Statement of Profit or Loss	**1.1.-30.06.2021**	**1.1.-30.06.2020**	**Change**
Net interest income	103.2	99.9	3.3
Net fee and commission income	24.1	22.6	1.5
Personnel and administrative expenses	83.3	82.8	0.5
Loss allowance	2.7	15.7	-13.0
Profit of the period	36.4	21.7	14.7
Key performance indicators	**1.1.-30.06.2021**	**1.1.-30.06.2020**	**Change**
Change in customer loan portfolio	7.7%	5.3%	2.3 pp
Cost-income ratio	64.4%	66.5%	-2.0 pp
Return on equity (annualised)	9.1%	5.5%	3.6 pp
	30.06.2021	**31.12.2020**	
Common Equity Tier 1 capital ratio	13.7%	13.3%	0.4 pp
Additional indicators	**30.06.2021**	**31.12.2020**	**Change**
Customer deposits to customer loan portfolio	88.8%	93.2%	-4.5 pp
Net interest margin (annualised)	2.8%	2.9%	-0.1 pp
Share of credit-impaired loans	2.5%	2.6%	-0.1 pp
Ratio of allowances to credit-impaired loans	90.8%	91.4%	-0.6 pp
Green customer loan portfolio	1,078.6	984.9	93.6

Asset situation

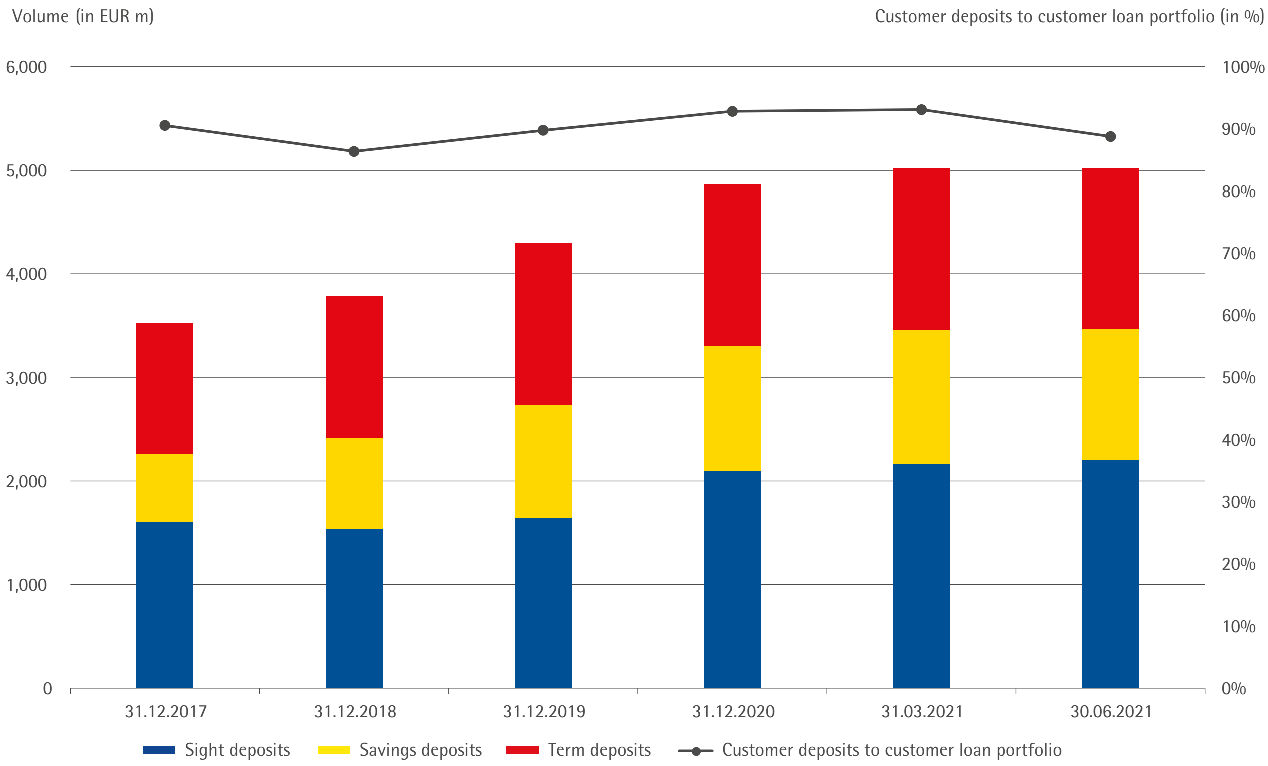
Total assets increased by EUR 279 million, or 3.8%, in the first half of the year. This was mainly due to growth in the customer loan portfolio, which increased by EUR 402 million. As expected and largely due to seasonal factors, surplus liquid funds have fallen by over EUR 100 million since the beginning of the year. We saw good portfolio growth in all our banks and across all loan-size segments.



Loan portfolio development, by loan volume

Financial position

Liabilities exhibited an increase of EUR 239 million, which is mainly due to the positive development of deposits. At the same time, customer deposits are the most important source of funding for our group. The total increase in deposits of EUR 123 million, or 2.5%, was mainly generated by sight deposits and savings accounts, especially in the retail segment. The ratio of customer deposits to the customer loan portfolio decreased by approximately 4.5 percentage points from year-end 2020 to 88.8%.



Customer deposit development

We maintained a solid liquidity position at all times during the reporting period. At the end of the first half of the year, the liquidity coverage ratio (LCR) was 151% (as at 31 December 2020: 153%).

Equity increased by EUR 39.5 million compared to year-end 2020, in particular due to the current profit of the period. The Common Equity Tier 1 capital ratio (CET1 fully loaded) is 13.7% at 30 June 2021, up 0.4 percentage points from the year-end level, and the group's capitalisation remains stable.

Result of operations

The group's profit for the period, EUR 36.4 million, represents a return on equity of 9.1% and is EUR 14.7 million higher than the result for the same period of the previous year. This increase was mainly due to improved net interest income and net fee and commission income as well as significantly lower expenses for loss allowances. The share of credit-impaired loans decreased slightly compared to year-end 2020, while the ratio of allowances to credit-impaired loans remained largely stable at approximately 91%. Taking into account the ongoing macroeconomic impact of the COVID-19 pandemic, the result is above our original expectations. Accordingly, we raised our return on equity and cost-income ratio forecast for the 2021 financial year on 23 July 2021 (see the "Outlook" section).

Net interest income increased by EUR 3.3 million, or 3.3%, compared to the same period of the previous year, primarily due to the steady growth of our customer loan portfolio. The net interest margin decreased by 0.1 percentage points to 2.8%, mainly due to the base rate cuts made in response to macroeconomic downturn in many of our markets over the last year.

Expenses for loss allowances fell significantly by EUR 13.0 million to a total of EUR 2.7 million; the annualised cost of risk in the first half of the year thus amounted to 10 basis points. Compared with the year-end level, the share of credit-impaired loans decreased by 0.1 percentage point to 2.5%. The share of loans in Stage 2 declined by 0.5 percentage points to 4.4%. Repayments from written-off loans increased by EUR 2.8 million compared with the same period of the previous year.

Non-interest income is largely earned from fees and commissions. At EUR 24.1 million, net fee and commission income was EUR 1.5 million higher than in the previous year, due in particular to an increase in income from payment services and debit/credit cards.

Personnel and administrative expenses increased slightly by EUR 0.5 million or 0.6%, mainly due to higher staff costs. Compared with the same period of the previous year, the cost-income ratio improved by 2.0 percentage points to 64.4%.

Segment performance

Developments in our geographic segments South Eastern Europe, Eastern Europe, South America, and Germany will be discussed below.

in '000 EUR	**1.1.–30.06.2021**	**1.1.–30.06.2020**
South Eastern Europe	20,886	13,321
Eastern Europe	18,034	14,179
South America	7	-852
Germany*	-2,563	-4,952
Profit of the period	**36,363**	**21,697**

* *Segment Germany includes consolidation effects*

South Eastern Europe

in EUR m

Statement of Financial Position	30.06.2021	31.12.2020	Change
Customer loan portfolio	4,019.9	3,800.2	219.7
Customer deposits	3,605.5	3,556.2	49.3
Statement of Profit or Loss	**1.1.-30.06.2021**	**1.1.-30.06.2020**	**Change**
Net interest income	61.9	56.0	5.9
Net fee and commission income	15.3	15.7	-0.4
Personnel and administrative expenses	49.5	48.5	1.0
Loss allowances	3.7	7.6	-3.9
Profit of the period	20.9	13.3	7.6
Key performance indicators	**1.1.-30.06.2021**	**1.1.-30.06.2020**	**Change**
Change in customer loan portfolio	5.8%	6.5%	-0.7 pp
Cost-income ratio	64.5%	68.3%	-3.7 pp
Return on equity (annualised)	7.4%	5.1%	2.2 pp
Additional indicators	**30.06.2021**	**31.12.2020**	**Change**
Customer deposits to customer loan portfolio	89.7%	93.6%	-3.9 pp
Net interest margin (annualised)	2.3%	2.4%	0.0 pp
Share of credit-impaired loans	2.2%	2.2%	-0.1 pp
Ratio of allowances to credit-impaired loans	95.1%	92.5%	2.6 pp
Green customer loan portfolio	802.7	739.8	62.9

South Eastern Europe is the group's largest segment. The customer loan portfolio for this segment increased by EUR 220 million to EUR 4.0 billion. All banks in this segment report growth of at least 4.7%, with our banks in Romania, North Macedonia and Bulgaria achieving increases of more than 6%. The green customer loan portfolio recorded an increase of around EUR 62.9 million. The share of credit-impaired loans remained stable at 2.2%, and the ratio of allowances to credit-impaired loans improved by 2.6 percentage points from year-end to a total of 95.1%.

Customer deposits increased by EUR 49 million, with particularly strong growth at our banks in Bosnia, Albania and Serbia.

The profit of the period climbed significantly by EUR 7.6 million compared to the same period in the previous year, primarily due to a rise of EUR 5.9 million in net interest income. With only slightly higher personnel and administrative expenses, the cost-income ratio improved by 3.7 percentage points to 64.5%.

Eastern Europe

in EUR m

Statement of Financial Position	30.06.2021	31.12.2020	Change
Customer loan portfolio	1,213.6	1,079.1	134.6
Customer deposits	938.8	896.7	42.1

Statement of Profit or Loss	1.1.-30.06.2021	1.1.-30.06.2020	Change
Net interest income	32.0	32.4	-0.4
Net fee and commission income	3.4	4.2	-0.8
Personnel and administrative expenses	17.4	16.8	0.6
Loss allowances	-0.9	6.3	-7.2
Profit of the period	18.0	14.2	3.9

Key performance indicators	1.1.-30.06.2021	1.1.-30.06.2020	Change
Change in customer loan portfolio	12.5%	0.3%	12.1 pp
Cost-income ratio	46.1%	42.3%	3.8 pp
Return on equity (annualised)	17.6%	11.7%	5.9 pp

Additional indicators	30.06.2021	31.12.2020	Change
Customer deposits to customer loan portfolio	77.4%	83.1%	-5.7 pp
Net interest margin (annualised)	4.2%	4.1%	0.1 pp
Share of credit-impaired loans	2.4%	2.7%	-0.3 pp
Ratio of allowances to credit-impaired loans	116.9%	115.9%	1.1 pp
Green customer loan portfolio	199.8	190.1	9.7

In the Eastern Europe segment, growth of EUR 135 million, or 12.5%, was achieved in the customer loan portfolio. This growth was partly driven by the appreciation of local currencies, although business growth adjusted for currency effects was also very positive. The share of credit-impaired loans fell by 0.3 percentage points to 2.4%. The ratio of allowances to credit-impaired loans increased slightly to 116.9%.

Customer deposits grew by EUR 42 million, or 4.7%, compared to year-end, with currency effects having a positive impact here as well.

Profit of the period improved by EUR 3.9 million in the Eastern Europe segment. This development is essentially due to a EUR 7.2 million decline in expenses for loss allowances. With personnel and administrative expenses relatively stable, the cost-income ratio increased by 3.8 percentage points to 46.1%. The profit of the period of EUR 18.0 million corresponds to a return on equity of 17.6%.

South America

in EUR m

Statement of Financial Position	30.06.2021	31.12.2020	Change
Customer loan portfolio	365.3	321.5	43.7
Customer deposits	203.7	173.0	30.7

Statement of Profit or Loss	1.1.-30.06.2021	1.1.-30.06.2020	Change
Net interest income	9.0	9.3	-0.3
Net fee and commission income	-0.2	-0.2	0.0
Personnel and administrative expenses	8.1	8.3	-0.2
Loss allowances	-0.1	1.4	-1.6
Profit of the period	0.0	-0.9	0.9

Key performance indicators	1.1.-30.06.2021	1.1.-30.06.2020	Change
Change in customer loan portfolio	13.6%	11.4%	2.2 pp
Cost-income ratio	98.3%	92.2%	6.1 pp
Return on equity (annualised)	0.0%	-3.4%	3.4 pp

Additional indicators	30.06.2021	31.12.2020	Change
Customer deposits to customer loan portfolio	55.8%	53.8%	2.0 pp
Net interest margin (annualised)	4.3%	5.0%	-0.6 pp
Share of credit-impaired loans	6.7%	6.1%	0.6 pp
Ratio of allowances to credit-impaired loans	42.0%	47.9%	-6.0 pp
Green customer loan portfolio	66.0	52.6	13.4

The customer loan portfolio of ProCredit Bank Ecuador showed strong growth of EUR 43.7 million or 13.6%. Customer deposits increased by EUR 30.7 million or 17.7%. Both developments were partly boosted by the appreciation of the US dollar, although the business growth adjusted for currency effects was also very positive.

The profit of the period improved by EUR 0.9 million, particularly due to lower expenses for loss allowances compared to the previous year's period. Interest income decreased by EUR 0.3 million to EUR 9.0 million, while personnel and administrative expenses decreased by EUR 0.2 million.

Germany

in EUR m

Statement of Financial Position	30.06.2021	31.12.2020	Change
Customer loan portfolio	57.6	53.4	4.2
Customer deposits	273.4	273.0	0.4

Statement of Profit or Loss	1.1.-30.06.2021	1.1.-30.06.2020	Change
Net interest income	0.3	1.0	-0.8
Operating income*	44.0	28.5	15.5
Personnel and administrative expenses	29.7	28.7	1.0
Loss allowances	0.0	0.3	-0.3
Profit of the period	13.4	-0.7	14.2
Profit of the period and consolidation effects	-2.6	-5.0	2.4

* *Previous year figures have been adapted to the current disclosure structure.*

The development of the Germany segment essentially consists of the operations of ProCredit Holding, ProCredit Bank Germany and Quipu.

The loan portfolio and customer deposits in the segment are attributed to the ProCredit Bank in Germany. The customer loan portfolio increased by EUR 4.2 million or 7.8% in the financial year. Customer deposits remained largely stable. The result of ProCredit Bank Germany as at 30 June 2021 amounted to EUR 0.6 million.

The segment's profit of the period improved significantly compared to the previous year, in particular due to higher dividend income for ProCredit Holding. Income from dividends comes from fully consolidated subsidiaries and at the same time does not affect the consolidated result of the group. The segment's contribution to the consolidated result improved by EUR 2.4 million.

The ruling of the German Federal Court of Justice, according to which amendments to general terms and conditions are not valid without the express consent of customers, has no impact on the Germany segment or other segments of our group.

RISK REPORT

An informed and transparent approach to risk management is a central component of our socially responsible business model. This is also reflected in our risk culture and our risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view. By following a consistent group-wide approach to managing risks, we aim to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate at all times, as well as to achieve steady results. During the COVID-19 pandemic our conservative risk approach has proven to be highly appropriate. The group's overall risk profile remains suitable and stable despite the continuing uncertainty associated with the pandemic.

In general, the information provided in the 2020 management report are still valid. If any fundamental changes in the methodology and processes involved in risk management have occurred during the current financial year, these are highlighted in this section.

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.

The customer loan portfolio is monitored on an ongoing basis with regard to possible risk-relevant developments, both at group level and individual bank level. The riskiness of a client is determined using indicators, including the risk classification, restructuring status and client compliance with contractual payment requirements. The forward-looking expected credit loss (ECL) model is the central element for quantifying loss allowances. Accordingly, all credit exposures to customers are allocated among three stages, with a distinct provisioning methodology applied to each group.

The possibility of granting moratoria in connection with COVID-19 already ended at the end of the first quarter of 2021. The share of the loan portfolio in moratorium decreased steadily to below 1% in the second quarter of 2021 and stood at EUR 44 million (as at 31 December 2020: EUR 86 million). Our focus has shifted from assessing the impact of the crisis and taking preventive measures, to now focusing on regularly monitoring our clients. This applies in particular to customers for whom we continue to see increased risks of possible pandemic-related effects on their businesses, or clients who made use of moratoria until recently. The greater we consider those risks to be, the more intensive the monitoring. Overall, we assess the materialised impact from the COVID-19 pandemic on our loan portfolio to be low.

Our loss allowances in Stage 1 increased by EUR 3.6 million compared to year-end, primarily due to the growth of the loan portfolio. Stage 2 loss allowances declined slightly by EUR 0.2 million at the same time. Stage 3 loss allowances grew by EUR 2.1 million. This increase is mainly due to the impact of the COVID-19 pandemic. The macroeconomic outlook in our countries of operation has improved slightly since the beginning of the year. A corresponding update of macroeconomic parameters in our credit risk model would lead to a release of credit risk provisions in the amount of EUR 4.0 million. Due to the ongoing uncertainty of the macroeconomic situation, especially with regard to the COVID-19 pandemic and the spread of new variants, we have retained the year-end 2020 parameters. Overall, the portfolio quality of our banks developed better than forecast at the beginning of the year. This development supported the group's positive result of operations at the half-year point and lead to improved prospects with regard to our return on equity for the 2021 financial year (see "Outlook").

in '000 EUR	30.06.2021 Stage 1	Stage 2	Stage 3	POCI	Total
South Eastern Europe					
Gross outstanding amount	3,790,484	142,835	85,318	1,310	**4,019,947**
Loss allowances	-28,869	-8,460	-44,601	-420	**-82,350**
Net outstanding amount	3,761,614	134,375	40,716	891	**3,937,596**
Eastern Europe					
Gross outstanding amount	1,115,814	68,140	27,989	1,704	**1,213,648**
Loss allowances	-14,691	-6,637	-13,200	-199	**-34,727**
Net outstanding amount	1,101,123	61,504	14,789	1,505	**1,178,922**
South America					
Gross outstanding amount	301,995	38,828	24,439	0	**365,262**
Loss allowances	-2,614	-1,275	-6,373	0	**-10,262**
Net outstanding amount	299,382	37,553	18,066	0	**355,000**
Germany					
Gross outstanding amount	55,841	1,757	0	0	**57,598**
Loss allowances	-354	-159	0	0	**-513**
Net outstanding amount	55,487	1,598	0	0	**57,085**
Total					
Gross outstanding amount	5,264,134	251,561	137,746	3,015	**5,656,456**
Loss allowances	-46,528	-16,531	-64,174	-619	**-127,852**
Net outstanding amount	5,217,606	235,030	73,572	2,396	**5,528,604**

in '000 EUR	31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
South Eastern Europe					
Gross outstanding amount	3,568,278	146,657	83,912	1,384	**3,800,232**
Loss allowances	-26,708	-7,865	-43,968	-333	**-78,873**
Net outstanding amount	3,541,570	138,793	39,944	1,052	**3,721,358**
Eastern Europe					
Gross outstanding amount	987,111	62,715	27,171	2,066	**1,079,063**
Loss allowances	-13,719	-7,077	-12,488	-593	**-33,877**
Net outstanding amount	973,393	55,638	14,683	1,472	**1,045,186**
South America					
Gross outstanding amount	257,335	44,509	19,692	0	**321,536**
Loss allowances	-2,314	-1,500	-5,628	0	**-9,442**
Net outstanding amount	255,020	43,009	14,064	0	**312,093**
Germany					
Gross outstanding amount	49,820	3,616	0	0	**53,436**
Loss allowances	-213	-278	0	0	**-491**
Net outstanding amount	49,606	3,338	0	0	**52,945**
Total					
Gross outstanding amount	4,862,544	257,497	130,775	3,450	**5,254,266**
Loss allowances	-42,955	-16,719	-62,084	-926	**-122,684**
Net outstanding amount	4,819,589	240,778	68,691	2,524	**5,131,582**

The tables below present gross exposures, broken down according to internal risk classification and stage.

in '000 EUR	30.06.2021				
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Grades 1-5: Performing	4,592,688	54,856	0	0	4,647,544
Grades 6-7: Underperforming	22,049	174,761	0	0	196,810
Grade 8: Credit-impaired	0	0	116,840	2,950	119,790
Non-rated exposures	649,397	21,943	20,906	65	692,311
Gross outstanding amount	**5,264,134**	**251,561**	**137,746**	**3,015**	**5,656,456**

in '000 EUR	31.12.2020				
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Grades 1-5: Performing	4,361,845	62,422	0	0	4,424,267
Grades 6-7: Underperforming	36,653	172,124	0	0	208,777
Grade 8: Credit-impaired	0	0	110,469	3,383	113,852
Non-rated exposures	464,047	22,951	20,306	67	507,370
Gross outstanding amount	**4,862,544**	**257,497**	**130,775**	**3,450**	**5,254,266**

Our good portfolio quality is attributable to 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%, a slight decline from year-end. The ratio of loss allowances to credit-impaired loans remained largely stable at 91%.

	30.06.2021			
in '000 EUR	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
South Eastern Europe	453,594	1,338,062	2,228,291	4,019,947
Eastern Europe	65,560	476,648	671,440	1,213,648
South America	59,401	139,184	166,677	365,262
Germany	98	1,409	56,092	57,598
Customer loan portfolio	**578,654**	**1,955,303**	**3,122,499**	**5,656,456**

	31.12.2020			
in '000 EUR	**EUR/USD < 50,000**	**EUR/USD 50,000 – 250,000**	**EUR/USD > 250,000**	**Total**
South Eastern Europe	439,970	1,257,629	2,102,633	3,800,232
Eastern Europe	54,600	410,177	614,286	1,079,063
South America	54,739	115,913	150,883	321,536
Germany	74	947	52,414	53,436
Customer loan portfolio	**549,383**	**1,784,666**	**2,920,216**	**5,254,266**

In the first half of the year, we recorded strong growth in almost all economic sectors. In general, the industries which tend to be most affected by COVID-19, such as transport and storage (approx. 4%) or tourism (approx. 3%), account for a relatively small share of our loan portfolio.

in '000 EUR	30.06.2021 EUR/USD < 50,000	EUR/USD 50,000 – 250,000	EUR/USD > 250,000	Total
Business loans	**400,548**	**1,748,433**	**3,085,496**	**5,234,477**
Wholesale and retail trade	107,134	527,590	839,189	1,473,912
Agriculture, forestry and fishing	139,009	438,883	487,020	1,064,911
Production	63,674	385,072	855,666	1,304,412
Transportation and storage	34,284	104,031	108,470	246,785
Other economic activities	56,447	292,858	795,151	1,144,456
Private loans	**178,106**	**206,870**	**37,003**	**421,979**
Housing	98,522	199,949	35,919	334,389
Investment loans	63,481	5,064	1,085	69,630
Others	16,103	1,857	0	17,960
Gross outstanding amount	**578,654**	**1,955,303**	**3,122,499**	**5,656,456**

in '000 EUR	31.12.2020 EUR/USD < 50,000	EUR/USD 50,000 – 250,000	EUR/USD > 250,000	Total
Business loans	**393,244**	**1,628,379**	**2,900,282**	**4,921,905**
Wholesale and retail trade	99,622	487,632	785,229	1,372,484
Agriculture, forestry and fishing	130,454	396,483	465,173	992,110
Production	59,453	352,209	817,128	1,228,789
Transportation and storage	33,319	102,412	111,869	247,600
Other economic activities	70,396	289,643	720,883	1,080,922
Private loans	**156,140**	**156,287**	**19,934**	**332,361**
Housing	111,937	146,504	16,629	275,071
Investment loans	37,327	8,945	3,038	49,310
Others	6,875	838	267	7,980
Gross outstanding amount	**549,383**	**1,784,666**	**2,920,216**	**5,254,266**

Market risks

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. Thus, from a consolidated group perspective, open currency positions in the respective domestic currencies exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and risk-taking potential are exposed to fluctuations due to changes in the exchange rates of domestic currencies against the euro. These are included in the translation reserve in the consolidated equity. This changed by EUR 13.4 million from EUR -111.8 million to EUR -98.4 million at the end of the first half of the year, mainly due to the appreciation of some Eastern European currencies and the US dollar. Within the scope of the group's capital adequacy calculation in the economic approach, a value-at-risk procedure is defined for fluctuations in the translation reserve.

Interest rate risk in the banking book
At the 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. Account is taken for economic value impact effects within the scope of the group's capital adequacy calculation in the economic approach. All indicators remained within the allocated limits at the end of June 2021.

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 Regulation (EU) No. 575/2013 (Capital Requirements Regulation - CRR), a structural liquidity ratio (net stable funding ratio, NSFR) as well as by means of liquidity stress tests.

Despite the comfortable liquidity position overall, developments at group and bank level will continue to be closely monitored in order to identify and address in a timely manner any potential issues that may arise from the outbreak of the COVID-19 pandemic. All of the ProCredit banks had sufficient liquidity available at all times to meet all financial obligations in a timely manner.

At the end of the first half of the year, the group-level LCR was 151% (31 December 2020: 153%) and the NSFR was 137%. Both indicators were thus comfortably above the regulatory requirement of 100% in each case.

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 risks
For us, other material risks include operational risk and fraud risk as well as business risk and model risk. The prevention of risks from money laundering, terrorist financing and fraud is also a key component of our risk management. These risks are also taken into account and monitored as part of the calculation of group capital in the economic perspective.

The assessment of operational risk has not changed despite the uncertainty surrounding the COVID-19 pandemic. Since the outbreak of the pandemic in 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.

There have been no substantial changes to any of these other material risks, so the statements from the 2020 management report still apply.

Capital management

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

As of 30 June 2021, the CET1 and T1 capital ratios of the ProCredit group stood at 13.7%. The total capital ratio was 15.1%. Our capitalisation 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	**30.06.2021**	**31.12.2020**
Common equity (net of deductions)	736.8	706.4
Additional Tier 1 (net of deductions)	0.0	0.0
Tier 2 capital	72.0	75.9
Total capital	808.7	782.3
RWA total	5,372.7	5,325.2
o/w Credit risk	4,350.0	4,363.0
o/w Market risk	569.2	528.3
o/w Operational risk	433.2	431.9
o/w Credit Valuation Adjustment risk	20.2	2.0
Common Equity Tier 1 capital ratio	13.7%	13.3%
Total capital ratio	15.1%	14.7%
Leverage ratio (CRR)	9.3%	9.3%

Capitalisation in the economic perspective is presented below:

		30.06.2021	**31.12.2020**
in '000 EUR	**Limit**	**Limit Used**	**Limit Used**
Credit Risk	385	304.0	288.6
Interest Rate Risk	122	106.1	92.5
Foreign Currency Risk	128	108.9	97.0
Operational Risk	27	22.4	21.0
Business Risk	28	20.6	19.4
Funding Risk	10	8.4	7.0
Model Risk	45	38.0	38.0
Total	**745**	**608.4**	**563.5**
Total limit used in %		**82%**	**76%**

In the first half of the year, the capitalisation of the ProCredit group in the economic and normative perspectives was always ensured, as was its resistance to stress. As part of our annual capital planning and also taking into account the current COVID-19 pandemic, we analysed additional stress scenarios.

OUTLOOK

On the basis of the positive developments in the first half of the year, we continue to expect customer loan portfolio growth of approximately 10% for the 2021 financial year. On 23 July 2021, we raised our profit forecast for the 2021 financial year. We expect a higher return on equity (RoE) of between 8% and 9.5% (the previous forecast for RoE was 6.0% - 7.5%) for the 2021 financial year, with a significantly reduced cost of risk compared to the 2020 financial year, and a cost-income ratio of approximately 65%. The cost-income ratio will thus be at the lower end of the corridor of 65% - 68% forecast for 2021 in the 2020 Annual Report. This new expectation is mainly based on the positive development of the portfolio of credit-impaired loans and the portfolio of loans in Stage 2, as well as higher repayments from written-off loans compared to the previous year. Taking into account the expected business and financial development, we assume that our T1 capital ratio will be above 13 % (previously approximately 13 %) at the end of the year.

In consideration of the information available at the time of publication, we assume that the statements in the 2020 Annual Report concerning medium-term opportunities, risks and forecasts continue to be valid.

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in '000 EUR	Note	1.1.-30.06.2021	1.1.-30.06.2020
Interest income (effective interest method)*	(1)	146,694	154,475
Interest expenses*	(1)	43,489	54,540
Net interest income	(3)	**103,206**	**99,935**
Fee and commission income		34,391	31,550
Fee and commission expenses		10,317	8,936
Net fee and commission income	(4)	**24,074**	**22,613**
Result from foreign exchange transactions		7,860	7,274
Result from derivative financial instruments and hedging relationships*	(1, 10)	135	727
Result on derecognition of financial assets measured at amortised cost		0	4
Net other operating result		-5,942	-5,952
Operating income*	(1)	**129,333**	**124,600**
Personnel expenses		42,103	41,216
Administrative expenses		41,209	41,583
Loss allowance*	(1, 5)	2,735	15,702
Profit before tax		**43,286**	**26,099**
Income tax expenses	(6)	6,923	4,403
Profit of the period		**36,363**	**21,697**
Profit attributable to ProCredit shareholders		*36,363*	*21,697*

* *Previous year presentation and figures have been adapted to the current disclosure structure (see note 1)).*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in '000 EUR	**1.1.–30.06.2021**	**1.1.–30.06.2020**
Profit of the period	**36,363**	**21,697**
Items that are or may be reclassified to profit or loss		
Change in revaluation reserve	211	-188
Reclassified to profit or loss	*0*	*0*
Change in value not recognised in profit or loss	*178*	*-210*
Change in loss allowance (recognised in profit or loss)	*33*	*22*
Change in deferred tax on revaluation reserve	-1	21
Change in translation reserve	13,388	-17,882
Reclassified to profit or loss	*0*	*0*
Change in value not recognised in profit or loss	*13,388*	*-17,882*
Other comprehensive income of the period, net of tax	**13,599**	**-18,049**
Total comprehensive income of the period	**49,962**	**3,648**
Total comprehensive income attributable to ProCredit shareholders	*49,962*	*3,648*
Earnings per share* in EUR	0.62	0.37

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in '000 EUR	Note	30.06.2021	31.12.2020
Assets			
Cash	(8)	124,494	134,857
Central bank balances	(8, 9)	1,169,054	1,270,491
Loans and advances to banks	(9)	236,210	236,519
Derivative financial assets	(10)	2,560	509
Investment securities	(9)	333,351	336,476
Loans and advances to customers	(9, 11)	5,528,604	5,131,582
Property, plant and equipment		136,727	140,744
Intangible assets		19,313	19,316
Current tax assets		5,451	6,113
Deferred tax assets		1,696	1,630
Other assets	(9)	50,753	51,063
Total assets		**7,608,213**	**7,329,301**
Liabilities and equity			
Liabilities to banks*	(1)	1,263,056	1,235,763
Derivative financial liabilities	(10)	464	4,405
Liabilities to customers		5,021,406	4,898,897
Debt securities	(12)	357,701	266,858
Other liabilities		42,009	41,249
Provisions	(13)	16,845	14,875
Current tax liabilities		1,681	1,582
Deferred tax liabilities		1,040	969
Subordinated debt		84,738	84,974
Liabilities		**6,788,939**	**6,549,573**
Subscribed capital and capital reserve		441,277	441,277
Retained earnings		473,381	447,434
Translation reserve		-98,390	-111,779
Revaluation reserve		3,008	2,797
Equity attributable to ProCredit shareholders		**819,275**	**779,729**
Total liabilities and equity		**7,608,213**	**7,329,301**

* *Previous year figures have been adapted to the current disclosure structure (see note 1)).*

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 1.1.2021	**441,277**	**447,434**	**-111,779**	**2,797**	**779,729**	**0**	**779,729**
Profit of the period		36,363			36,363		36,363
Other comprehensive income of the period, net of tax			13,388	211	13,599		13,599
Total comprehensive income of the period	0	36,363	13,388	211	49,962		49,962
Distributed dividends		-10,602			-10,602		-10,602
Other changes		185			185		185
Balance as of 30.06.2021	**441,277**	**473,381**	**-98,390**	**3,008**	**819,275**	**0**	**819,275**

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 1.1.2020	**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		21,697	-19,129	-165	2,402	1,246	3,648
Change of ownership interests		840			840	-12,187	-11,347
Balance as of 30.06.2020	**441,277**	**427,736**	**-74,950**	**1,730**	**795,793**	**0**	**795,793**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

in '000 EUR	Note	1.1.–30.06.2021	1.1.–30.06.2020
Cash and cash equivalents at end of previous year		**1,279,229**	**1,229,077**
Cash flow from operating activities		-163,626	-182,999
Cash flow from investing activities		-3,794	-9,432
Cash flow from financing activities		-13,327	-12,665
Effects of exchange rate changes		12,909	-20,451
Cash and cash equivalents at end of period	(8)	**1,111,390**	**1,003,529**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Significant accounting principles

(1) Basis of accounting

The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) and on direct banking activities for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. 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 2021 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 2020 financial year. The following material changes in presentation or recognition and measurement principles were made in the current year:

- The loss allowance of EUR 15,702 thousand is reported after the personnel and administrative expenses items. Similarly, we adjusted the subtotal for operating income accordingly. "Liabilities to international financial institutions" in the amount of EUR 1,005,207 thousand, which were reported separately in the previous year, are reported within the item "Liabilities to banks". The previous year's figures have been aligned to the current disclosure structure. In the previous year's presentation of net interest income, negative interest income of EUR -880 thousand is presented as an interest expense.
- We designate certain derivatives as hedging instruments in qualifying hedging relationships (hedge accounting) in accordance with IFRS 9. At the inception of the hedging relationship, we formally document the relationship between the hedging instrument(s) and hedged item(s), including risk management objectives and strategies for undertaking the hedge, and the method of assessing effectiveness. We assess whether the hedging relationship meets the hedge effectiveness requirements both at the inception of the hedging relationship and on an ongoing basis. Interest rate swaps are used to hedge the exposure to changes in the fair value of fixed-interest customer loans or fixed-interest irrevocable credit commitments attributable to interest rate risk (micro fair value hedge). Gains or losses arising from changes in the fair value of the interest rate swap are recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". Gains or losses arising from changes in the fair value of the hedged item attributable to interest rate risk are also recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". The carrying amount of the hedged item is adjusted accordingly.
- We adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in connection with the reform of reference rates (IBOR reform) on 1 January 2021. The amendments have a negligible impact on the consolidated financial statements. There was no early adoption of any standards, amendments and interpretations that have not yet gone into effect.

Disclosures on financial position and financial performance and on the nature and extent of risks associated with 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 2020 financial year.

The interim consolidated financial statements are presented in euros, which is also the group's functional currency. For computational reasons, rounding differences of ± one unit (EUR, %, etc.) may occur in the tables. Recognition and measurement is performed on a going-concern assumption.

In the course of preparing the condensed consolidated interim financial statements, assumptions, estimates and necessary discretionary judgements were made by the Management Board. These have an effect on the presentation and amount of the financial result and with regard to loss allowances, are also presented in the Interim Group Management Report. 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. In the first half of 2021, there were no material changes to the assumptions, estimates and necessary discretionary decisions.

(2) Principles of consolidation

The following changes were made in the composition of the group in the reporting period compared with the consolidated financial statements as at 31 December 2020. With effect from 1 January 2021, the previously immaterial company Limited Liability Company "Quipu GmbH", Ukraine, ("Quipu Ukraine") is included in the scope of consolidation for the first time. The Limited Liability Company "Quipu GmbH" is a wholly owned subsidiary of Quipu GmbH, Germany, and provides IT consulting and software development in Ukraine. The difference between the carrying amount of Quipu Ukraine and the identifiable net assets at the time of initial consolidation, amounting to EUR -0.1 million, was recognised directly in equity.

Notes to the Statement of Profit or Loss

(3) Net interest income

in '000 EUR	**1.1.–30.06.2021**	**1.1.–30.06.2020**
Interest income from		
Cash and central bank balances*	213	502
Loans and advances to banks	221	1,049
Derivative financial assets	1,011	1,008
Investment securities FVOCI*	1,379	1,003
Investment securities AC*	2,625	6,734
Loans and advances to customers	141,076	143,944
Prepayment penalty	171	234
Interest income (effective interest method)*	**146,694**	**154,475**
Interest expenses on		
Liabilities to banks*	13,482	16,635
Derivative financial liabilities	597	524
Liabilities to customers	21,113	29,762
Debt securities	3,507	3,903
Subordinated debt	2,487	2,837
Negative interest from assets*	2,302	880
Interest expenses*	**43,489**	**54,540**
Net interest income	**103,206**	**99,935**

* *Previous year figures have been adapted to the current disclosure structure (see note 1)).*

(4) Net fee and commission income

in '000 EUR	1.1.–30.06.2021	1.1.–30.06.2020
Fee and commission income from		
Payment services	11,477	10,377
Debit/credit cards	5,974	4,477
Account maintenance fee	11,406	11,647
Letters of credit and guarantees	2,830	2,639
Others	2,704	2,411
Fee and commission income	**34,391**	**31,550**
Fee and commission expenses on		
Payment services	1,945	1,713
Debit/credit cards	5,236	4,806
Account maintenance fee	1,598	1,340
Letters of credit and guarantees	1,479	910
Others	60	167
Fee and commission expenses	**10,317**	**8,936**
Net fee and commission income	**24,074**	**22,613**

(5) Loss allowances

in '000 EUR	1.1.–30.06.2021	1.1.–30.06.2020
Change in loss allowances	9,588	19,907
Recovery of written-off loans	-7,102	-4,307
Direct write-offs	249	102
Loss allowance	**2,735**	**15,702**

With regard to written-off exposures still subject to enforcement activities, please refer to our disclosures in the 2020 consolidated financial statements.

(6) Income tax expenses

In calculating both the current taxes on income and earnings and the deferred income tax, the respective country-specific tax rates are applied. The tax rate as a ratio of total tax expense to profit before tax for the six months ended 30 June 2021 is 16.0% (as at 30 June 2020: 16.9%).

(7) Segment reporting

The group aggregates its operations into reporting segments according to geographical regions. We conduct our business activities in South Eastern Europe, Eastern Europe, South America and Germany. With the exception of the relationship between the Germany 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.

	1.1.–30.06.2021					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)	77,036	51,899	16,245	11,928	-10,414	146,694
of which inter-segment	*51*	*21*	*0*	*10,342*		
Interest expenses	15,118	19,901	7,230	11,657	-10,418	43,489
of which inter-segment	*4,148*	*2,810*	*2,853*	*607*		
Net interest income	**61,917**	**31,998**	**9,015**	**271**	**4**	**103,206**
Fee and commission income	25,686	6,656	551	6,469	-4,971	34,391
of which inter-segment	*151*	*1*	*0*	*4,819*		
Fee and commission expenses	10,431	3,239	741	882	-4,976	10,317
of which inter-segment	*2,845*	*1,840*	*255*	*35*		
Net fee and commission income	**15,255**	**3,417**	**-190**	**5,587**	**5**	**24,074**
Result from foreign exchange transactions	5,001	2,682	30	107	39	7,860
of which inter-segment	*12*	*107*	*-5*	*-153*		
Result from derivative financial instruments and hedging relationships	191	69	0	-55	-69	135
of which inter-segment	*-21*	*69*	*0*	*21*		
Result on derecognition of financial assets measured at amortised cost	0	0	0	0	0	0
Net other operating result	-5,705	-328	-661	38,116	-37,363	-5,942
of which inter-segment	*820*	*627*	*7*	*35,909*		
Operating income	**76,659**	**37,838**	**8,194**	**44,026**	**-37,384**	**129,333**
Personnel expenses	18,636	6,119	2,730	14,618	0	42,103
Administrative expenses	30,837	11,328	5,326	15,103	-21,384	41,209
of which inter-segment	*10,395*	*5,244*	*2,234*	*3,511*		
Loss allowance	3,692	-901	-106	49	0	2,735
Profit before tax	**23,494**	**21,292**	**243**	**14,256**	**-15,999**	**43,286**
Income tax expenses	2,609	3,258	237	820		6,923
Profit of the period	**20,886**	**18,034**	**7**	**13,436**	**-15,999**	**36,363**
Profit attributable to ProCredit shareholders						*36,363*

	1.1.–30.06.2020					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)*	71,199	65,809	15,707	12,521	-10,762	154,475
of which inter-segment	*-143*	*130*	*1*	*10,775*		
Interest expenses*	15,212	33,377	6,358	11,494	-11,900	54,540
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**
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 and hedging relationships	6	461	0	1,528	-1,269	727
of which inter-segment	*15*	*585*	*0*	*668*		
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*	**70,966**	**39,813**	**8,971**	**28,515**	**-23,664**	**124,600**
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*		
Loss allowance	7,634	6,309	1,447	312	0	15,702
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	**13,321**	**14,179**	**-852**	**-735**	**-4,217**	**21,697**
Profit attributable to ProCredit shareholders						*21,697*

* *Previous year figures have been adapted to the current disclosure structure.*

	30.06.2021		
in '000 EUR	Total assets excl. taxes	Total liabilities excl. taxes	Contingent liabilities
South Eastern Europe	5,342,925	4,759,639	698,547
Eastern Europe	1,573,091	1,360,018	193,536
South America	433,243	388,873	16,552
Germany	2,149,219	1,447,704	15,948
Consolidation	-1,897,412	-1,170,015	0
Total	**7,601,066**	**6,786,218**	**924,583**

	31.12.2020		
in '000 EUR	Total assets excl. taxes	Total liabilities excl. taxes	Contingent liabilities
South Eastern Europe	5,259,051	4,712,439	705,965
Eastern Europe	1,492,020	1,293,906	189,728
South America	394,422	351,110	13,301
Germany	1,992,080	1,293,034	8,108
Consolidation	-1,816,015	-1,103,467	0
Total	**7,321,558**	**6,547,021**	**917,102**

Notes to the Consolidated Statement of Financial Position

(8) Cash and central bank balances

in '000 EUR	30.06.2021	31.12.2020
Cash in hand	124,494	134,857
Balances at central banks	1,169,656	1,271,090
Loss allowances for central bank balances	-602	-599
Cash and central bank balances	**1,293,548**	**1,405,349**
Loss allowances for central bank balances	602	599
Loans and advances to banks with a maturity up to 3 months	224,863	223,553
Investment securities with a maturity up to 3 months	119,174	154,242
Minimum reserve, which does not qualify as cash for the statement of cash flows	-526,797	-504,515
Cash and central bank balances for the statement of cash flows	**1,111,390**	**1,279,229**

Balances with central banks consist of minimum reserves that are not available for our day-to-day business. Loss allowances for central bank balances are established for these amounts.

(9) Financial instruments and contingent liabilities by stages

	30.06.2021					31.12.2020
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Central bank balances						
Gross outstanding amount	1,169,656	0	0	0	**1,169,656**	**1,271,090**
Loss allowances	-602	0	0	0	**-602**	**-599**
Carrying amount	1,169,054	0	0	0	**1,169,054**	**1,270,491**
Loans and advances to banks						
Gross outstanding amount	236,215	0	0	0	**236,215**	**236,524**
Loss allowances	-5	0	0	0	**-5**	**-5**
Carrying amount	236,210	0	0	0	**236,210**	**236,519**
Investment securities						
Gross outstanding amount	333,386	0	0	0	**333,386**	**336,511**
Loss allowances	-125	0	0	0	**-125**	**-94**
Carrying amount	333,261	0	0	0	**333,261**	**336,417**
Loans and advances to customers						
Gross outstanding amount	5,264,134	251,561	137,746	3,015	**5,656,456**	**5,254,266**
Loss allowances	-46,528	-16,531	-64,174	-619	**-127,852**	**-122,684**
Carrying amount	5,217,606	235,030	73,572	2,396	**5,528,604**	**5,131,582**
Other assets (Financial Instruments)						
Gross outstanding amount	32,645	0	0	0	**32,645**	**32,341**
Loss allowances	-909	0	0	0	**-909**	**-752**
Carrying amount	31,736	0	0	0	**31,736**	**31,589**
Contingent liabilities (financial)						
Loss allowances	-2,838	0	0	0	**-2,838**	**-2,668**

(10) Derivative financial assets and liabilities

	30.06.2021		
		Fair value	
in '000 EUR	Nominal amount	Assets	Liabilities
Derivative financial assets and liabilities			
a) Foreign exchange derivatives			
Swaps	258,533	2,544	50
Forwards	11,436	2	5
b) Interest rate derivatives			
Interest rate swaps (hedging instruments)	37,441	0	129
Interest rate swaps (others)	20,243	15	280
Total	**327,653**	**2,560**	**464**

	31.12.2020		
		Fair value	
in '000 EUR	Nominal amount	Assets	Liabilities
Derivative financial assets and liabilities			
a) Foreign exchange derivatives			
Swaps	275,159	508	3,936
Forwards	14,609	1	2
b) Interest rate derivatives			
Interest rate swaps (others)	17,072	0	467
Total	**306,840**	**509**	**4,405**

As of 30 June 2021, we held a portion of interest rate swaps as hedging instruments within fair value hedges related to interest rate risk on customer loans and irrevocable credit commitments. The hedging instruments and the hedged items of fair value hedges with respect to interest rate risk as well as hedge ineffectiveness are shown in the following tables:

	30.06.2021			
		Carrying amount		
in '000 EUR	**Nominal amount**	**Assets**	**Liabilities**	**Change in fair value used for recognising hedge ineffectiveness for the period**
Hedging instruments				
Interest rate swaps	37,441	0	129	-34

	30.06.2021		
	Assets		
in '000 EUR	**Carrying or nominal amount**	**Accumulated amount of fair value hedge adjustments included in the carrying amount**	**Change in value used for recognising hedge ineffectiveness for the period**
Hedged items			
Customer loans and irrevocable credit commitments	37,508	34	34

in '000 EUR	**1.1.–30.06.2021**
Hedge ineffectiveness recognised in profit or loss	0

The interest rate swaps are included in the consolidated statement of financial position under Derivative financial assets or Derivative financial liabilities. Customer loans are included in the consolidated statement of financial position under Loans and advances to customers. Irrevocable credit commitments are part of contingent liabilities. Hedge ineffectiveness is included in the consolidated statement of profit or loss under Result from derivative financial instruments and hedging relationships.

(11) Loans and advances to customers

The changes in Loans and advances to customers and the respective loss allowances are presented in the following tables.

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2021	**4,862,544**	**257,497**	**130,775**	**3,450**	**5,254,266**
New financial assets originated	1,138,085	13,109	9,646	290	**1,161,130**
Modification of contractual cash flows of financial assets	-4	-161	59	0	**-106**
Derecognitions	-373,329	-30,088	-16,329	-93	**-419,839**
Write-offs	0	0	-8,017	-800	**-8,816**
Changes in interest accrual	878	156	999	11	**2,045**
Changes in the principal and disbursement fee	-349,792	-18,672	-12,933	-122	**-381,518**
Transfers to stage 1	52,068	-50,814	-1,254	0	**0**
Transfers to stage 2	-106,171	108,211	-2,040	0	**0**
Transfers to stage 3	-4,543	-30,718	35,261	0	**0**
Other and exchange rate movements	44,398	3,039	1,579	278	**49,294**
Gross outstanding amount as of 30.06.2021	**5,264,134**	**251,561**	**137,746**	**3,015**	**5,656,456**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-42,955**	**-16,719**	**-62,084**	**-926**	**-122,684**
New financial assets originated	-11,711	-1,423	-2,886	0	**-16,020**
Release due to derecognition	2,329	975	4,889	7	**8,200**
Transfers to Stage 1	-915	813	101	0	**0**
Transfers to Stage 2	1,383	-1,530	147	0	**0**
Transfers to Stage 3	40	2,118	-2,158	0	**0**
Change in credit risk	5,725	-550	-9,229	425	**-3,629**
Usage of allowance	0	0	7,995	666	**8,661**
Exchange rate movements	-424	-216	-949	-791	**-2,380**
Loss allowances as of 30.06.2021	**-46,528**	**-16,531**	**-64,174**	**-619**	**-127,852**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2020	**4,515,282**	**162,724**	**115,456**	**3,871**	**4,797,332**
New financial assets originated	2,072,094	18,966	24,007	431	**2,115,497**
Modification of contractual cash flows of financial assets	130	-315	-188	2	**-371**
Derecognitions	-714,256	-69,155	-21,816	-298	**-805,525**
Write-offs	0	0	-16,683	-169	**-16,851**
Changes in interest accrual	11,290	1,617	1,292	155	**14,354**
Changes in the principal and disbursement fee	-653,201	-18,348	-20,210	-660	**-692,419**
Transfers to stage 1	232,398	-229,223	-3,175	0	**0**
Transfers to stage 2	-433,254	438,161	-4,907	0	**0**
Transfers to stage 3	-14,364	-47,827	62,191	0	**0**
Other and exchange rate movements	-153,575	897	-5,192	118	**-157,751**
Gross outstanding amount as of 31.12.2020	**4,862,544**	**257,497**	**130,775**	**3,450**	**5,254,266**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2020	**-32,022**	**-7,575**	**-65,696**	**-1,079**	**-106,372**
New financial assets originated	-21,137	-1,583	-8,310	0	**-31,030**
Release due to derecognition	3,722	3,266	11,413	171	**18,571**
Transfers to Stage 1	-3,930	3,856	73	0	**0**
Transfers to Stage 2	6,055	-6,499	444	0	**0**
Transfers to Stage 3	259	4,636	-4,895	0	**0**
Change in credit risk	1,518	-13,855	-14,574	-176	**-27,088**
Usage of allowance	0	0	16,789	178	**16,967**
Exchange rate movements	2,582	1,034	2,671	-19	**6,267**
Loss allowances as of 31.12.2020	**-42,955**	**-16,719**	**-62,084**	**-926**	**-122,684**

(12) Debt securities

In the first half of 2021, new debt securities in the amount of EUR 100 million (fiscal year 2020: EUR 54 million) were issued and EUR 11 million (2020 financial year: EUR 131 million) were repaid.

(13) Provisions

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2021	**2,847**	**3,748**	**2,521**	**1,276**	**2,733**	**1,751**	**14,875**
Additions	2,733	3,147	585	81	1,619	142	**8,306**
Releases	-111	-992	-84	-13	-1,307	-295	**-2,802**
Used	-2,188	-357	-765	0	0	-419	**-3,728**
Exchange rate movements	5	38	32	31	36	13	**155**
Unwinding	0	0	0	38	0	0	**38**
Book Value as of 30.06.2021	**3,287**	**5,584**	**2,289**	**1,413**	**3,082**	**1,191**	**16,845**

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2020	**2,856**	**2,656**	**1,921**	**1,186**	**1,683**	**1,758**	**12,060**
Additions	2,626	1,626	2,055	123	2,272	812	**9,514**
Releases	-307	-129	-66	-37	-1,125	-543	**-2,208**
Used	-2,274	-285	-1,263	0	0	-162	**-3,984**
Exchange rate movements	-53	-154	-127	-82	-96	-114	**-626**
Unwinding	0	34	0	86	0	0	**120**
Book Value as of 31.12.2020	**2,847**	**3,748**	**2,521**	**1,276**	**2,733**	**1,751**	**14,875**

The increase in provisions is mainly attributable to elevated legal risks in connection with potential disputes on fee payments by customers in Serbia. Provisions for contingent liabilities include provisions for non-financial and financial off-balance sheet transactions allocated to Stage 1. The additions result from both new financial assets originated and changes in credit risk.

(14) Fair value of financial instruments

		30.06.2021				
in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Cash	FV	124,494	124,494	124,494	0	0
Central bank balances	AC	1,169,054	1,169,054	0	1,169,054	0
Loans and advances to banks	AC	236,210	236,210	0	236,210	0
Derivative financial assets	FV	2,560	2,560	0	2,560	0
Investment securities	FVOCI	240,605	240,605	136,601	104,004	0
Investment securities	AC	92,746	93,015	0	93,015	0
Loans and advances to customers	AC	5,528,604	5,552,847	0	0	5,552,847
Other assets (Shares)	FVOCI	5,641	5,641	3,273	1,523	845
Other assets (Financial instruments)	AC	31,736	31,736	0	30,357	1,378
Total		**7,431,650**	**7,456,162**	**264,368**	**1,636,724**	**5,555,071**
Financial liabilities						
Liabilities to banks	AC	1,263,056	1,272,597	0	157,921	1,114,676
Derivative financial liabilities	FV	464	464	0	464	0
Liabilities to customers	AC	5,021,406	5,031,763	0	3,625,538	1,406,225
Debt securities	AC	357,701	369,726	0	0	369,726
Subordinated debt	AC	84,738	91,104	0	0	91,104
Total		**6,727,364**	**6,765,653**	**0**	**3,783,923**	**2,981,731**

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

		31.12.2020				
in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Cash	FV	134,857	134,857	134,857	0	0
Central bank balances	AC	1,270,491	1,270,491	0	1,270,491	0
Loans and advances to banks	AC	236,519	236,524	0	236,524	0
Derivative financial assets	FV	509	509	0	509	0
Investment securities	FVOCI	197,524	197,524	118,358	79,165	0
Investment securities	AC	138,952	139,495	0	139,495	0
Loans and advances to customers	AC	5,131,582	5,162,924	0	0	5,162,924
Other assets (Shares)	FVOCI	5,280	5,280	2,910	1,518	852
Other assets (Financial instruments)	AC	31,589	31,589	0	30,850	739
Total		**7,147,303**	**7,179,192**	**256,126**	**1,758,551**	**5,164,515**
Financial liabilities						
Liabilities to banks*	AC	1,235,763	1,218,403	0	35,021	1,183,382
Derivative financial liabilities	FV	4,405	4,405	0	4,405	0
Liabilities to customers	AC	4,898,897	4,904,504	0	3,512,125	1,392,379
Debt securities	AC	266,858	276,524	0	0	276,524
Subordinated debt	AC	84,974	86,344	0	0	86,344
Total		**6,490,897**	**6,490,180**	**0**	**3,551,551**	**2,938,629**

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

* *Previous year figures have been adapted to the current disclosure structure.*

The ProCredit group's fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for identical financial assets or liabilities 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.

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 recognised in the statement of financial position subsequently either at (amortised) cost or fair value. 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 valuation techniques using observable market parameters. Each subsidiary applies individual observable interest and exchange rates that are provided by the local central banks, among other bodies.

(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.

(15) Regulatory own funds

As of 30 June 2021, the CET1 and T1 capital ratios of the ProCredit group stood at 13.7%. The total capital ratio was 15.1%.

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.

Additional Notes

(16) Contingent liabilities

in '000 EUR	30.06.2021	31.12.2020
Credit commitments (revocable)	629,269	656,291
Payment guarantees	144,576	138,445
Performance guarantees	118,703	108,682
Credit commitments (irrevocable)	28,867	9,757
Letters of credit	3,168	3,926
Total	**924,583**	**917,102**

The table above 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 credit commitments.

(17) Related party transactions

No significant transactions were carried out with related parties during the first half of 2021. 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 306,000 (June 2020: EUR 218,000).

(18) Events after the reporting period

On 23 July 2021, we raised our profit expectations for the 2021 financial year. We expect a higher return on equity (RoE) of between 8% and 9.5% (the previous forecast for RoE was 6.0% - 7.5%) for the 2021 financial year, with a significantly reduced cost of risk compared to the 2020 financial year, and a cost-income ratio of approximately 65%. The cost-income ratio will thus be at the lower end of the corridor of 65% - 68% forecast for 2021 in the 2020 Annual Report.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial 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, 2 August 2021

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

Management Board

Dr Gian Marco Felice	Sandrine Massiani	Dr Gabriel Schor

REVIEW REPORT[1]

To ProCredit Holding AG & Co. KGaA, Frankfurt/Main

We have reviewed the condensed interim consolidated financial statements - comprising the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and selected explanatory notes – and the interim group management report of ProCredit Holding AG & Co. KGaA, Frankfurt/Main, for the period from 1 January 2021 to 30 June 2021, that are part of the semi annual financial report pursuant to section 115 German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to 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.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review such 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 those IFRS applicable to 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 do not express an audit opinion.

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 those IFRS applicable to 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/Main, 6th August 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

Faßhauer
Wirtschaftsprüfer (German Public Auditor)

Grunwald
Wirtschaftsprüfer (German Public Auditor)

[1] Convenience translation of the original independent review report issued in German language on the condensed interim consolidated financial statements and of the interim group management report prepared in German language by the management of ProCredit Holding AG & Co. KGaA. Solely the original German review report is authoritative.

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Forward-looking statements

This report contains forward-looking statements on the business and earnings development of the ProCredit group; among other things, these are based on current plans, assumptions and forecasts. Forward-looking statements involve risks and uncertainties, such that actual results may differ materially from forward-looking statements. In particular, these factors include economic development trends, possible loan defaults, the state of financial markets and exchange rate fluctuations. Forward-looking statements are therefore only valid at the time of publication. We assume no obligation to adjust the forward-looking statements, nor do we intend to do so, in light of new information or unexpected events.