ProCredit HOLDING

ANNUAL REPORT AS OF 31 DECEMBER 2021

OUR MISSION

We strive to be the leading SME bank in our markets following sustainable and impact-oriented banking practices. In doing so, we want to generate long-term sustainable returns and create positive impact in the economies and societies we work in.

Financial year in brief

STRENGTHENED MARKET POSITION

- Strong portfolio growth of 12.8%
- Successful continuation of our "Hausbank" concept and support for our SME clients even in a challenging market environment
- Effective direct banking enables strong deposit growth of 13.1%
- Solid capitalisation, with a CET 1 capital ratio of 14.1% and a leverage ratio of 9.3%

GOOD FINANCIAL PERFORMANCE ABOVE GUIDANCE

- Return on equity of 9.7% due to increased net interest income, improved cost-income ratio and low cost of risk
- Stable development of interest margin at 2.9%
- Return on equity of 9.7% slightly exceeds our guidance for 2021 of 8.0-9.5% and is on the level of the medium-term outlook of around 10%

STRONG FOCUS ON SUSTAINABILITY

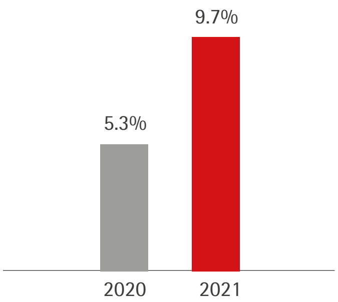
- Green loan portfolio grows by 14.5%: Focus on investments in energy efficiency and renewable energies
- Share of green loan portfolio in total portfolio at 19%
- Good portfolio quality thanks to close client relationships; share of defaulted loans further reduced to 2.3%
- 5th ProCredit Impact Report published

GUIDANCE FOR 2022 AND MEDIUM-TERM OUTLOOK

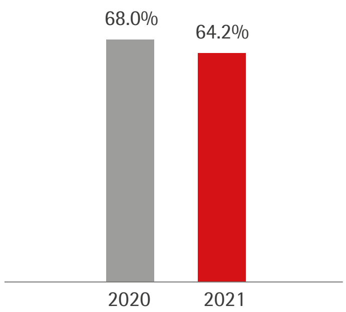
- Current situation in Ukraine makes forecasting difficult for 2022
- Continued loan portfolio growth in 2022 in many banks at approx. 10% and further expansion of the green loan portfolio
- Medium-term outlook confirmed: Loan portfolio growth approx. 10% per year, cost-income ratio <60%, RoE approx. 10%

Key financial figures

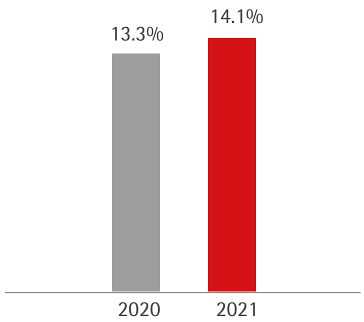
Return on equity



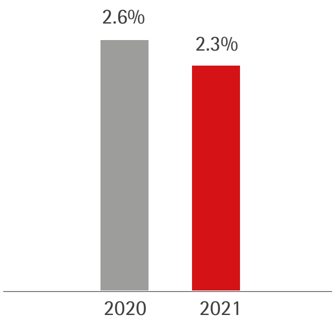
Cost-income ratio



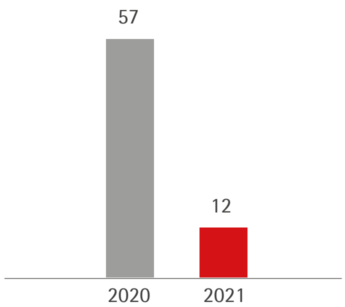
Common Equity Tier 1 capital ratio



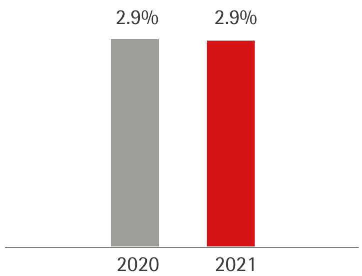
Share of defaulted loans



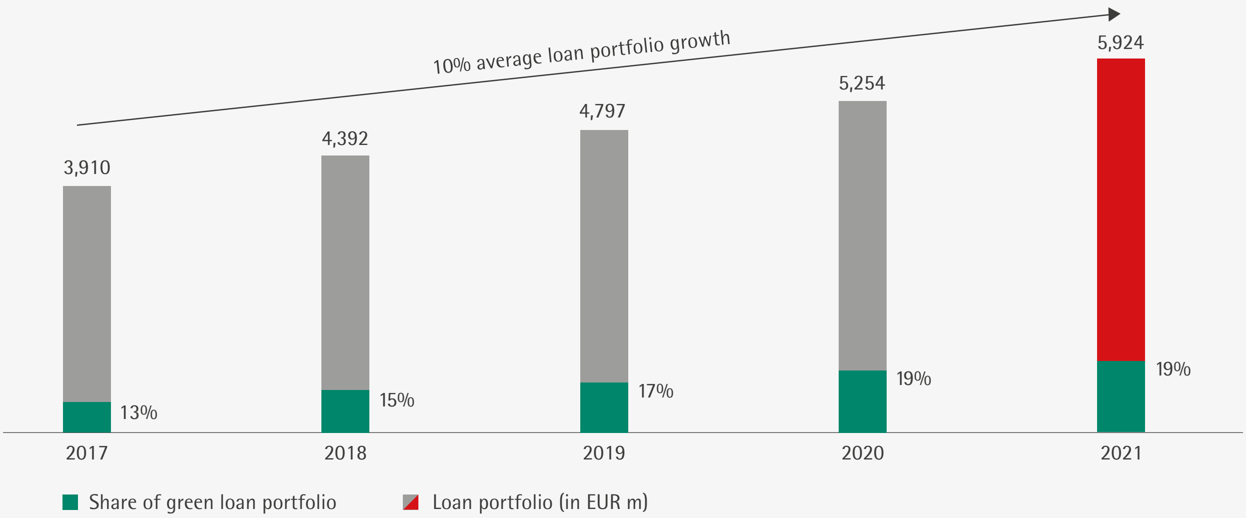
Cost of risk



Net interest margin



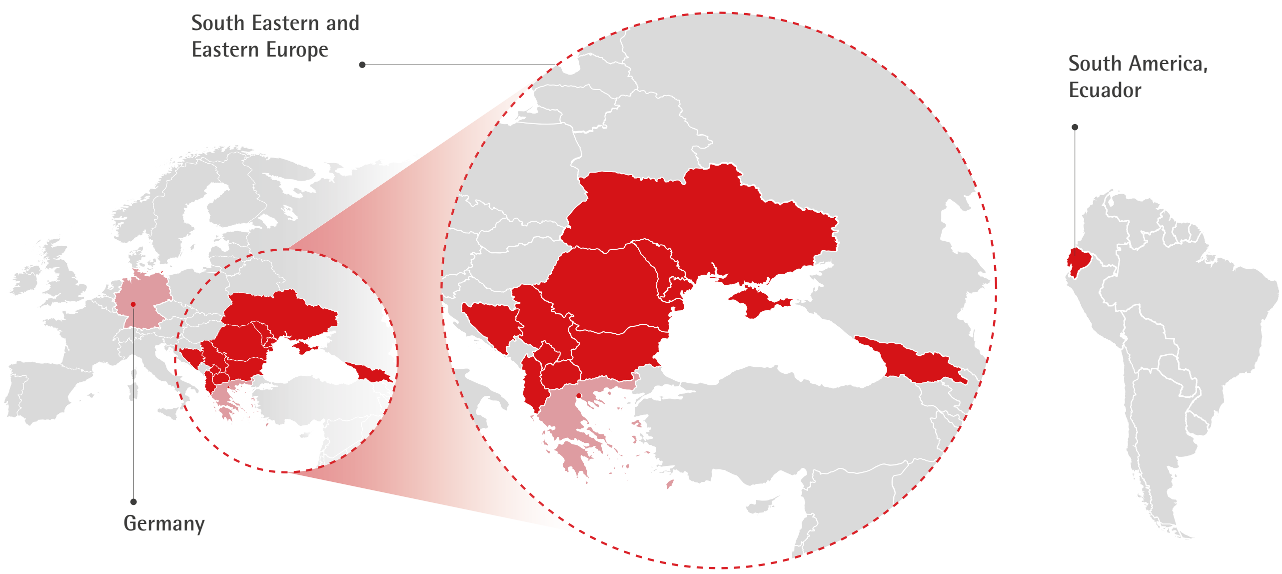
Loan portfolio growth and share of green loan portfolio



Fitch **BBB** (stable) | MSCI ESG: **AA** | ISS ESG: **Prime B-**

Key data per bank

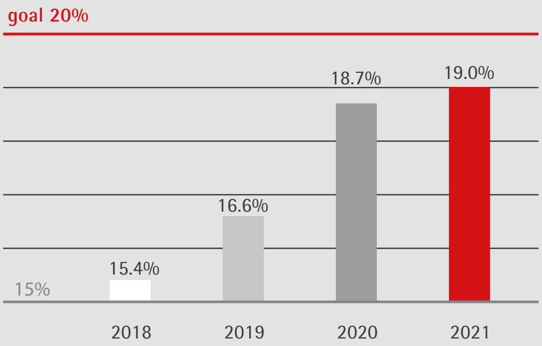
	Loan portfolio (EUR m)	Change in loan portfolio	Share of defaulted loans	Number of Staff
Albania	235	9.2%	3.7%	106
Bosnia and Herzegovina	267	12.3%	2.6%	143
Bulgaria	1,221	11.2%	1.7%	381
Ecuador	423	31.7%	6.5%	243
Georgia	388	12.6%	2.4%	253
Germany	51	-5.1%	0.0%	64
Kosovo	590	10.4%	2.3%	273
Moldova	171	10.9%	2.8%	114
North Macedonia	461	8.7%	1.8%	173
Romania	358	4.0%	1.6%	144
Serbia	1,002	6.0%	2.0%	369
Ukraine	757	30.4%	1.5%	328



Medium-term sustainability goals and specific achievements as of end-2021

20% GREEN LOANS BY 2023

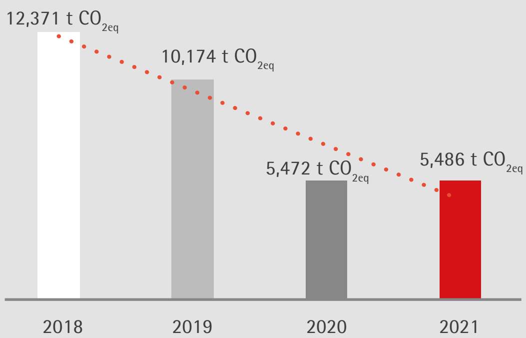
Goal: Increase the relative size of the group's green loan portfolio to 20% of the total loan portfolio, while at the same time maintaining the high quality of our green lending activities



- Size of green loan portfolio as of the end of 2021: EUR 1.128,1m
- Increase of share of green loan portfolio in total portfolio in 2021: 0.3%
- Green investment loans as a share of total investment loans: 25%
- Increase in both the number and the volume of loans in all three green lending categories: energy efficiency (EE) investments that reduce energy usage by at least 20%, renewable energy (RE) investments into distributed or utility-scale RE generation systems, and other environmentally friendly investments (GR) such as in waste management or organic agriculture

CARBON NEUTRALITY BY 2023

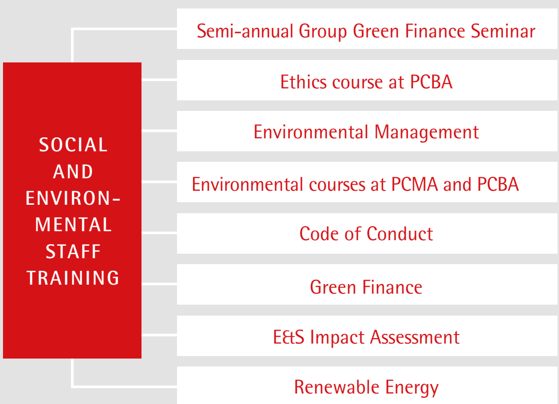
Goal: Become carbon neutral with regard to the group's own CO_2 emissions



- Investing in our own 3 MWp PV park in Kosovo (ProEnergy) to compensate our emissions
- 4 banks, ProCredit Holding, ProCredit Academy and Quipu's head office in Frankfurt are using electricity from renewable energy suppliers
- 8 banks and ProCredit Academy are equipped with their own rooftop PV systems (installed peak capacity of about 415 kWp as of Dec. 2021)
- 4 bank headquarters are EDGE-certified buildings
- 59% of the vehicle fleet is electric and 12% is (plug-in) hybrid
- 11% reduction in energy consumption in our office buildings between 2018 and 2021

STAFF COMPETENCE

Goal: Maintain and further increase the high level of social and environmental competence among our staff



- Enlargement of the training offer through the newly established ProCredit e-learning campus
- Total hours devoted to environmental training: 13,850. Sustainable agriculture was the special topic in 2021
- Total hours devoted to Code of Conduct training: 14,132 Key elements of discussion this year: freedom of expression and education

ProCredit impact

Green finance
Technology and innovation
Prudent credit risk management
Environmental management
Plastic strategy
Socially responsible approach
Fair recruiter and employer
Gender diversity
Ethical values

For detailed information about our approach to sustainability, our impact and contribution to the Sustainable Development Goals, please refer to the ProCredit Group Impact Report.

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LETTER OF THE MANAGEMENT BOARD

We are reporting today on the second year marked by the COVID-19 pandemic, and we can look back with a certain amount of satisfaction at the results we achieved throughout this difficult period. Strong results were also achieved in 2021, which confirms our position as the bank of choice for leading and innovative SMEs in South Eastern and Eastern Europe. We posted a return on equity of 9.7%, which, despite the ongoing pandemic, is on the level of our mid-term target of approx. 10%. Our positive impact can be seen in all key indicators, such as high quality combined with strong growth in the loan portfolio – particularly in the green loan portfolio. At the same time, in keeping with our principle of always putting values first in our operations, we tightened our Exclusion List and ESG client selection criteria, as we describe in detail in our Impact Report.

However, we are publishing this report in the shadow of the Russian military invasion of Ukraine and the tragic humanitarian situation for the Ukrainian population that has followed. The impact and uncertainties of this deplorable situation risk obscuring all of the group's positive developments in 2021 and throughout the COVID-19 pandemic. Although only our operations in Ukraine are likely to be strongly impacted by the war, it is a deeply disturbing development which naturally mutes the pronounced positive tone that this report on the 2021 financial year and the group outlook for FY 2022 would otherwise have taken. The seeming ease with which our Ukrainian colleagues are maintaining regular banking operations under the most challenging circumstances imaginable is testament to their courage and resolve and a tremendous source of inspiration to us all. Their calmness in these times of turmoil is an important contribution to the Ukrainian state and the Ukrainian people, who now more than ever rely on a steadfast banking sector.

During this pandemic, while many other lenders pulled the plug on their clients' projects or even on their short-term liquidity support, particularly in the first few months of the crisis in 2020, we continued providing financing to SMEs, thus increasing our market share. Our momentum continued in 2021, and a brief look at the results underlines our achievements: after growth of 9.5% in our outstanding customer portfolio in 2020, our loan book grew by an additional 12.8% (or EUR 670m) in 2021, while our customer deposits grew by 13.1% (or EUR 643m). Furthermore, we saw a marked increase in the level of payments and transactions, which bounced back from the lows observed in the spring of 2020 to exceed pre-pandemic levels, giving us hope that our clients are now at the front end of the economic recovery we are seeing across the region.

Particularly worth mentioning is the increasing contribution of digital payments to our transaction mix, with growth of 30% for non-cash payments in 2021 compared to the previous year (and 27% for e-commerce transactions) and a 34% increase on the 2019 figures (29% for e-commerce transactions). This illustrates how our position as a direct bank has been reinforced by the pandemic, which has undoubtedly accelerated digital adoption. Furthermore, all ProCredit banks in South Eastern Europe, Eastern Europe and South America made a positive contribution to our financial and business results in 2021, ensuring that the growth well diversified across the group, both in terms of lending and in deposit-taking. On the development of customer funds, an additional positive note is the increasing participation of private individuals in the overall results. Private individuals' deposits grew by EUR 216m, thus accounting for 34% of the overall increase in customer funds.

Business growth continued to be accompanied by a prudent approach to credit risk, as our low and stable share of defaulted loans (at 2.3% at year- end) testifies. Our clients proved to be resilient in the face of the disruptions brought about by the pandemic, and our business model, with its emphasis on establishing a strong and long-term partnership with our customers, proved instrumental in allowing us and our clients to solve problems together swiftly and effectively. This reinforces our conviction that banking is less about numbers and algorithms and more about establishing trust and effective communication with customers, especially during crises.

A consequence of our prudent credit risk approach was the low expenses for loss allowances in 2021. At 12 bp, the cost of risk is once again well below that of banking sectors in both Western and Eastern Europe. This, in turn, helped the group to achieve a better-than-expected profit for the year, which at EUR 79.6m is almost double that of 2020, and the best performance ever recorded by the group. Even more encouraging, our improved bottom line was less the product of a lower cost of risk and more the consequence of the continued improvement in our underlying structural profitability, as indicated by the further decrease of our cost-income ratio to 64.2% (down from the 68.0% recorded at the end of 2020). Our operating income improved considerably, driven by the strong business growth and supported by a stable net interest margin, while our cost base increased only moderately. As we further increase our business moving forward, we will not need to increase our physical infrastructure, thus achieving further economies of scale. Finally, in 2021 we paid out a combined dividend of 53 cents per share, making good on our promise to investors to share in our success by paying out one-third of our annual profit. Despite this pay-out, we finished the year with a common Equity Tier 1 capital ratio of 14.1%, an increase of 80 bp compared to the end of the previous year.

These achievements confirm, in our view, that we are on the right path to further strengthen our position as a leading bank for businesses in South Eastern and Eastern Europe and to deliver attractive financial returns for our shareholders. However, these numbers would not be very meaningful for us if not accompanied by a clear desire to put impact at the centre of our responsible banking approach. Our green loan portfolio once again grew faster than the overall loan portfolio, bringing the participation of green loans to 19.0% of total customer loans (or EUR 1.1bn), the highest share among our competitors in our markets of operation, and underlining our desire to be a protagonist in the energy transformation. Translated into environmental impact, our green loan portfolio reduces the quantity of greenhouse gases emitted into the atmosphere by 324.5 kilotons of GHG equivalent, similar to taking 70,572 passenger vehicles off the road for a year. A combination in the increase in energy prices, the need for countries to meet their reduction targets and an increased awareness by civil societies of the threats created by global warming and pollution, make us confident that our green portfolio will continue to drive our growth in the years to come. The energy transformation is finally taking shape, and ProCredit will make its contribution.

While we are generating new business thanks to green lending, we believe that it is important to look at the topic of sustainability holistically. Being a responsible bank requires an effort beyond simply promoting renewables, as the topic encompasses many other important areas, such as, the protection of biodiversity, or fostering best practices along the supply chain. Just as we stopped financing producers of single use plastic in 2020 in order to fight pollution and environmental degradation, in 2021 we mapped all the locations for the business activities of our customers against the list of protected areas in our countries of operation and introduced strict exclusion criteria to ensure that our clients' activities do not negatively impact these natural sanctuaries.

On the topic of sustainable suppliers, we have decided to stop financing PV projects which make use of solar panels produced in China's Xinjiang region. Evidence is mounting of the widespread breach of the Uighur minority's most basic human rights being perpetrated by the Chinese Communist Party, which has imprisoned an estimated two million people in labour camps as it seeks to purify the country of any ideology other than its own. Despite the statements coming from Beijing claiming that these camps are used only for the re-education of potential terrorists and extremists, we are not fooled. In Europe, when we see a concentration camp, we recognise it. We now advise our clients accordingly that we only finance PV panels that are sourced from outside this region. This may mean slower growth in the short term, but genuinely sustainable growth in the long term. We continue to see strong potential for financing energy efficiency and renewable energy investments as well as small-scale renewable energy project finance, an area in which we have developed unique expertise. We expect that our green loan portfolio will continue to grow ahead of our SME portfolio.

In the midst of the terrible situation unfolding in Eastern Europe, we are working tirelessly, together with our international financial institution partners, to secure the best possible outcome for the staff and clients of ProCredit Bank Ukraine and the ProCredit group as whole. Nevertheless, in the context of stress testing, it is important to note that even if our bank in Ukraine would fail in these dark days, the group capital position and financial outlook of the group would not be threatened. In these terms it is important also to look beyond Ukraine, at our strong institutions in our other countries of operation and their central importance in contributing to sustainable economic development as the world looks to geopolitical stability across Europe.

In concrete terms, it is difficult at this stage to assess realistically what the financial impact of the war in Ukraine will be on group results in 2022. However, in the medium term, we see continued strong profitable growth opportunities in all markets other than Ukraine for working with our carefully selected SME clients and in expanding our green loan portfolio. We view the group's development in the current context positively and confirm that the group's medium-term targets can also be met in a scenario without any contribution from ProCredit Bank Ukraine.

A fundamental strength of the group is undoubtedly its staff and the way in which they embody the group's dual ambitions of financial success and responsible banking. The ProCredit Academies have been central in reinforcing this attitude throughout the group. The enthusiasm that our staff have for their job and for the training opportunities we offer is impressive. We would like to thank all ProCredit employees and all management teams for their ongoing commitment. We are pleased to welcome Hubert Spechtenhauser to the Management Board of ProCredit General Partner, and appreciate the additional skills and perspectives he brings. We are also pleased to welcome Rainer Ottenstein to his new role as Chairperson of the Supervisory Board, building on the key part he has played in accompanying the development of the group over the years. We would like to pay tribute and express immeasurable thanks, personally and on behalf of all staff and management teams, to Dr Claus-Peter Zeitinger for his extraordinary vision and the tireless efforts he has devoted to the ProCredit group since its inception.

For us the way ahead is clear, and it is reinforced by the tragedy of the war in Ukraine. Impact is not a side topic or an afterthought: ProCredit's history and origins are deeply rooted in development finance and our commitment to look beyond economic success is embedded in our DNA. We are proud of our history as a business bank for SMEs, fostering economic development and progress in emerging markets. We are always mindful of the balance between humans and nature, respectful of local cultures and traditions, but also sure that certain values are universal: freedom and respect for human dignity above all. We believe that economic success and sustainability are not mutually exclusive, and we are determined to prove it. Our strong results in 2021 are another step in the right direction. We are convinced that following our principles of responsible banking is the best way to ensure continued success for all our stakeholders.

Frankfurt am Main, March 2022

Management Board, ProCredit General Partner AG

Dr Gian Marco Felice	Sandrine Massiani	Dr Gabriel Schor	Hubert Spechtenhauser

Above: 27/4 Zone Bucharest, ProCredit Bank Romania
Below: Coffee Station, café/restaurant offering specialty coffee, waffles and pancakes, client of ProCredit Bank Bosnia and Herzegovina

PROCREDIT ON THE CAPITAL MARKET

The shares of ProCredit Holding AG & Co. KGaA have been listed on the Prime Standard of the Frankfurt Stock Exchange since 22 December 2016.

Key share data

ISIN	DE0006223407
Security ID no. (WKN)	622340
Stock exchange code	PCZ
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Xetra closing price on 30 December 2021	EUR 8.02
No. of shares	58,898,492 registered ordinary shares with no par value (Namensaktien)

On 30 December 2021 the shares were being traded on Xetra at a year-end closing price of EUR 8.02. Based on the 58,898,492 shares outstanding as of year-end, the market capitalisation of ProCredit Holding at that time was approximately EUR 472 million.

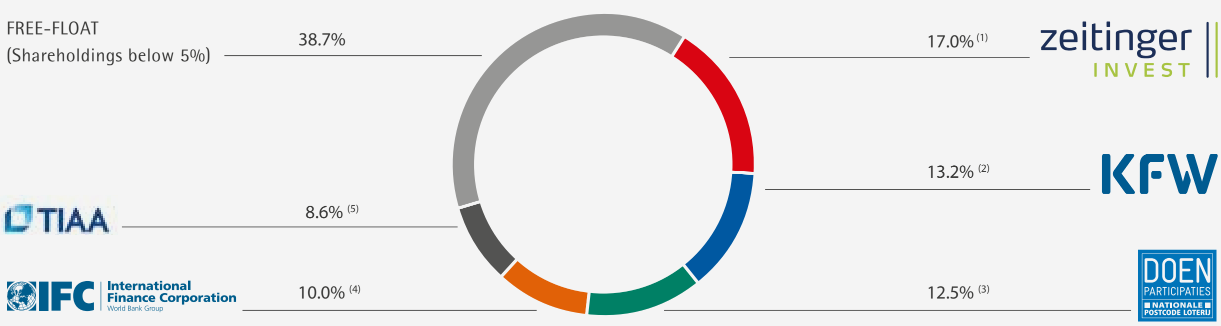
Over the last calendar year, an average of around 23,400 ProCredit Holding shares were traded through the Xetra system per day (2020: around 7,300 shares per day).

Price trend, calendar year 2021 (closing price, Xetra trading system)

Shareholder structure

According to available voting rights notifications, as of year-end approximately 55% of the shares in ProCredit Holding were held by the core shareholders[1]: Zeitinger Invest GmbH, Kreditanstalt für Wiederaufbau (KfW), DOEN Paticipaties BV, and the International Finance Corporation (part of the World Bank Group). ProCredit Staff Invest Beteiligungs GmbH is also a core shareholder, with roughly 3% of the shares.

The Teachers Insurance and Annuity Association of America holds between 5% and 10% of the shares. The free float, defined by the German Stock Exchange as holdings below the threshold of 5% of voting rights, was around 39% on 31 December 2021 according to voting rights notifications. This includes investments of more than 3% in ProCredit Holding AG & Co. KGaA by FMO (Netherlands Development Finance Company), BIO (Belgian Investment Company for Developing Countries), MultiConcept Fund Management, the European Bank for Reconstruction and Development and MainFirst.



(1) Voluntary information disclosed by Zeitinger Invest on 8 October 2018 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (2) As per voting rights notification dated 28 December 2016; (3) As per voting rights notification dated 29 December 2016; (4) As per voting rights notification dated 27 February 2018; (5) As per voting rights notification dated 29 December 2016

The shareholder structure presented above is based on public voting rights notifications by the respective shareholders and, in the case of Zeitinger Invest GmbH, on the voluntary disclosure of voting rights (see "Voting rights notifications" and "Other information" in the Investor Relations section of the ProCredit Holding website). This breakdown was calculated by comparing the number of voting rights reported by the shareholders on the above-mentioned dates against the total number of voting rights (currently 58,898,492). ProCredit Holding AG & Co. KGaA has made reasonable efforts to provide a realistic overview of the shareholder structure. However, due to limitations on the availability and verifiability of the underlying data, ProCredit Holding AG & Co. KGaA does not assume any responsibility that the information presented here is accurate, complete and up to date.

[1] The term "core shareholder" refers to the shareholders who also hold a stake in ProCredit General Partner AG. For a description of the legal form of ProCredit Holding AG & Co. KGaA, see page 104 of this report.

Analysts

In 2021, four analysts reported regularly on ProCredit Holding. As of the end of the financial year, there were two buy recommendations and one neutral recommendation. The share price targets were between EUR 8.50 and EUR 16.00. Current information on the analyst recommendations can be found on the ProCredit Holding website under Investor Relations.

Current Fitch Ratings of ProCredit Holding AG & Co. KGaA

In 2021, the BBB rating of ProCredit Holding was confirmed.

Current ESG ratings of ProCredit Holding AG & Co. KGaA

The company's MSCI ESG Research rating of "AA" was confirmed in November 2021. Likewise, the "Prime" status of ProCredit Holding AG & Co. KGaA was confirmed by ISS ESG in August 2021.

Our business strategy has always been based on sustainability and long-term thinking. We are now publishing a comprehensive Impact Report for the fifth consecutive year, outlining our contributions and impact in environmental, social and corporate governance (ESG) in the context of the UN Sustainable Development Goals.

Investor Relations

The Management[2] of ProCredit Holding AG & Co. KGaA aims to maintain an intensive dialogue with the capital market, and strongly believes that regular, transparent communication with share- and stakeholders is crucial in order to keep them continually informed about the development of ProCredit Holding. In this respect, it is especially important to ensure the regular publication of company news and to provide detailed financial reports, as well as to cultivate ongoing, personal contacts with investors, analysts and the interested public.

In 2021, the Management of ProCredit Holding made several presentations on the ProCredit group at roadshows and conferences with investors. In the context of the COVID-19 pandemic, activities took place primarily in a virtual setting.

This year, ProCredit Holding held the virtual Capital Markets Day 2021, its first for investors and analysts. All members of the ProCredit Management Board gave presentations and answered questions from participants. The presentations focused on the group's strategy and business model, the unique aspects of its approach to credit risk, the strong group-wide focus on employee recruitment and training, and the efficiency gains achieved through digitalisation. The event was concluded with a presentation by the Management of ProCredit Bank Bulgaria. This illustrated the characteristics that distinguish the banks of the ProCredit group from most local competitors in South Eastern and Eastern Europe, highlighting the resulting strengths.

Please find a recording and the presentations shown at the meeting on the ProCredit Holding website in the Investor Relations section under Capital Markets Day.

In 2022, ProCredit Holding will again strive to maintain and further expand its contact with investors. An overview of upcoming events is regularly updated in the financial calendar on the ProCredit Holding website.

[2] ProCredit Holding has the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien - KGaA). As the general partner, ProCredit General Partner AG is responsible for the management of ProCredit Holding. The Supervisory Board of ProCredit General Partner AG appoints and monitors the Management Board of ProCredit General Partner AG. We refer here to the "Management" of ProCredit Holding, which basically corresponds to the Management Board of ProCredit General Partner AG.

ProCredit Holding AG & Co. KGaA, 2021 virtual Capital Markets Day

Up-to-date information about the company is available to investors, analysts and the interested public in the Investor Relations section of the ProCredit Holding website, www.procredit-holding.com. As well as the usual financial reports, mandatory notices and corporate news, visitors to the website also have access to information on results and company presentations. A recording of the conference calls held to coincide with the quarterly results is also publicly available there.

Shareholders' meetings

The 2021 Annual General Meeting of ProCredit Holding AG & Co. KGaA was held on 27 May 2021. In light of the ongoing COVID-19 pandemic, the 2021 Annual General Meeting was held virtually, as in the previous year. At the meeting, 72.93% of the voting capital was represented.

It was resolved to distribute a dividend of EUR 0.18 per share. This amount corresponds to 20 basis points of the Common Equity Tier 1 capital ratio of the ProCredit group and thus to the European Central Bank's recommended maximum for dividend distributions, which was in effect until 30 September 2021. In addition, Ms Jovanka Joleska Popovska and Dr Jan Witte were elected as new members to the Supervisory Board. Mr Rainer Ottenstein, who stood for re-election, was confirmed as a member of the Supervisory Board by the Annual General Meeting. All other proposed resolutions were likewise approved by the shareholders of ProCredit Holding AG & Co. KGaA.

An Extraordinary General Meeting of ProCredit Holding AG & Co. KGaA was held on 08 December 2021. In view of the COVID-19 pandemic, this meeting was also held virtually. Overall, 60.79% of the voting capital was represented at the meeting.

At the Annual General Meeting in May of 2021, it was announced that the company intended to propose a further dividend payment of EUR 0.35 per ordinary share for the 2020 financial year at a subsequent Extraordinary General Meeting, provided that no recommendation from the German Federal Financial Supervisory Authority or the European Central Bank should continue to preclude such distribution. The Extraordinary General Meeting has approved the corresponding proposal. This means that the cumulative dividend payment for 2019 and 2020 was equivalent to one third of the consolidated result, which is in accordance with ProCredit Holding's standard dividend policy.

Furthermore, the Extraordinary General Meeting also resolved to authorise the General Partner to issue profit participation rights up to an amount of EUR 100 million.

Detailed information on the 2021 general meetings can be found on the ProCredit Holding website under Investor Relations.

ProCredit Holding AG & Co. KGaA, 2021 Annual General Meeting

Financial calendar 2022

12 May 2022	Quarterly Financial Report as of 31 March 2022
31 May 2022	Annual General Meeting
11 August 2022	Half-year Report as of 30 June 2022
10 November 2022	Quarterly Financial Report as of 30 September 2022

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Web: https://procredit-holding.com/investor-relations/

Combined Management Report

The Management Report for ProCredit Holding AG & Co. KGaA (ProCredit Holding) and the Group Management Report for the ProCredit group (ProCredit) are presented as a Combined Management Report. It was prepared in accordance with sections 289ff and 315ff of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Accounting Standard 20 (Deutscher Rechnungslegungsstandard 20 – DRS 20). The Risk Report also contains notes pursuant to IFRS 7.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our Strategy

The activities of the ProCredit group comprise the financing of Small and Medium-sized Enterprises (SMEs) and direct banking for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. The superordinated company of the group is ProCredit Holding, based in Frankfurt am Main.

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 long-term relationships with our clients and staff as well as a conservative approach to risk. The group does not engage in speculative lines of business.

Accountability is part of our culture. Sustainable behaviour is therefore essential for us, and we want our activities to make a positive, lasting contribution to the environment and to society. We coordinate our actions using a comprehensive environmental management system. Accordingly, we analyse the environmental impact of both our own activities and those of our clients. During this process, we promote green investment projects, especially in energy efficiency and renewable energies. We present our activities in line with the United Nations Sustainable Development Goals in our Impact Report. In the face of the current economic and pandemic situation, we feel more validated than ever in our sustainable business approach.

We aim to be the "Hausbank" for our clients, and thus to be their first point of contact for financing and deposits as well as for account and payment services. Our SME clients typically have financing needs ranging from EUR 50 thousand to the single-digit millions. As specialists in financing SMEs, we understand the particular challenges these clients face and the specific needs they have, often going well beyond just loans. We offer all banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, we offer efficient solutions for trade finance business and international payments through our network of banks.

Our target group comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to make a contribution to creating jobs, enhancing capacity for innovation, and encouraging investments in ecological projects. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture. Our approach is based on a careful and critical selection of clients, with solvency, transparency and social responsibility at the heart of the lending process. In this way, we want to ensure that our customers can adequately service their loans from their current income and also build up reserves for potentially more difficult times. We attach great importance to transparent business relationships. This requires regular communication with us as a banking institution, as well as transparent interaction of our customers with society. We believe that our clients also make an important contribution to the formal sector, and thus to social and economic development, through their tax burden and by maintaining fair working conditions. At the same time, we make clear demands on our customers with regard to ethical business practices and the responsible treatment of their environment. Consideration of our clients' social and environmental risks is firmly integrated into our credit decision processes. We also place great emphasis on the prevention of money laundering, terrorist financing and other illegal activities.

We maintain long-term relationships with our customers and are convinced that this is beneficial for both sides: Our customers have us as a reliable partner who stands by their side, even when economic conditions become difficult. At the same time, we create a portfolio of loans to reliable clients that grows steadily and is of very good quality in the context of our markets.

In addition to serving SMEs, we also pursue a direct banking strategy for private clients, particularly the growing middle class. Our comprehensive range of online services creates the foundation for long-term client relationships. Our clients can conduct their banking transactions directly via our digital channels, and individual 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 changes in 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. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

Consumer loans play virtually no role in our business strategy. Such loans can be a lucrative bulk business through which high margins can be achieved with little administrative effort. Overly intensive marketing of consumer loans, however, can lead to over-indebtedness problems for borrowers; at the same time, poorly collateralised consumer loan portfolios represent a higher risk for banks, especially in times of economic uncertainty. Consumer lending business is therefore not compatible with our strategy. In order to achieve sustainable profits, we instead place emphasis on long-term relationships with our customers. The share of consumer loans in our total portfolio is far below 1%.

The quality and motivation of staff is a key factor in achieving our business objectives. We select our staff carefully and offer long-term career prospects based on a transparent, standardised group-wide salary and promotion structure. In order to provide continued staff training and promote ongoing exchange within the group, we run a group-wide training programme in our own training centres. Our group-wide Code of Conduct emphasises a commitment to mutual respect and responsible behaviour in daily life, and annual workshops are held so all staff can discuss and contribute to its further development. Across the entire group, there is a diverse range of employees from various academic backgrounds and a balanced gender distribution at all business levels. We believe that this diversity promotes innovation and makes a significant contribution to the long-term success of our business.

Organisation of the ProCredit group

The ProCredit group is largely comprised of 12 banks and it employed 3,178 members of staff at year-end. ProCredit Holding is the parent company and, from a regulatory perspective, the superordinated company of the group as well. ProCredit Holding owns 100% of the shares of all subsidiaries. It is responsible for the strategic guidance of the group, for maintaining an adequate level of equity for the group and for ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking regulations, and particularly the requirements defined in section 25a of the German Banking Act ("KWG"), are met. At a consolidated level, the ProCredit group is supervised by the German financial supervisory authorities (BaFin and Bundesbank).

As the personally liable general partner, ProCredit General Partner AG, Frankfurt am Main, is responsible for the management of ProCredit Holding. The Supervisory Board of ProCredit General Partner AG appoints and monitors the Management of ProCredit General Partner AG. We thus refer to the "Management" of ProCredit Holding, which is fundamentally equivalent to the Management Board of ProCredit General Partner AG.

The Management, members of the Supervisory Board and selected management-level staff of the ProCredit group sit on the supervisory boards of the ProCredit banks, alongside independent board members. ProCredit Holding sets binding policy guidelines and standards for risk management and other important areas of banking operations in order to ensure that appropriate uniform organisational structures and processes are in place in all ProCredit banks. These guidelines are complemented by the regular exchange of best practices within the ProCredit group. ProCredit Holding also plays an important role in determining the human resources policies and in the development and delivery of curricula in the ProCredit academies.

Our IT and software development priorities are set in the Group IT Strategy. Optimal IT solutions are a central part of implementing our business and risk strategies. Quipu GmbH, a 100% owned subsidiary of ProCredit Holding, develops tailored software solutions for the ProCredit group. In close collaboration, the systems used in connection with banking operations for clients, treasury functions, reporting and accounting are developed and implemented by Quipu.

The ProCredit group divides its business operations into regional segments:

- *South Eastern Europe*, consisting of seven banks in the following countries: Albania, Bosnia and Herzegovina, Bulgaria (including branch operation in Greece), Kosovo, North Macedonia, Romania and Serbia
- *Eastern Europe*, with three banks located in the following countries: Georgia, Moldova and Ukraine
- *South America*, consisting of one bank in Ecuador
- *Germany*, consisting of the ProCredit Bank in Germany, ProCredit Holding, Quipu and the ProCredit Academy in Fürth

Our shareholders

ProCredit Holding has the legal form of a partnership limited by shares. The general partner is ProCredit General Partner AG, owned by the core shareholders (Zeitinger Invest GmbH, KfW, DOEN Participaties B.V., International Finance Corporation (IFC) and ProCredit Staff Invest GmbH & Co. KG). Together they hold roughly 55%[1] of the shares in ProCredit Holding. The core shareholders have guided the activities of the group since its foundation and make a material contribution to the success of the ProCredit group.

The largest single shareholder is Zeitinger Invest GmbH, Frankfurt am Main. Zeitinger Invest was a key initiator behind the founding of the ProCredit group. KfW is one of the world's leading development banks and is committed to improving economic, social and ecological living conditions all around the world on behalf of the Federal Republic of Germany and the federal states. The main objective of DOEN Participaties is to make a positive impact on society by supporting sustainable or socially inclusive entrepreneurs. IFC is a member of the World Bank Group and is the world's largest development institution focused exclusively on the private sector. ProCredit Staff Invest GmbH & Co. KG is an investment company for employees.

Internal management system

The Management of ProCredit Holding and the management boards of the ProCredit banks establish the strategic goals together in the course of the annual planning process. Discussions are held concerning the assessment of market potential, priorities, expectations and indicators, which are then recorded in the business plan. Likewise, HR, risk and sustainability considerations are included. The business plan for each ProCredit bank is approved by the respective supervisory board, the members of which are appointed by ProCredit Holding. The Group Business Strategy developed by the Management incorporates a group business plan which is based on the consolidated business plans of each ProCredit bank. The Group Business Strategy is discussed with the Supervisory Board of ProCredit Holding. The Management of ProCredit Holding regularly reviews the established goals through plan vs. actual analyses at bank, segment and group level.

An important component of our management system is the exchange between ProCredit Holding and the management boards at the respective ProCredit banks. Meetings with all of the banks on a regular basis promote the active exchange of information within the group. During this pandemic year, these meetings continued with the use of video conferencing facilities.

The ProCredit group uses an integrated system of indicators to monitor and manage the implementation and further development of the group's business and risk strategy. In addition, in the 2021 financial year we applied the following key performance indicators:

- The growth of the loan portfolio[2] is a key indicator of the success of new business and also provides reference points for our future earning capacity.
- The cost-income ratio[3] is a relative indicator that provides insight into our efficient use of resources.

[1] Based on the published voting rights notifications or voluntary disclosures of the shareholders named. This breakdown was calculated by comparing the number of voting rights most recently reported by the shareholders against the total number of voting rights (currently 58,898,492).
[2] Our loan portfolio as of the balance sheet date of the current period relative to our loan portfolio as of 31 December of the previous year. Our loan portfolio corresponds to loans and advances to customers before loss allowances.
[3] Personnel and administrative expenses relative to operating income.

- Return on equity (RoE)[4] is the most important indicator in terms of profitability. We place a strong emphasis on maintaining a sustainable RoE in conjunction with an appropriate risk profile.
- We regard the Common Equity Tier 1 capital ratio (CET 1)[5] as a key indicator for compliance with regulatory and internal capital requirements. It also serves as a benchmark for our solvency and as a basis for strategy decisions.

We also consider the following key figures as additional indicators:

- The ratio of deposits to loan portfolio[6] reflects our ability to fund our lending business through deposits.
- The net interest margin[7] is an important indicator of our profitability and measures the average interest earnings.
- Cost of risk indicates the level of expenditures for loss allowances relative to the size of the loan portfolio.[8]
- The share of defaulted loans[9] is the key indicator for us to assess portfolio quality.
- The ratio of allowances to defaulted loans in Stage 3[10] provides information on loss allowances for defaulted loans.
- The green loan portfolio includes financing for investments in energy efficiency, renewable energies or other environmentally friendly technologies. By expanding our green loan portfolio, we are making an important contribution to our sustainability goals, as presented in our Impact Report.

[4] Profit attributable to ProCredit shareholders, divided by the average equity held by the ProCredit shareholders.
[5] Ratio of our CET1 capital to risk-weighted assets.
[6] Our loan portfolio relative to deposits as of the balance sheet date.
[7] Our net interest income relative to the average total assets in the reporting period.
[8] Loss allowance expenditures for a period relative to the average loan portfolio.
[9] Defaulted loans relative to the loan portfolio at the respective balance sheet date.
[10] Loss allowances for defaulted loans relative to defaulted loans as of the balance sheet date.

HUMAN RESOURCES REPORT[11]

The key to long-term success is our staff. We rely on a company culture that is based on our ethical principles and encourages proactive participation and professionalism. The implementation of our strategy requires staff who establish long-term relationships with customers and provide them with innovative and efficient service in a friendly manner. We want to offer staff long-term prospects with opportunities for further professional development.

The management teams in the individual ProCredit banks are a key part of our sustainable approach to staff. Our management staff are, as a rule, from the countries where they work, comprise equal shares of men and women, and have been with ProCredit for more than 12 years on average; all have graduated from the three-year ProCredit Management Academy. They have thus been well integrated into the group, have developed a comprehensive understanding of our business model and share the same strategic vision.

A structured approach to staff recruitment, training and remuneration is a central component of the ProCredit group's human resources strategy. We have developed group-wide standards for these areas in order to ensure a consistent, transparent and long-term approach in all banks.

Staff recruitment and integration of new employees

Our approach to recruitment focuses on individuals who are open, willing to learn and committed to our common values. Beyond technical and analytical skills, our staff must demonstrate personal integrity, openness and a willingness to work together with clients and colleagues.

The ProCredit recruitment process is very rigorous compared to the norm in the countries in which we work, where sometimes personal connections count more than competence. After passing through the steps of a standard selection procedure, such as a written application, mathematics and logic tests and interviews, successful candidates are invited to attend a two-week "Focus Session". These sessions give us an impression of the social, communication and analytical skills of the applicant. Candidates also have the opportunity to get to know both the business strategy of the ProCredit group and our ethical principles. After these two weeks, candidates have a good foundation for making the career decisions that are right for them, and this period also allows ProCredit to identify individuals with potential.

After concluding the selection process, new staff become part of the group's international onboarding programme. This comprises two modules over a total period of six months: a theoretical block that is carried out at our regional training centre, and a practical block that takes place at the respective banks. In 2021, in the context of the pandemic, the theoretical module was conducted online. These two training stages cover all aspects that we believe are a part of responsible banking, and they give new staff an opportunity to learn directly from management and experienced colleagues about how ProCredit contributes to transparent and sustainable financial sector development.

[11] The Human Resources Report is not a mandatory component of the Combined Management Report pursuant to sections 289 et seq., sections 315 et seq. HGB and GAS 20, and it is therefore not part of the audit of the financial statements.

Above: Group work at the ProCredit Academy
Below: ProCredit Academy, Fürth, Germany

Training

As the first step in professional development within the ProCredit group, the ProCredit onboarding process provides new members of staff with optimal preparation for their first roles. We also offer part-time continuing professional development to all staff. The necessary knowledge and skills are transferred through standardised seminars for various positions. For our Business Client Advisers (BCAs), for instance, we focus on constant improvement of their client advisory competence, which means correctly evaluating the needs of our clients for banking services, assessing credit risk and building long-term customer relationships. For our Client Advisers, training is concentrated on advising clients, particularly on acquiring new customers, and on communicating the advantages of our direct banking options. Regular, group-wide seminars are held for all areas to present current developments, best practices and strategic vision.

We place great importance on training our middle management. In order to ensure high-quality training, the group has developed training programmes with tailored curricula. These include the one-year ProCredit Banker Academy as well as the three-year ProCredit Management Academy. Alongside training on the principles of banking and courses on communication and leadership skills, the curricula also have units dedicated to philosophy, anthropology, history and political economics. To date, more than 530 employees have graduated from or are currently attending the academies; this includes all management staff from the banks.

Regular ethics courses are a key component of the training we offer. We likewise impart the philosophical and ethical principles which have developed since Antiquity. Against the backdrop of our sustainable and responsible approach to banking, we deem this link between past and present to be highly important. In addition, we carry out annual workshops for all our staff; these focus on our binding Code of Conduct and on environmental topics. As the shared working language of the ProCredit group, English is used for all training measures. Therefore, staff must have a good command of the English language in order to communicate and contribute in our international environment.

Our remuneration approach

We place great value on a transparent salary structure with fixed salaries and consciously refrain from contractually agreed bonuses as a means of incentivising our staff. We believe that such bonus payments can have a negative impact on the quality of advice provided to our clients and can even result in a degradation of relationships between colleagues. The remuneration of employees mainly consists of a fixed salary. Variable remuneration elements are not contractually granted. These can be provided when a member of staff has performed exceptionally well during the course of a financial year or has made a key contribution to the team or group. Salaries reflect market averages and are adjusted regularly on the basis of individual performance evaluations. Our remuneration approach has been established with a long-term perspective, which helps our staff to securely plan their lives. In contrast, the remuneration of our senior managers is not always comparable with our competitors, particularly with respect to the bonus payments which are common in the banking industry.

We have a standardised salary system which is applied throughout the group and includes: salary levels for certain positions, the maximum allowed ratio between the lowest and highest salary levels, and the training requirements for each position. In individual cases, an institution may provide non-monetary remuneration elements, such as visits to other ProCredit banks or participation in additional training. The management boards of the ProCredit banks report annually to their respective supervisory board about the remuneration structure.

Open and responsible communication is a central part of staff management in the ProCredit group. The remuneration structure is presented to all members of staff in a transparent manner. Remuneration and promotion are primarily linked to individual performance appraisals. Staff talks are conducted on an annual basis. In addition, every employee has an annual staff conversation with a member of the management team. In these conversations, every employee has the opportunity to discuss possibilities for further career development.

REPORT ON THE ECONOMIC POSITION OF THE GROUP

Course of business operations

Our business performance was positive in the past financial year. Our loan portfolio increased by EUR 670 million or 12.8%. More than 20% of this growth came from "green" loans, particularly financing related to renewable energies. Deposits also developed positively, rising by EUR 643 million or 13.1%. The consolidated result stood at EUR 79.6 million, representing a return on equity of 9.7%. Despite the ongoing COVID-19 pandemic, the financial position and financial performance of the group remain solid and exceeded our expectations for the financial year.

in EUR m

Statement of Financial Position	31.12.2021	31.12.2020	Change
Loan portfolio	5,924.4	5,254.3	670.1
Deposits	5,542.3	4,898.9	643.4
Statement of Profit or Loss	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**Change**
Net interest income	222.0	201.6	20.5
Net fee and commission income	50.9	47.4	3.5
Operating income	281.9	252.1	29.8
Personnel and administrative expenses	180.9	171.4	9.4
Loss allowance	6.5	28.6	-22.1
Profit of the period	79.6	41.4	38.2
Key performance indicators	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**Change**
Change in loan portfolio	12.8%	9.5%	3.2 pp
Cost-income ratio	64.2%	68.0%	-3.8 pp
Return on equity	9.7%	5.3%	4.5 pp
	31.12.2021	**31.12.2020**	**Change**
Common Equity Tier 1 capital ratio	14.1%	13.3%	0.9 pp
Additional indicators	**31.12.2021**	**31.12.2020**	**Change**
Deposits to loan portfolio	93.5%	93.2%	0.3 pp
Net interest margin	2.9%	2.9%	0.0 pp
Cost of risk	12 bp	57 bp	-45 bp
Share of defaulted loans	2.3%	2.6%	-0.3 pp
Stage 3 loans coverage ratio	49.6%	46.9%	2.7 pp
Green loan portfolio	1,128.1	984.9	143.2

We were able to increase the loan portfolio by a total amount of EUR 670.1 million or 12.8%, influenced to a minor extent by positive currency effects. Excluding currency effects, growth was just over 10%, which is in line with our expectations. Our consolidated result of EUR 79.6 million was EUR 38.2 million above the level recorded for the previous year. Our performance was substantial better than the 6.0-7.5% RoE that we had originally expected for the financial year, particularly because our cost of risk was lower than anticipated. At the same time, our cost-income ratio developed better than expected, decreasing by 3.8 percentage points overall to 64.2%. With a return on equity of 9.7% for the period just ended, we were able to reach the 10% medium-term target we had set in past years. Furthermore, we had aimed for our green loan portfolio to account for 20% of our overall portfolio in the medium term; however, due to continued strong growth in this area, we were able to nearly reach this goal already. Our green loan portfolio represented 19.0% of the total portfolio at year-end 2021.

In addition to strong loan portfolio expansion, we also achieved deposit portfolio growth of EUR 643.4 million or 13.1%. This development is primarily attributable to larger deposits by our business clients, but deposits from our private clients also developed positively. As planned, the increase in deposits was achieved primarily through additional sight deposits and savings accounts, which will have a positive impact on our net interest margin in the future.

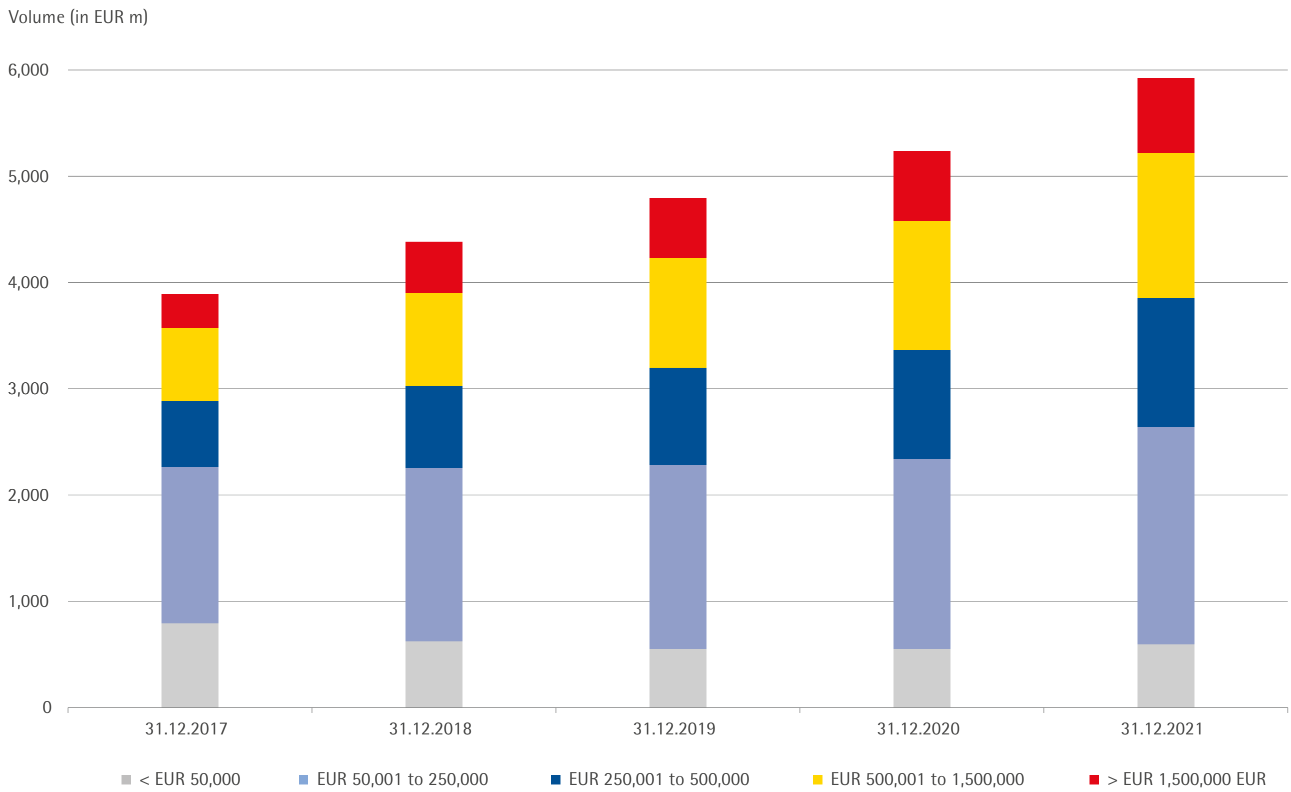
The group's capital base was stable in the financial year. The fully loaded CET 1 capital ratio increased by 0.9 percentage points to 14.1% and was thus above our original expectation of "around 13%". The main driver for this development was that our financial performance was better than expected. The leverage ratio of 9.3% is much better than the banking-sector level. The LCR was 158% at year-end and thus comfortably above the regulatory requirement of 100%.

The financial year continued to be marked by the COVID-19 pandemic, even as the economies in the countries where we are active had recovered substantially compared with the previous year. The share of defaulted loans in our banks decreased by 0.3 percentage points; at 2.3%, it is well below the average for the banking sectors in which we operate. The ratio of loss allowances to loans in Stage 3 increased by 2.7 percentage points to 49.6% overall. Personnel and administrative expenses grew, as expected, by EUR 9.4 million or 5.5%, also due to an increase in employee remuneration. These higher expenses were more than offset by operating income, which showed a significant increase of EUR 29.8 million or 11.8%. As a result, our cost-income ratio improved by 3.8 percentage points; at 64.2%, it stands below our forecast of "65-68%".

Assets

Total assets increased by EUR 887 million during the 2021 financial year, due in particular to the strong growth of the loan portfolio. The positive developments in deposit business also led to strong growth in cash and cash equivalents. The overall structure of the assets remained stable compared to the previous year. The group's asset situation was affected by significant currency effects during the period. In particular, the national currencies of Ukraine and Georgia appreciated by 11% and 13%, respectively. The US dollar exchange rate also improved by around 8% during the year.

The loan portfolio increased by EUR 670 million compared to the previous year; it stood at EUR 5.9 billion at year-end. The 12.8% growth (or just over 10% excluding currency effects) was in line with our expectations and was spread across nearly all ProCredit banks. More than 20% of this growth was achieved through the granting of green loans. Revocable credit commitments to customers increased slightly, by EUR 25.4 million, to EUR 681.7 million.



Loan portfolio development, by loan volume

At year-end, the loan portfolio consisted of 92% loans to businesses and 8% loans to private clients. The total loan portfolio contains 19% loans to agricultural enterprises. Our green loan portfolio accounted for 19% of the total portfolio at year-end. The majority of our portfolio of investment loans have maturities of more than three years, which underlines the long-term nature of our customer relationships. Regarding the loans to private clients, most are housing loans to purchase, renovate or improve the energy efficiency of real estate.

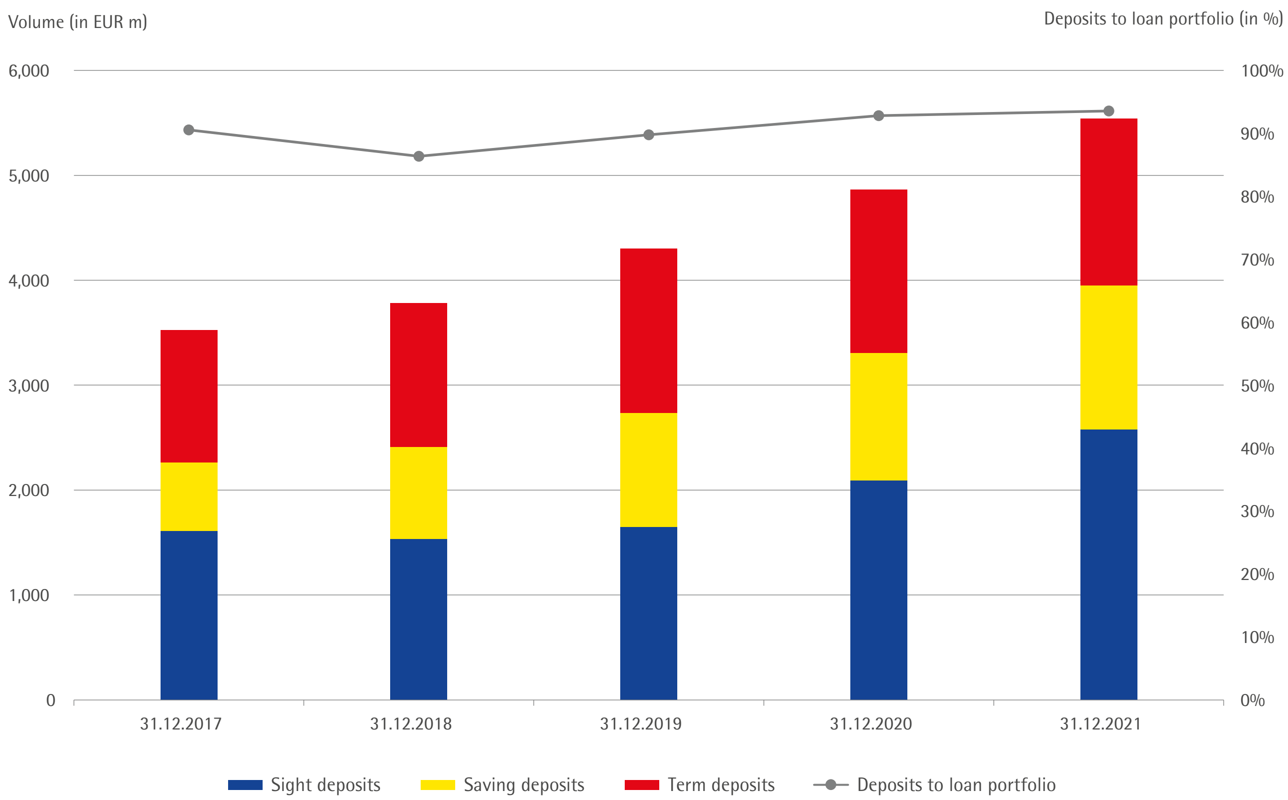
The loan portfolio of the ProCredit group continues to be highly diversified. The largest ten exposures represented not more than 2.0% of the group's total portfolio volume at the end of 2021.

In its lending business with SMEs, the ProCredit group cooperates closely with European institutions such as the European Investment Bank (EIB) and the European Investment Fund (EIF). Of particular note is the agreement with the EIF for the InnovFin guarantee programme, which provides proportional guarantees for lending to innovative SMEs and small MidCaps in Eastern and South Eastern Europe.

Liabilities and equity

Liabilities comprise mostly deposits. Further sources of funding include liabilities to banks as well as debt securities.

At year-end deposits stood at EUR 5.5 billion, up by EUR 643.4 million from the previous period. The growth of deposits was primarily due to business clients, though deposits from private clients increased also, by EUR 216 million. Excluding exchange rate effects, deposits grew by over EUR 545 million. At 93.5%, the ratio of deposits to the loan portfolio remained at roughly the previous year's level.



Deposits

Liabilities to banks and debt securities increased by EUR 164 million.

Our equity base increased by EUR 76.6 million compared to the previous period and stood at EUR 856.3 million at year-end. This increase is mainly due to the current consolidated result and an increase in the currency translation reserve by EUR 28.6 million. During the financial year, EUR 31.2 million (53 cents per share) was paid out in dividends.

Result of operations

Our profit of the period stood at EUR 79.6 million, which is EUR 38.2 million above the previous year and represents a substantially improved return on equity of 9.7%. With this result, we were able to reach our medium-term target of 10%. The cost-income ratio also improved by 3.8 percentage points to 64.2%, as growth in operating income, and particularly net interest income, outweighed the increase in our personnel and administrative expenses.

Net interest income increased by EUR 20.5 million or 10.2% year on year due to growing interest income and declining interest expenses; it stood at EUR 222.0 million at year-end. At 2.9%, the net interest margin was at the previous year's level; at the end of the financial year, a positive trend was evident.

Net fee and commission income increased by EUR 3.5 million, or 7.3%, to EUR 50.9 million, with a particularly strong improvement in transaction business, which had been adversely affected by the far-reaching trade and travel restrictions in the previous year. The result from currency transactions improved by EUR 2.0 million to EUR 18.3 million. Net other operating income improved by EUR 3.7 million.

Personnel and administrative expenses grew by EUR 9.4 million compared to the previous year, mainly due to an increase in employee remuneration.

Expenses for loss allowances decreased by EUR 22.1 million; the previous year's expenses were higher than in the periods before, mainly due to the deterioration of macroeconomic indicators following the outbreak of the COVID-19 pandemic. Loss allowances amounting to EUR 6.5 million correspond to a cost of risk of 12 basis points. In the financial year, there was a decrease in both the proportion of loans in Stage 2 (down 1.3 percentage points to 3.6%) and the proportion of loans in default (down 0.3 percentage points to 2.3%).

At EUR 14.9 million, tax expenses were higher than in the previous year due to the improved pre-tax results in nearly all ProCredit banks.

The financial position and financial performance of the group are solid and the business development is positive. The group as a whole and each individual institution in the group remained at all times in full compliance with all financial commitments.

Segment overview

The performance of the ProCredit group is influenced by macroeconomic development and by the economic and financial market conditions. These have an impact on the real economies of the respective countries and therefore on the investment behaviour of our business clients and competitor financial institutions. The following segment overview describes the specific conditions and the development of the financial market situation in the individual regions. The brief analysis of the macroeconomic trend and recent competition trends in the different regions is based on data from the IMF (World Economic Outlook database, October 2021) and the EBRD (Transition Report 2020-2021), unless otherwise stated.

In addition, the following table provides an overview of the international ratings of our banks (from Fitch Ratings). The assessments made take into account the respective country ratings.

Institution	2021 Rating	2020 Rating
ProCredit Holding	BBB	BBB
ProCredit Bank, Albania	BB-	BB-
ProCredit Bank, Bosnia and Herzegovina	B+	B+
ProCredit Bank, Bulgaria	BBB-	BBB-
ProCredit Bank, Germany	BBB	BBB
ProCredit Bank, Ecuador	B-	B-
ProCredit Bank, Georgia	BB+	BB+
ProCredit Bank, Kosovo	BB	BB
ProCredit Bank, North Macedonia	BBB-	BBB-
ProCredit Bank, Romania	BBB-	BBB-
ProCredit Bank, Serbia	BBB-	BBB-
ProCredit Bank, Ukraine	B	B

South Eastern Europe

Macroeconomic and sector-specific environment

South Eastern Europe, comprising the banks in Albania, Bosnia and Herzegovina, Bulgaria (including a branch operation in Greece), Kosovo, North Macedonia, Romania and Serbia, is the segment with the greatest share of group assets. During the financial year, the countries in this region recorded average economic growth of around 5%. Following a crisis year in 2020, consumer spending in the countries grew significantly and exports increased by 10% or more in almost all cases. Inflation rates increased in line with global trends. Higher energy prices and bottlenecks in global supply chains are the main factors here. Import and export balances recovered after the declines, in some cases sharp, of the previous year, with unemployment falling by an average of more than 2 percentage points.

The economies in Romania, Serbia and Kosovo recorded the strongest increases in economic growth rates, each by 6-7%. Falling infection rates and relaxed travel and mobility restrictions facilitated a strong uptick in domestic consumption and tourism.

Competition in South Eastern Europe is driven by European banking groups. The banking sector continues to be characterised by low, yet stabilising, interest rates. Due to the pandemic, the option for loan moratoria was granted via regulatory authorities in most countries until the middle of the financial year.

Development of financial position and financial performance

The South Eastern Europe segment was able to achieve EUR 335 million in loan portfolio growth. The profit of the period increased by more than EUR 16 million to EUR 47.8 million. This represents a return on equity of 8.4%.

in EUR m

Statement of Financial Position	31.12.2021	31.12.2020	Change
Loan portfolio	4,134.7	3,800.2	334.5
Deposits	3,936.8	3,556.2	380.6

Statement of Profit or Loss	1.1.-31.12.2021	1.1.-31.12.2020	Change
Net interest income	130.1	117.3	12.8
Net fee and commission income	31.8	31.4	0.4
Operating income	166.4	149.7	16.7
Personnel and administrative expenses	106.3	99.8	6.5
Loss allowance	7.0	13.7	-6.7
Profit of the period	47.8	31.6	16.2

Key performance indicators	1.1.-31.12.2021	1.1.-31.12.2020	Change
Change in loan portfolio	8.8%	13.0%	-4.2 pp
Cost-income ratio	63.9%	66.7%	-2.8 pp
Return on equity	8.4%	6.0%	2.5 pp

Additional indicators	31.12.2021	31.12.2020	Change
Deposits to loan portfolio	95.2%	93.6%	1.6 pp
Net interest margin	2.4%	2.4%	0.0 pp
Cost of risk	18 bp	38 bp	-21 bp
Share of defaulted loans	2.0%	2.2%	-0.2 pp
Stage 3 loans coverage ratio	53.2%	51.9%	1.3 pp
Green loan portfolio	826.1	739.8	86.3

Loan portfolio and deposits are presented without intercompany accounts.

The loan portfolio for this segment increased by EUR 334.5 million or 8.8% in 2021, ending the year at EUR 4.1 billion. All ProCredit banks in this region recorded good loan portfolio growth figures for the year. The green loan portfolio grew by 11.7%, thus accounting for over a quarter of total growth.

Deposits grew by more than EUR 380.6 million or 10.7%, totalling EUR 3.9 billion at the end of the financial year. All banks in this segment achieved strong growth figures. The ratio of deposits to the loan portfolio increased by 1.6 percentage points to 95.2%.

Net interest income increased by EUR 12.8 million or 10.9% on the basis of a stable net interest margin of 2.4%.

The share of defaulted loans fell by 0.2 percentage points and stood at 2.0% at year-end. As in previous years, the proportion of defaulted loans at our banks is well below the banking sector average. The ratio of loss allowances to loans in Stage 3 increased by 1.3 percentage points to 53.2%.

The profit of the period grew by EUR 16.2 million, representing a return on equity of 8.4%. This increase was due in particular to the higher net interest income and the EUR 6.7 million decline in loss allowances. Personnel and administrative expenses grew by EUR 6.5 million, which was significantly less than the increase in operating income, which rose by EUR 16.7 million or 11.2%. The cost-income ratio thus improved by 2.8 percentage points to 63.9%.

Eastern Europe

Macroeconomic and sector-specific environment

In Eastern Europe, the ProCredit group operates in Ukraine, Georgia and Moldova. The three countries recovered from crisis year 2020 and recorded positive economic growth. Economic output grew by 3.5% in Ukraine, 4.5% in Moldova and 7.7% in Georgia. At the same time, inflation rose sharply in Ukraine and Georgia in particular, by 9.5% and 9.3% respectively, prompting the central banks to raise key interest rates in local currency. The currencies of all three countries appreciated sharply against the euro, following strong depreciation in the previous period.

Payment deferrals for loans continued to be possible during the year, although the majority of economic stimulus measures have now expired.

At the end of February 2022, the Russian military launched a full-scale invasion of Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. An end to the conflict is not currently in sight. Due to the very dynamic overall situation in Ukraine, the effects of the conflict cannot be estimated at the present time (see also “Events after the reporting period”).

Development of financial position and financial performance

The Eastern Europe segment recorded strong loan portfolio growth of EUR 237 million, which was also influenced positively by currency effects. The profit of the period improved by EUR 11.7 million to reach EUR 39 million. This represents a return on equity of 17.8%.

in EUR m

Statement of Financial Position	31.12.2021	31.12.2020	Change
Loan portfolio	1,315.6	1,079.1	236.6
Deposits	1,094.1	896.7	197.4
Statement of Profit or Loss	**1.1.-31.12.2021**	**1.1.-31.12.2020**	**Change**
Net interest income	71.3	62.8	8.5
Net fee and commission income	7.8	8.3	-0.6
Operating income	83.8	76.6	7.2
Personnel and administrative expenses	38.1	33.2	4.9
Loss allowance	-1.4	11.2	-12.6
Profit of the period	39.0	27.3	11.7
Key performance indicators	**1.1.-31.12.2021**	**1.1.-31.12.2020**	**Change**
Change in loan portfolio	21.9%	-1.0%	22.9 pp
Cost-income ratio	45.5%	43.3%	2.1 pp
Return on equity	17.8%	12.3%	5.6 pp
Additional indicators	**31.12.2021**	**31.12.2020**	**Change**
Deposits to loan portfolio	83.2%	83.1%	0.1 pp
Net interest margin	4.3%	4.1%	0.2 pp
Cost of risk	-12 bp	103 bp	-115 bp
Share of defaulted loans	1.9%	2.7%	-0.8 pp
Stage 3 loans coverage ratio	58.7%	44.7%	13.9 pp
Green loan portfolio	205.0	190.1	14.8

Deposits are presented without intercompany accounts.

The loan portfolio of the segment expanded by EUR 236.6 million or 21.9% during the period. Excluding exchange rate effects, growth was around EUR 139 million or 13%. Deposits increased by EUR 197.4 million or 22%. The ratio of deposits to the loan portfolio remained stable at a level of 83%.

The share of defaulted loans fell by 0.8 percentage points to 1.9%, and the ratio of loss allowances to Stage 3 loans rose sharply to 58.7%. As in previous years, the proportion of defaulted loans at our banks is well below the banking sector average.

The profit of the period grew by EUR 11.7 million, representing a return on equity of 17.8%. This improvement was due in particular to lower cost of risk and an increase in net interest income by EUR 8.5 million or 13.6%. The net interest margin increased slightly, by 0.2 percentage points. The EUR 4.9 million increase in personnel and administrative expenses was offset by a EUR 7.2 million rise in operating income. The cost-income ratio increased slightly, rising 2.1 percentage points to 45.5%.

South America

Macroeconomic and sector-specific environment

The South America segment, comprising the ProCredit Bank in Ecuador, accounts for roughly 7% of the group's loan portfolio. In 2021, the country's GDP increased by 2.8%, following a severe recession in the previous year caused by the COVID-19 pandemic and the drop in oil prices. Inflation remained below the zero percent mark. The overall balance of trade is further impacted by dollarisation and by restrictions on the transfer of goods and capital. Unemployment fell to a level of 4.6%.

Competition in Ecuador is mainly defined by local banks. In comparison to South Eastern Europe, the market interest rates and margins are higher. At the same time, prospects for growth are good for SMEs.

Development of financial position and financial performance

The loan portfolio of ProCredit Bank Ecuador showed strong growth of over EUR 100 million, which is also attributable in part to the appreciation of the US dollar during the financial year. The profit of the period improved by EUR 2.5 million.

in EUR m

Statement of Financial Position	**31.12.2021**	**31.12.2020**	**Change**
Loan portfolio	423.3	321.5	101.8
Deposits	254.2	173.0	81.2
Statement of Profit or Loss	**1.1.-31.12.2021**	**1.1.-31.12.2020**	**Change**
Net interest income	20.2	18.6	1.6
Net fee and commission income	-0.4	-0.3	-0.1
Operating income	18.8	17.5	1.2
Personnel and administrative expenses	16.9	16.3	0.5
Loss allowance	1.0	3.6	-2.5
Profit of the period	0.2	-2.2	2.5
Key performance indicators	**1.1.-31.12.2021**	**1.1.-31.12.2020**	**Change**
Change in loan portfolio	31.7%	11.3%	20.4 pp
Cost-income ratio	89.9%	93.2%	-3.3 pp
Return on equity	0.5%	-4.7%	5.3 pp
Additional indicators	**31.12.2021**	**31.12.2020**	**Change**
Deposits to loan portfolio	60.0%	53.8%	6.2 pp
Net interest margin	4.5%	5.0%	-0.5 pp
Cost of risk	27 bp	117 bp	-89 bp
Share of defaulted loans	6.5%	6.1%	0.4 pp
Stage 3 loans coverage ratio	30.3%	28.6%	1.7 pp
Green loan portfolio	84.1	52.6	31.5

Deposits are presented without intercompany accounts..

The bank's loan portfolio developed very positively during the financial year, growing by EUR 101.8 million or 31.7% up to EUR 423.3 million. Even when excluding the effects of US dollar appreciation, the loan portfolio showed very strong growth of more than 20%. This growth came primarily from "green" loans, which increased by a total of EUR 31.5 million. Deposits increased by EUR 81.2 million, leading to a 6.2 percentage point improvement in the ratio of deposits to the loan portfolio.

Net interest margin development was slightly negative. Net interest income nonetheless increased by EUR 1.6 million. The decline in expenses for loss allowances was mainly because the figure for the previous period was elevated due to the pandemic. The share of defaulted loans rose slightly, by 0.4 percentage points. Personnel and administrative expenses increased EUR 0.5 million.

Overall, the profit for the period improved significantly by EUR 2.5 million, mainly due to lower loss allowances and higher net interest income. The cost-income ratio of the bank improved by 3.3 percentage points to 89.9%. The increase in the loan portfolio and deposits, combined with stable operating expenses, provide a generally positive outlook for the coming years.

Germany

Macroeconomic and sector-specific environment

During the year, the German economy recovered, despite the ongoing pandemic and supply bottlenecks, with gross domestic product increasing by 3.1% in 2021. Based on European Central Bank policy, the interest margin remained at a low level. Business activities in Germany are mainly limited to services for the other segments. As a result, it is less heavily impacted by the macroeconomic and financial market trends in Germany.

Development of financial position and financial performance

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

in EUR m

Statement of Financial Position	31.12.2021	31.12.2020	Change
Loan portfolio	50.7	53.4	-2.7
Deposits	257.1	273.0	-15.8

Statement of Profit or Loss	1.1.-31.12.2021	1.1.-31.12.2020	Change
Net interest income	0.5	0.8	-0.4
Operating income*	125.9	73.8	52.1
Personnel and administrative expenses	65.3	61.2	4.0
Loss allowance	-0.1	0.2	-0.3
Profit of the period	59.9	11.1	48.8
Profit of the period and consolidation effects	-7.5	-15.3	7.8

Loan portfolio and deposits are presented without intercompany accounts.

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

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. The loan portfolio is almost unchanged from the previous year. Deposits decreased by EUR 15.8 million.

Operating income was dominated by IT services performed by Quipu GmbH and dividend payments from subsidiary banks to ProCredit Holding. Further income came from commission and brokerage services by the ProCredit Bank in Germany and from consultancy services provided to the ProCredit banks by ProCredit Holding.

Events after the reporting period

At the end of February 2022, the Russian military launched a full-scale invasion of Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. An end to the conflict is not currently in sight. The ProCredit group stands behind its bank in Ukraine. In order to support the bank in the current situation, we think primarily in the long term, while also staying in close exchange with our bank's Management Board in order to be able to make decisions quickly in a very dynamic environment. We believe that we have an important function to perform as ProCredit in Ukraine and we trust that the international community as a whole will also act in a wise and prudent manner.

At the moment, our primary focus is on our employees in Ukraine and their families. In cooperation with employees of other ProCredit banks, we try to accommodate our Ukrainian colleagues and their families in our academies and training centres in Germany, North Macedonia and Serbia. Overall, we have several hundred beds to offer. Additional accommodations will be rented as needed. In addition, we aim to deliver urgently needed medicines to Ukraine.

At another level, our Ukrainian colleagues are trying to continue banking operations in the country as well as possible. The capital and financial position of ProCredit Bank Ukraine at the time of financial statement preparation was solid, also in stress scenarios. The bank's operationality is largely uninterrupted. Employees of ProCredit Bank Ukraine are currently working from various locations inside and outside Ukraine. In doing so, they have access to the bank's systems. In coordination with the Ukrainian central bank, we have granted our Ukrainian customers a 30-day moratorium. The databases essential for the banking business were secured by our group-internal software company, Quipu, on servers in Germany. Payment orders have thus far been processed in a timely manner. Card payments are also processed by Quipu outside Ukrainian territory. The bank's reporting system is also functional. As far as circumstances allow, we will maintain close contact with our borrowers and deposit customers via digital communication channels. It is above all the long-term relationships between our experienced staff and our customers that help us to respond to the current situation.

Due to the very dynamic overall situation in Ukraine, the impact of this non-adjusting event on our group cannot be estimated precisely at the present time. It can be assumed that the conflict will also lead to increased payment defaults and a reduction of collateral at ProCredit Bank Ukraine. ProCredit Bank Ukraine contributes around 13% to the group's loan portfolio. The equity (net book value) of ProCredit Bank Ukraine according to IFRS amounts to EUR 129.9 million as of 31 December 2021. In addition, ProCredit Holding and ProCredit Bank Germany have outstanding receivables of EUR 45.1 million and guarantees, to be claimed in the case of war, of EUR 3.7 million with ProCredit Bank Ukraine. In view of the current situation, we have updated our stress tests to simulate the effect of expropriation and a full write-down of the aforementioned consolidated net carrying amounts, as well as analysing additional scenarios with significant adverse economic developments in other ProCredit banks, in particular those in the Eastern Europe segment. In all scenarios, the group's financial position and regulatory capital situation is solid, without taking capital-strengthening measures into account. In the stress scenarios, the financial performance is negative only in the first year and develops positively in the years thereafter. With regard to the financial position, the stress scenarios indicate that there could be a shortfall that would have to be covered by additional funding measures (see also the "Liquidity and funding risk" section of the risk report and note 1 to the consolidated financial statements).

The ProCredit group's operations are spread across a total of 12 banks, with the majority of our assets not directly impacted by the events in Ukraine. ProCredit Holding has implemented risk management structures to ensure a sound capacity to assess and respond to group-relevant risks that may arise from the situation in Ukraine and from further sanctions. In view of the current situation, probabilities of default are expected to increase, particularly in the Eastern Europe segment. The sanctions against the Russian Federation have no significant direct impact on the ProCredit group. Moreover, our banks only have a limited number of clients who rely on trade with the Russian Federation.

In the current situation, a potential expansion of the military conflict with effects beyond the assumptions in these stress scenarios is a significant risk factor for our banks, especially for the ProCredit banks in the Eastern Europe segment, as well as for the financial position and financial performance of the group. In addition, a tightening or long-term continuation of sanctions against the Russian Federation could have a material impact on international markets and lead to, among other things, a substantial increase in inflation in the countries where we operate and in funding costs for the ProCredit group. Country risks could increase in the wake of political tensions, and the national currencies of the countries in which we operate, especially those not pegged to the euro, could depreciate.

MANAGEMENT REPORT OF PROCREDIT HOLDING

The activities of ProCredit Holding AG & Co. KGaA, Frankfurt am Main, (hereinafter "ProCredit Holding") are deeply intertwined with the development of the group. Therefore, we have integrated the management report of ProCredit Holding into the group report. Pursuant to section 10a (1) KWG, ProCredit Holding is the "superordinated company" of the ProCredit group for financial supervision purposes. The annual financial statements for ProCredit Holding have been prepared according to the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

Business activities of ProCredit Holding

ProCredit Holding exclusively conducts activities that are associated with the ProCredit group. Its main duties include:

- steering the strategy of the group
- providing support for the subsidiaries in implementing group-wide strategies for the various business areas and in the area of risk management
- implementation of the requirements specified under section 25a of the German Banking Act (Kreditwesengesetz – KWG) and under the German Federal Financial Supervisory Authority's policy document "Minimum Requirements for Risk Management", commonly referred to as "MaRisk", as well as ensuring the group's compliance with the German Money Laundering Act (Geldwäschegesetz – GWG)
- monitoring and supervising the subsidiaries, especially in the areas of risk, finance & controlling, HR, marketing, internal audit and anti-money laundering activities; ProCredit Holding has developed group policies for this purpose
- providing equity for the subsidiaries and ensuring sufficient capital adequacy at group level
- providing financing to the subsidiaries
- developing training programmes for the staff of the ProCredit group
- reporting to shareholders and third parties, including supervisory reporting

As of year-end 2021, ProCredit Holding had 131 staff members (2020: 112). This includes two employees who are based abroad. The financial position and financial performance of ProCredit Holding are affected by its own operating activities as well as by the operating activities of its subsidiaries through their dividend payments. The economic situation of ProCredit Holding is thus essentially the same as that of the group as a whole. Also with regard to ProCredit Holding's risk report (including system for early detection of risks), the report on expected developments and the report on events after the reporting period, we would like to refer to the corresponding sections.

Above: Vaipan Liubomir Ivan-Cainari, agricultural producer, client of ProCredit Bank Moldova
Below: E Prime, production of electric bicycles, client of ProCredit Bank Serbia

Development of financial position

ProCredit Holding's close involvement in the activities of the group is reflected in the structure of the balance sheet and income statement. Short- and long-term exposures to, as well as shares in, affiliated companies make up roughly 90% of its assets. ProCredit Holding finances its own activities primarily by issuing bonds, through liabilities to banks and through shareholders' equity.

ProCredit Holding's total assets decreased by EUR 15.0 million in 2021 (2020: EUR -40.7 million). The shares in affiliated companies increased by a total of EUR 40.7 million (2020: EUR -38.2 million) due to capital increases in three subsidiaries as well as additions and write-downs. At the same time, loans to/receivables from affiliated companies decreased by EUR 98.3 million (2020: EUR +38.6 million).

ProCredit Holding's financial liabilities decreased by EUR 46.9 million during the year (2020: EUR +2.9 million). Equity increased by a total of EUR 32.0 million (2020: EUR -43.6 million). This increase is largely due to the current profit for the period, less dividends distributed.

Result of operations

The financial results of ProCredit Holding are highly influenced by transactions with its affiliated companies; the main income factors are the dividend payments received, interest payments, and fees for consultancy services. The expense positions primarily consist of operating expenses, interest expenses and impairment on shares in affiliated companies.

ProCredit Holding's profit for 2021 was EUR 63.3 million (2020: EUR -43.6 million). At EUR 66.2 million, dividend income was higher than in the previous year (2020: EUR 21.3 million). ProCredit Holding's operating expenses remained largely constant during the period.

We anticipate positive profit for 2022, but below the level of the previous year. We consider the current situation regarding the conflict in Ukraine, the COVID-19 pandemic and the uncertain macroeconomic situation to be significant risk factors that may have a negative impact on the financial position and financial performance of ProCredit Holding. The risks presented in the section "Events after the reporting period" are also relevant for ProCredit Holding.

REPORT ON EXPECTED DEVELOPMENTS

Macroeconomic environment and competitive situation

2021 was largely characterised by economic recovery, as it followed the sharp global economic contraction in 2020 brought on in particular by the COVID-19 pandemic. Global GDP grew by 5.9% in 2021, boosted primarily by the increasing availability of vaccines and the resulting dissolution of trade and travel restrictions. Nevertheless, the economic situation remains fragile. Global supply chains continue to be constrained, leading among other things to shortages of various goods. Rising energy prices reinforce inflationary tendencies. The outbreak of the Omicron variant in the fourth quarter of 2021 also led to a reintroduction of COVID-19 protective measures in many countries.

At the end of February 2022, the Russian military launched a full-scale invasion of Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. Since an end to the conflict is currently not in sight, the impact on the global economy cannot be precisely estimated at the present time.

Expected development of the ProCredit group

Due to the armed conflict in Ukraine and the associated high level of political and macroeconomic uncertainty, it is difficult to make forecasts for the key performance indicators of the ProCredit group at the current time. The effects on the financial position and financial performance are described in the section "Events after the reporting period".

In 2021, we continued in a targeted manner to expand our position in the markets where we operate. All our banks achieved solid growth figures, mostly above the 10% mark, and most were well above the average for the respective banking sector[12]. Overall, we achieved growth of 12.8% in our loan portfolio. Again in 2022 we continue to see good potential for sustainable and profitable growth with our business strategy. At many of our banks, we expect loan portfolio growth of around 10%. In addition to expanding our market position, our focus is on further expanding the business relationships with our existing customers. We continue to see substantial growth potential in energy efficiency and renewable energy financing in our markets, and we expect our "green" loan portfolio to show further significant increases. At the same time, in view of the severity of the events in Ukraine, we expect the growth of our loan portfolio at group level to be below that of the previous year.

In the 2021 financial year, our group's return on equity of 9.7% was above the level of our short-term forecast, reaching the level of our medium-term forecast from recent years. All ProCredit banks were able to make a positive contribution to this development, in some cases with significantly improved financial figures. The cost-income ratio also improved substantially, by 3.8 percentage points to 64.2%, mainly due to higher operating income. For 2022, against the backdrop of current events in Ukraine, we expect the return on equity to decrease significantly compared with the period under review and the cost-income ratio to increase noticeably.

At year-end, our Common Equity Tier 1 capital ratio (CET1 fully loaded) was 14.1% and our leverage ratio was 9.3%. We expect that our CET1 ratio and leverage ratio may show a stronger decline due to the negative impact of the armed conflict in Ukraine, but will remain well above regulatory requirements. We do not expect any significant changes in capital requirements in the short term.

[12] Excluding currency effects.

The Management Board also reiterates that it continues to take a positive view of the group's medium-term development in the current context, confirming the group's medium-term targets.

Assessment of business opportunities and risks

Beyond the conflict in Ukraine, a potential spread of the conflict to other countries in Eastern Europe, especially those in which ProCredit banks operate, represents the most significant risk factor for the group in the current situation.

Furthermore, ongoing armed conflict could result in significant changes in foreign trade or monetary policy, a worsening of the interest rate margin or pronounced exchange rate fluctuations, with a direct impact on the economies where we operate. These risks could have a negative effect on the business development of our banks and lead to an increase in overdue loans, which could result in lower profitability for the group.

Above: Valtronik, trader in components for electrical installations, client of ProCredit Bank Bulgaria
Below: Goya, green real estate developer, client of Banco ProCredit Ecuador

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. The activities and risks of ProCredit Holding are deeply intertwined with the development of the group. The risk management principles and the risk strategy of the ProCredit group have not changed compared to the previous year.

Like the whole world, our countries of operation have been severely affected by COVID-19 since 2020 and the effects have an impact on the ProCredit group. In 2021, we experienced multiple strong pandemic waves in the countries where we do business. Infection levels there were comparable to, and in some cases higher than, those of the most severely affected countries in Western Europe. In response, several governments imposed new measures in 2021, albeit inconsistently and rather sporadically. COVID-19 vaccination was rolled out during the year in all countries where we operate, albeit at varying rates. The measures introduced in 2020, including lockdown measures, dividend restrictions, relaxed capital and liquidity requirements, fiscal and budgetary stimulus packages, and moratoria on loan repayments, had lost almost all relevance for the ProCredit group in 2021. Managing the potential impact of the COVID-19 pandemic on the quality of the loan portfolio was the focus of our activities. Our "SME Hausbank" concept and the advanced level of digitalisation in retail banking provided a solid basis for continuing our business operations without major limitations.

The health and economic crisis continues, despite clear signs of economic recovery during 2021. Rising energy prices, bottlenecks in supply chains and increasing inflation, particularly towards the end of 2021, caused further uncertainty.

At the end of February 2022, the Russian military launched a full-scale invasion of Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. An end to the conflict is not currently in sight. The ProCredit group stands behind its bank in Ukraine. In order to support the bank in the current situation, we think primarily in the long term, while also staying in close exchange with our bank's Management Board in order to be able to make decisions quickly in a very dynamic environment. We believe that we have an important function to perform as ProCredit in Ukraine and we trust that the international community as a whole will also act in a wise and prudent manner. The possible effects of the conflict on our group are listed in the section "Events after the reporting period".

These developments will shape the focus of our risk management activities in 2022. We will thus continue to closely monitor the situation in our countries of operation in order to assess the impact and, if necessary, take measures.

The group complied with internal limits as well as all applicable regulatory requirements at all times during the 2021 financial year. Even in light of the above-mentioned uncertainties, the group's overall risk profile remains appropriate. This is based on an overall assessment of the individual risks, as presented in the following risk report.

The principles of our business activity, as listed below, provide the foundation for our risk management. The consistent application of these principles reduces the risks to which the group is exposed.

Focus on core business
Our business model is clear and straightforward: the ProCredit institutions focus on the provision of financial services to small and medium-sized businesses as well as to private clients. They apply strict selection criteria and use a holistic approach with our customers. Accordingly, income is generated primarily in the form of interest income from lending and fee income from account operations and payments. All of the banks' other operations are performed mainly in support of the core business. ProCredit banks therefore assume mainly credit risk, interest rate risk, operational risk and liquidity risk in the course of their day-to-day operations. At group level, foreign currency risk is furthermore relevant due to the investments made by ProCredit Holding in the equity capital of its subsidiaries. At the same time, ProCredit avoids or largely limits all other risks involved in banking operations.

Diversification and transparent services
ProCredit's focus as a "Hausbank" for small and medium-sized businesses and private clients entails a very high degree of diversification in both loans and deposits. This applies, among other things, to countries (urban and rural areas), customer groups (small and medium-sized enterprises, private customers) and economic sectors. A further characteristic of our approach is that we seek to provide our clients with clear, transparent services. A high degree of diversification in our activities and profit-generation, combined with our simple, transparent services and processes, contribute to a significant reduction of the group's risk profile.

Careful staff selection and intensive training
Responsible banking can only succeed with employees who identify with our values and goals, and who actively work to implement them. Therefore, we have set strict standards for staff selection and training; these are based on mutual respect, personal responsibility and long-term commitment and loyalty to the ProCredit group. We have invested in staff training over many years. Our training efforts not only produce professional competence, but also and above all, they promote an open and transparent communication culture. From a risk perspective, well-trained employees who are accustomed to thinking critically and voicing their opinions openly are an important factor for managing and reducing risk, specifically operational risk and fraud risk.

Risk Management System

Key elements of risk management

The risk appetite provides the framework for risk management. This is a conscious decision about the extent to which we are prepared to take risks in order to achieve the strategic objectives of the ProCredit group. The risk appetite is defined for all material risks and is presented in the risk strategy. Our strong awareness of environmental and sustainability aspects also informs this process.

In managing risks, the ProCredit group takes account of the "Minimum Requirements for Risk Management" (MaRisk), of relevant publications by national and international regulatory authorities and of our knowledge of our markets acquired over many years. The mechanisms designed to hedge and mitigate risks are monitored regularly to ensure their appropriateness and effectiveness, and the procedures and methods used to manage risks are subject to ongoing further development. We have high standards for the quality of our risk measurement data. The key elements of risk management in the ProCredit group are presented below:

- The risk strategy addresses all of the material risks in the group arising from the implementation of the business strategy and defines the objectives and measures of risk management. The strategies are reviewed annually by the Management, following thorough discussion with the Supervisory Board.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- All risks assumed are managed to ensure an adequate level of capital of the group and all ProCredit institutions, in both the normative and economic perspective, as well as adequate liquidity levels.
- All ProCredit companies apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and establish minimum requirements for managing, monitoring and reporting.
- Monitoring and control of material risks and possible risk concentrations is carried out using comprehensive analysis tools. For all material risks, early warning indicators (reporting triggers) and limits are set and the corresponding utilisation is monitored. The effectiveness of the chosen measures, limits and methods is continuously checked.
- Regular stress tests are performed for material risks; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad-hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Suitable processes and procedures for an effective internal control system have been established. This is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front-office functions.
- All new or significantly changed products/services, business processes, instruments, IT systems or organisational structures undergo a thorough analysis (New Risk Approval process) before being implemented or used for the first time. This also applies to activities in new markets and via new distribution channels. This ensures that new risks are assessed and all necessary preparations and tests are completed prior to the introduction of a new or significantly changed product for the first time.

Organisation of risk management and risk reporting

The Management of ProCredit Holding bears overall responsibility for the risk management of the ProCredit group. It sets the guidelines for risk management, regularly analyses the group's risk profile and decides on measures to be taken. The risk controlling function required by MaRisk is headed by a member of the Management of ProCredit Holding. The Compliance function and Internal Audit report directly to the Management.

Risk management at group level is supported conceptually and implemented operationally by various risk management and finance teams. The following committees in particular advise and support the Management in the performance of the risk management function.

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and capitalisation at the level of individual institutions and the group.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, coordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.
- The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus ensuring implementation of legal requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.
- The Group Internal Audit and Ethics Committee focuses on annual internal audit plans at the level of individual banks and ProCredit Holding, and on monitoring the timely implementation of measures to resolve the findings of internal and external auditors. It also monitors compliance with the ProCredit group's Code of Conduct and advises the Management on ethics issues.
- The Environmental Steering Committee develops guidelines in the areas of energy and resource efficiency, renewable energy, green finance, and environmental and social risk management.

At a fundamental level, the group compliance management system is rooted in our development mission and our unique approach to staff recruitment and development. Our responsible approach to all operations is underpinned by our Code of Conduct. Compliance with the Code of Conduct is compulsory for all staff members, and regular training is provided. The Group Compliance Officer bears responsibility for the implementation of a group-wide system to ensure fulfilment of all regulatory requirements. Both the Group Compliance Committee and the corresponding committees at bank level enable coordination of all compliance-relevant issues. Each ProCredit bank has a compliance function which bears responsibility for adhering to national banking regulations and reports regularly and on an ad-hoc basis to the Management of the bank and to the Group Compliance Officer. Any conduct which is inconsistent with the established rules, whether at ProCredit Holding or in a subsidiary, can be reported anonymously to an e-mail address established for the group.

Group Audit is an independent functional area within ProCredit Holding. It provides support in determining what constitutes appropriate risk management, an appropriate internal control system and suitable IT infrastructure within the group. Additionally, each ProCredit bank (with the exception of ProCredit Bank Germany) has an internal audit department. The internal audit function of ProCredit Bank Germany has been outsourced to ProCredit Holding since 1 May 2020. Once per year, and ad hoc if necessary, the respective audit department carries out risk assessments of all of the bank's activities in order to arrive at a risk-based annual audit plan. Each internal audit department reports to an audit committee, which generally meets on a quarterly basis. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance.

The Management at each ProCredit bank bears responsibility for risk management within their institution. All ProCredit banks have, as a minimum, risk management departments, a risk management committee, an ALCO and a compliance committee, an Internal Audit Committee, and an Environmental Steering Committee, as well as specialised committees that address individual risks. These committees monitor and manage the risk profile of the individual institutions.

At the individual bank level, risk positions are analysed regularly, discussed and documented in standardised reports. The risk departments of each bank report regularly to ProCredit Holding, and the respective supervisory board is informed on at least a quarterly basis about all risk-relevant developments.

Each month ProCredit Holding prepares an aggregate risk report, with the Supervisory Board also receiving reports on a quarterly basis. A quarterly report on stress testing is also prepared. Monitoring of both the individual banks' risk situation and the group's overall risk profile, including potential risk concentrations, is carried out through a review of these reports and of additional information generated by individual banks and at group level. The Management of ProCredit Holding has also defined risk events that require ad hoc reporting. If necessary, additional topic-specific ad hoc reporting occurs. The aim is to achieve transparency on the material risks and to be aware at an early stage if potential problems might be arising.

The group-wide recovery plan was prepared on the basis of regulatory requirements. Among other things, it outlines the options for action and the potential for restructuring that the group has at its disposal in the event of a crisis, thus enabling the group to overcome a crisis through its own efforts.

Strong risk awareness on the part of all employees is a core element of risk management. This awareness supports the ability of organisational units and committees to provide timely information to the Management on relevant risk events and on the risk profile of the banks or the group. Training programmes are conducted to strengthen capacity in all areas of risk management. Moreover, regular group-wide meetings and training events are held to support the exchange of best practices and the development and enhancement of risk management.

Management of Individual Risks

The material risks for the ProCredit group are credit risk, market risks (foreign currency risk and interest rate risk), liquidity and funding risk, operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk.

We have deliberately not treated the risk type "sustainability/environmental, social and corporate governance (ESG) risks" as a separate category, as it would hardly be possible to isolate such a risk. ESG risks can have a material impact on all of our identified risk types, contributing as a factor in their materiality. We assume that ESG risks for the ProCredit group have the greatest impact on credit risk arising from business with clients.

An integral part of the business strategy is our aim to have the smallest possible impact on the environment and to pro-actively bring about a shift in thinking, with greater focus on sustainability. Environmental awareness, consideration of the impact of our actions on the environment and consideration of climate change impacts have always been highly relevant to the ProCredit group and its clients. We aim to promote sustainable development in all its facets, and we believe that our banks can make an important contribution to this by promoting sustainable economic development in our countries of operation, where the level of economic prosperity, transparency and environmental efficiency still lags behind the EU average in some cases.

Given our environmental awareness, as also set out in our Impact Report, we pro-actively analyse ESG-related issues. Transition risk is inherently reduced by the strict application of our Exclusion List (which prohibits the financing of coal production, among other activities) and by our business policy orientation. Potential physical and transition risks are addressed already at loan disbursement; we do not adopt a wait-and-see approach in this respect. For example, already in 2019, the ProCredit group developed a strategy aimed at directly and indirectly reducing plastic consumption. In this context, three issues in particular were addressed: reducing the group's plastic footprint through our own practices and by discontinuing business relationships associated with single-use plastic production; assessing and managing plastic-related risks; and focusing on a business and lending approach that promotes plastic reduction or substitution. Currently, we are focusing strongly on sustainable agriculture, including animal welfare and related lending criteria. For example, in the area of animal welfare, we set minimum standards and criteria that we require our business clients to meet in their operations.

The management of material risks in the ProCredit group is described in greater detail in the following section.

Above: ProCredit Bank Kosovo Contact Centre
Below: : E-cars in front of the ProCredit Bank Georgia Head Office

Credit risk

We define credit risk as the risk that the party to a transaction cannot fulfil its contractual obligations, not in full or not on time. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is our most significant risk, and customer credit exposures account for the largest share of that risk.

in '000 EUR	**31.12.2021**	**31.12.2020**
Central bank balances	1,405,779	1,271,090
Loss allowances for central bank balances	*-745*	*-599*
Loans and advances to banks	252,654	236,524
Loss allowances for loans to banks	*-5*	*-5*
Derivative financial assets	1,343	509
Investment securities	410,421	336,511
Loss allowance for investment securities	*-101*	*-94*
Loans and advances to customers	5,924,410	5,254,266
Loss allowance for loans to customers	*-131,444*	*-122,684*
Other assets (financial instruments)	40,663	37,621
Loss allowance for other assets (financial instruments)	*-1,724*	*-752*
Contingent liabilities	986,577	917,102
Provisions	*-3,222*	*-2,733*
Total	**8,884,606**	**7,926,755**

Customer credit risk

The key objectives of credit risk management are to achieve high loan portfolio quality, low risk concentrations within the loan portfolio and appropriate coverage of credit risks with loss allowances. The diversification of our business activities across 12 countries and the experience we have gained in these markets over the past decades form the basis for limiting customer credit risk effectively.

The ProCredit banks serve a clear target group. For our relatively small business clients with increasingly formalised structures up to larger SMEs, the following principles, among others, apply to our lending activities:

- Intensive analysis of the debt capacity and repayment capacity of borrowers, taking account for expected future cash flows
- Carefully documenting the risk assessments and the processes conducted during lending operations, such that the analyses performed can also be understood by expert third parties
- Avoiding overindebtedness among credit clients
- Building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- Monitoring the repayment of credit exposures
- Customer-oriented, intensified loan management in the event of arrears
- Collateral collection in the event of insolvency

The group's framework for managing customer credit risk is presented in the relevant policies and standards. The policies specify, among other things, the responsibilities for managing credit risk in the group and at the level of each individual bank, the principles for the organisation of the lending business, the principles involved in lending operations, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the group's lending operations with business clients and private clients and of the range of credit offered. They also set forth the rules governing restructuring, loss allowances and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management).

We divide our credit exposures mainly into small and medium-sized business credit exposures and credit exposures to private clients. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: the degree of segregation of duties, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict separation of front and back-office functions up to the management level is applied for risk-relevant operations.

A careful creditworthiness assessment is a necessary form of credit risk management for the ProCredit group. Our credit decisions are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. Regular on-site visits are performed for clients to ensure an adequate consideration of their specific features and needs. Customer contact was intensified during the pandemic, supported as well by the increasing shift to virtual channels.

All credit decisions are taken by a credit committee. Its members have approval limits that reflect their expertise and experience. Granting of medium credit exposures is carried out exclusively by credit committees at the banks' head offices.

The most important factor for credit committee decisions is a funding and collateral structure that is based on the client's needs and conditional on the respective risk profile. In general, high collateral requirements apply to our exposures in the SME sector; specifically: the lower the loan amount, the more detailed the documentation, the shorter the loan period, the longer the client's history with the bank, and the higher the account turnover with the bank, then the lower our collateral requirements will be.

The group credit risk management policies limit the possibility for unsecured credit operations. Depending on the risk profile and the term of the exposure, loans can also be issued without being fully collateralised. Credit exposures are primarily covered with collateral security, mostly through immovable property.

As a rule, the valuation of collateral is based on assessments conducted by external, independent experts. In order to ensure that a reduction in the value of the collateral is detected at an early stage and appropriate measures can be taken, annual plausibility checks of collateral value are a fixed component of the monitoring process for exposures. The assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff. The total amount of collateral held by the group as security as of 31 December 2021 is EUR 3.9 billion.

Above: Meeting at ProCredit Bank Kosovo
Below: 24/7 Zone Sarajevo, ProCredit Bank Bosnia and Herzegovina

Based on our collateralisation requirements, securing loans with immovable property is among the most important instruments for limiting credit risk. Although the largest share is concentrated in real estate, its distribution by individual purpose, location and associated market is diversified across regions, countries and economic sectors, similar to the distribution of the loan portfolio of the ProCredit group. In this context, the concentration risk via collateral is considered to be low.

	31.12.2021		31.12.2020	
in '000 EUR	**Defaulted loan portfolio**	**Total loan portfolio**	**Defaulted loan portfolio**	**Total loan portfolio**
Loan portfolio	135,738	5,924,410	134,225	5,254,266
Loss allowance	*-67,328*	*-131,444*	*-63,010*	*-122,684*
Coverage ratio excluding collateral	49.6%	2.2%	46.9%	2.3%
Loan collateral	90,196	3,850,973	89,568	3,091,117
Coverage ratio including collateral	116.0%	67.2%	113.7%	61.2%

The early detection of increases in credit risk at the level of a credit exposure is incorporated into all lending-related processes, resulting in rapid assessment of the degree of financial difficulty faced by clients. This is done at the individual customer level and for a specific part of the loan portfolio (e.g. for clients in a specific industry or region) based on the currently available and relevant information such as customer financial data or market information. Supplementary to that assessment, the ProCredit group has developed early warning indicators based on quantitative and qualitative risk features; these indicators are implemented by the banks and monitored at portfolio level. These include, but are not limited to, declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, and arrears. Regular recording and analysis of these early warning indicators helps to manage the portfolio, identify potential default risks at an early stage and take the required measures to avoid a significant increase in credit risk. Reports on the affected portfolio are regularly given to branch management, the bank's head office and in aggregated form to ProCredit Holding.

Exceptional events which could have an impact on large areas of the loan portfolio (common risk factors) are analysed and discussed at group and bank level. This can lead to the imposition of limits on risk exposures towards certain groups of clients, e.g. in specific sectors of the economy or geographical regions. Assessing the impact of the COVID-19 pandemic is currently a particular priority in this context. At the beginning of the pandemic, the ProCredit group's focus was on providing direct support measures to affected clients and immediately assessing the potential increase in risk for certain segments of the loan portfolio. In 2021, the assessment of COVID-19-related impacts was integrated into the regular monitoring of loans. Stricter requirements have been applied in assessment, particularly for borrowers where we continue to see increased risks of pandemic-related effects on the businesses or where use was made of moratoria. In this process, consideration was given to the impact of the pandemic on the economic sector as well as the liquidity and earnings situation of the company. The greater we consider the risk to be, the more intensive the monitoring. This is reflected primarily in the frequency and the requirements of the monitoring. There is also an intensified monitoring process for new loan disbursements and their subsequent performance. As a result of intensified monitoring, risk classification downgrades were made where needed.

When we offered our clients moratoria, the issue of which was permissible until March 2021, it was only as a temporary measure to address short-term liquidity problems. Therefore, the share of the loan portfolio in moratorium was already below 2% at the end of 2020, and below 0.1% by the end of 2021. In line with the EBA's interpretations, applying these moratoria did not in itself automatically lead to forbearance measures or allocation to a worsened risk class. After the moratoria expired, restructuring measures were taken if the borrower's individual situation necessitated it. This was mainly observed in the first half of the year. Towards the end of the year, we see a continuous reduction of the restructured portfolio.

Based on our intensive monitoring in 2021, we assess the impact of the COVID-19 pandemic on our loan portfolio thus far to be low. This is also reflected in observations regarding the quality indicators implemented for the loan portfolio. The credit exposures potentially exposed to longer-term impacts, either due to belonging to an economic sector identified as vulnerable or from current business figures of customers on which the credit analysis is based, account for a small share of the total portfolio, 0.9% at the end of 2021.

On the basis of asset quality indicators, the loan portfolio is divided into categories: performing, underperforming and defaulted. The process of assigning exposures to these categories is based on an exposure being past due, a risk classification system, and on additional risk characteristics; these include the initiation of bankruptcy proceedings or similar court procedures, as well as restructurings or collateral liquidations by other banks. In addition, other factors which indicate a significant deterioration of the economic situation of the client can also play a role. The portfolio indicators allow for a clear overview of the quality of the group's portfolio and that of an individual bank, and represent one of the most important tools for the credit risk management process.

- The *performing* loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being determined.
- The *underperforming* loan portfolio comprises exposures with elevated credit risk. This can be caused by temporary payment difficulties (30-90 days) or restructuring, or by a deterioration in the financial circumstances of clients, as expressed through an adjustment of the risk classification. Nevertheless, the bank still assesses full repayment of the exposure to be possible, e.g. after restructuring.
- The *defaulted* loan portfolio comprises all exposures in default, pursuant to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178), that have shown lasting payment difficulties (over 90 days) or other indications. These include, among other factors, when the borrower is highly unlikely to meet their loan obligations to the banking group in full or when insolvency proceedings have been initiated. Further details are provided below.

The indicators and the associated internal processes are defined in accordance with the requirements of the European Banking Authority and are continuously reviewed and, if necessary, adjusted. For example, as of 31 December 2020 as part of introducing the amended definition of default, adjustments were made with regard to the counting of days past due as a criterion for determining default and to the indicators for the unlikelihood of settling liabilities.

Once we identify a higher risk of default for a credit exposure, it is placed under intensified management and assigned to the *underperforming* category. This centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of business activities. Decisions on measures to reduce the credit default risk for individual credit exposures are taken by the authorised decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure. One of the first steps in managing the exposure is to determine the current economic and financial situation of the client, as this is the most important basis for decisions on whether or not the exposure can be restructured. The aim is to take such decisions at an early stage, while the chances of stabilisation are high and before the exposure enters an advanced phase of payment delay. When a credit exposure is classified as *defaulted*, specialised officers take over dealings with these loans. These officers are supported by the legal department of the respective bank. Collateral is sold through liquidation to a third party at the highest possible price, typically via public auction. The majority of the collateral sold consists of tangible assets such as land or buildings.

in '000 EUR	**31.12.2021**	**31.12.2020**
Real estate	6,072	7,394
Other*	202	131
Repossessed property	**6,274**	**7,525**

** The previous year's figures have been adjusted to the current presentation.*

Loss allowances

The expected credit loss (ECL) model pursuant to IFRS 9 is the central element of the approach to quantifying loss allowances for both on- and off-balance sheet financial instruments and is continually optimised. The calculated loss allowances are determined based on the expected credit losses for several future default scenarios. This represents the combined sum of the probability-weighted results from the scenarios. ECL estimates are based on reliable information about past events, current conditions and projections of future economic conditions. A detailed description of the model specifications is provided below.

Three-stage approach

As with all of our debt instruments, loans and advances to customers are also broken down into the three stages described below, based on the development of credit risk since initial recognition. A specific methodology is applied for each stage in order to determine impairment. During the term of an exposure, movement is possible between the stages.

- Stage 1 comprises exposures for which credit risk has not significantly increased since initial recognition, and for which there is thus no indication of a trigger for allocation to Stage 2 or Stage 3; this also includes exposures which have been re-assigned to Stage 1 from other stages. Generally, all exposures are allocated to Stage 1 upon initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). For Stage 1 exposures, the expected credit losses arising from possible default events within a period of up to 12 months following the reporting date are recognised in expenses. For receivables with a remaining term of less than 12 months, the shorter contractual maturity is applied.

- Stage 2 comprises exposures for which credit risk has significantly increased since initial recognition, but for which there are no objective indications of impairment; this also includes exposures which have been re-assigned to Stage 2 from Stage 3. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- Stage 3 includes all defaulted exposures (except POCI); i.e. as of the reporting date, there are objective indications of impairment. The respective calculation of loss allowances is performed based on the expected credit losses over the entire remaining maturity considering 100% probability of default.
- POCI (Purchased or Originated Credit Impaired) exposures refer to defaulted exposures; however, they are recorded separately and are differentiated from other exposures in Stage 3 in the recognition of loss allowances.

Calculation of expected credit loss (ECL)
The following parameters are used in the calculation of expected credit loss:

- *Exposure at Default (EAD)*
  EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the expected exposures (including credit risk from off-balance sheet business) at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. For potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overdraft facilities, conversion factors are estimated based on empirical analysis of historical data; for payment guarantees and letters of credit, a conversion factor of 100% or 50%, respectively, is set on the basis of professional judgment.

- *Probability of default (PD)*
  The probability of a loan default within a certain period of time is derived from historical default events. These data include the time, type and amount of default as well as information about the characteristics of the customer from our internal risk classification system. The parameters are country-specific and differentiate the risk levels of exposures according to the customer segments defined at bank level. The ProCredit group uses statistical models to analyse the collected data and make forecasts for the expected PD based on scenarios for the development of the economic environment. In addition, the PDs over the remaining lifetime of an exposure are estimated.

- *Loss Given Default (LGD)*
  The expected LGD is based on historical data about recoveries obtained from defaulted customers. LGDs are calculated as discounted cash flows, taking into account the cost of recovery and the size of the credit exposure. Estimated LGDs are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment.

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through regression analysis. The relevant macroeconomic factors (GDP growth, inflation rate and unemployment rate) are selected on the basis of their statistical significance and economic relevance. In order to establish the ECL parameters, a probability-weighted average value is calculated based on the various scenarios for the macroeconomic factors.

The establishment of loss allowances for the 2021 financial year was also impacted by the COVID-19 pandemic. In anticipation of the continued increased uncertainty due to the COVID-19 pandemic, also in the longer term, appropriate adjustments have been made to the fundamental macroeconomic factors used to determine the ECL model parameters. These adjustments were based on the newest IMF World Economic Outlook Database macroeconomic forecasts, taking account for the longer-term outlook. The parameters are calculated by weighting the three scenarios (base/pessimistic/optimistic). The following table presents the macroeconomic factors used to calculate ECL parameters as of the reporting date for the banks in the group during the forecast period.

Baseline scenario	**GDP growth in %**			**Inflation rate in %**		**Unemployment rate in %**	**Weight**
Country	**2021**	**2022**	**2023**	**2021**	**2022**	**2022**	
Albania	1.39	2.17	2.55			11.91	50.0%
Bosnia and Herzegovina	0.43	1.14	1.51				50.0%
Bulgaria	1.36	2.12			1.98	4.85	50.0%
Ecuador	-1.65	-0.36			0.75	4.49	50.0%
Georgia	2.17	3.07	3.55				50.0%
Germany	-0.15	1.03				3.56	50.0%
Kosovo	3.12	3.29	3.39				50.0%
Moldova	0.41	1.60		4.31			50.0%
North Macedonia	1.90	2.19					50.0%
Romania	2.42	3.02	3.19				50.0%
Serbia	3.27	3.58	3.76		2.30		50.0%
Ukraine	0.87	1.56	1.93				50.0%

Downside scenario	**GDP growth in %**			**Inflation rate in %**		**Unemployment rate in %**	**Weight**
Country	**2021**	**2022**	**2023**	**2021**	**2022**	**2022**	
Albania	0.23	1.00	1.39			12.35	40.0%
Bosnia and Herzegovina	-1.65	-0.94	-0.57				25.0%
Bulgaria	-0.29	0.46			5.41	6.06	25.0%
Ecuador	-3.65	-2.36			2.83	5.24	25.0%
Georgia	0.76	1.65	2.14				25.0%
Germany	-1.75	-0.57				4.21	25.0%
Kosovo	1.56	1.73	1.84				25.0%
Moldova	-4.06	-2.87		9.37			25.0%
North Macedonia	0.89	1.18					25.0%
Romania	-0.42	0.18	0.34				25.0%
Serbia	0.57	0.88	1.06		3.94		25.0%
Ukraine	-2.75	-2.06	-1.69				40.0%

Upside scenario		**GDP growth in %**		**Inflation rate in %**		**Unemployment rate in %**	**Weight**
Country	**2021**	**2022**	**2023**	**2021**	**2022**	**2022**	
Albania	2.38	3.16	3.54			11.08	10.0%
Bosnia and Herzegovina	1.89	2.59	2.97				25.0%
Bulgaria	3.42	4.18			-1.63	3.19	25.0%
Ecuador	0.95	2.24			-1.86	3.56	25.0%
Georgia	4.11	5.01	5.49				25.0%
Germany	0.59	1.77				2.95	25.0%
Kosovo	4.25	4.42	4.52				25.0%
Moldova	5.16	6.35		-2.58			25.0%
North Macedonia	3.93	4.22					25.0%
Romania	5.63	6.23	6.39				25.0%
Serbia	5.66	5.97	6.16		-0.14		25.0%
Ukraine	5.07	5.76	6.13				10.0%

In case of insignificance, the respective macroeconomic factor is not specified.

The sensitivity of our loss allowances is analysed in terms of the influence of relevant macroeconomic factors. The analysis was performed for two changes in macroeconomic development. A positive shift corresponds to an absolute increase in GDP growth by one percentage point, whereas the inflation rate and unemployment rate each decline by one percentage point compared with the baseline values in the table above. A negative shift reverses the assumptions: GDP growth is reduced by one percentage point and the inflation rate and unemployment rate each increase by one percentage point. The macroeconomic scenarios (base/pessimistic/optimistic) are adjusted to simulate the ECL of a positive/negative change in macroeconomic factors according to the above methodology. In the model specifications of parameters for the forecast year 2022, the values of the years 2021 to 2023 are used.

The following table presents the loss allowances for the group with the respective macroeconomic changes.

		31.12.2021	
in '000 EUR	**Loss allowance Positive macroeconomic change**	**Loss allowance**	**Loss allowance Negative macroeconomic change**
South Eastern Europe	73,005	82,617	94,101
Eastern Europe	33,024	36,014	40,329
South America	11,706	12,457	13,257
Germany	306	356	393
Total	**118,041**	**131,444**	**148,080**

Changes in the above assumptions can lead to changes in the calculated loss allowances over time. The ProCredit group acknowledges that discretionary decisions of the Management and estimation uncertainties can have a significant impact on the establishment of loss allowances for collectively and individually assessed exposures. Such discretion is based on the applied definition of default, the approach to determining a significant increase in credit risk (SICR) and the selected macroeconomic factors.

Due to the granting of COVID-19-related moratoria on loan repayments for a certain portion of the loan portfolio, a supplementary adjustment of PD model parameters was made for 2021. The country-specific PDs are assigned to the scale for internal risk classification. This results in a breakdown of the loan portfolio into the presented PD intervals. Exposures assigned to risk classes 6 and 7 correspond to the underperforming category and are considered to have higher risk and therefore have PDs over 5%. The risk classifications are assigned according to an internal evaluation process for the current repayment capacity of the credit exposure, based on quantitative as well as qualitative factors.

in '000 EUR	12-months PD range	31.12.2021		31.12.2020	
Risk classes 1-5: Performing*	0% - 1.0%	892,998	15.1%	609,934	11.6%
	1.0% - 3.0%	2,625,838	44.3%	2,298,346	43.7%
	3.0% - 5.0%	1,204,343	20.3%	1,355,933	25.8%
Risk classes 6-7: Underperforming	5.0% - 10.0%	164,555	2.8%	213,115	4.1%
	10.0% < 100%	142,639	2.4%	155,715	3.0%
Risk class 8: Defaulted	100%	115,574	2.0%	113,852	2.2%
Without risk class**		778,464	13.1%	507,370	9.7%
Gross outstanding amount		**5,924,410**	**100.0%**	**5,254,266**	**100.0%**

* For individual banks in the Group, risk class 5 may also have probabilities of default (12-months PD) of more than 5%.
** Loans to private customers and business customers with a credit volume of less than EUR 50,000 are not assessed with an internal risk classification.

Significant increase in credit risk (SICR)
Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk.

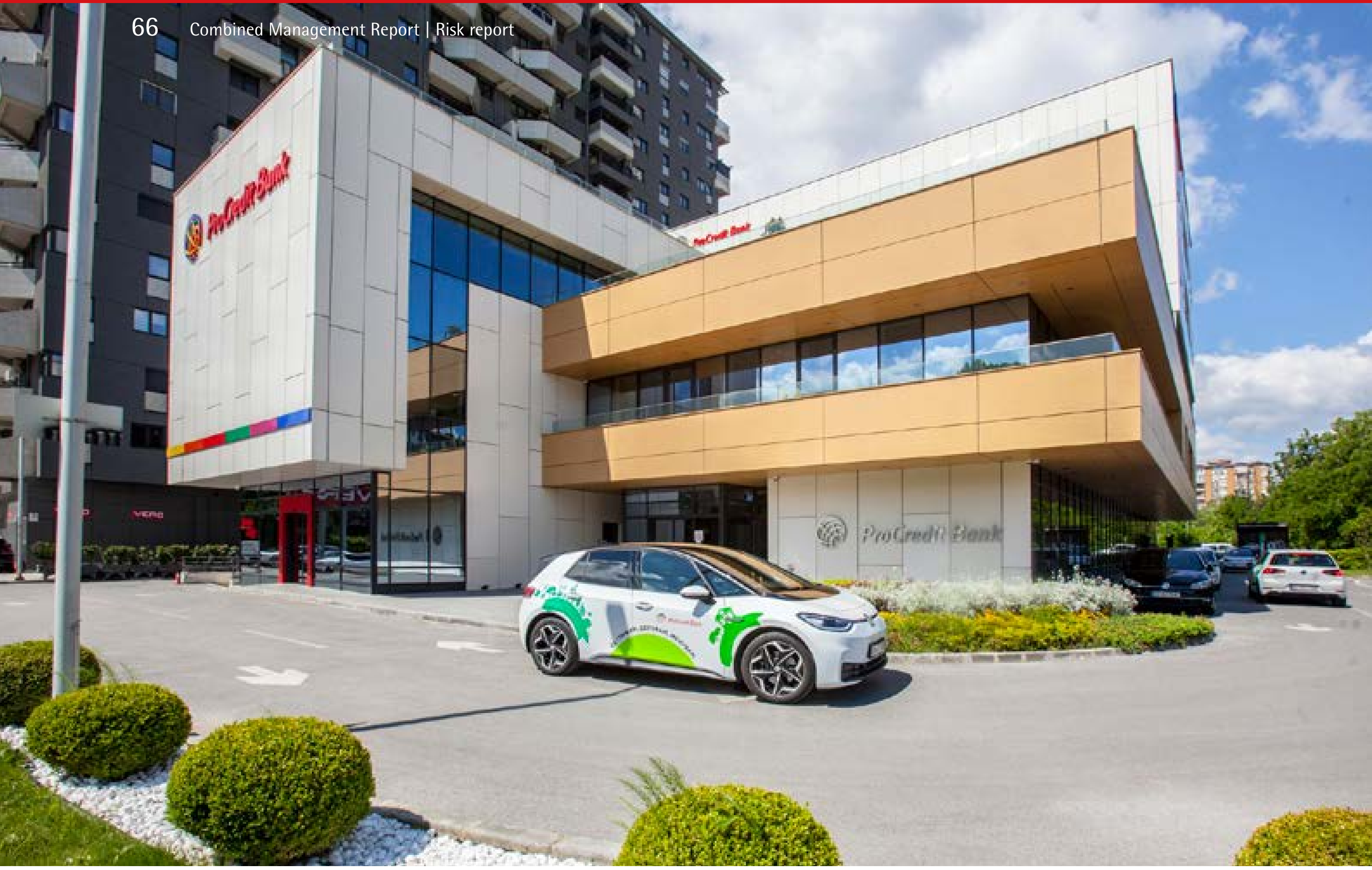
The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over that remaining time period at initial recognition. A significant increase in credit risk is deemed to exist if the difference between these two PDs exceeds a factor of 2.5. This limit is set by the Management, based on an analysis of historical data on the risk characteristics of the loan portfolio. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk is no longer significantly elevated.

In addition, qualitative criteria are used for SICR decisions. A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

- Contractual payments are past due by more than 30 days but not more than 90 days.
- Classification of the loan as “restructured” *(forbearance)* pursuant to internal policies (adjustment of contractually agreed conditions).

A return from Stage 2 to Stage 1 occurs when no overdue payments are outstanding for more than 30 days and no other Stage 2 criteria are met. Restructuring *(forbearance)* is subject to an additional two-year probationary period during which no payments due may be outstanding for more than 30 days. The period begins with the restructuring of the contract.

Impaired credit exposures
If a credit exposure is deemed to be impaired, it is transferred to Stage 3 accordingly. The definition of impairment according to IFRS 9 corresponds to the definition used for the *Defaulted* portfolio in internal risk management, and thus also the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178). This default definition is applied to all exposures which are part of the loan portfolio of the group.



Above: E-car in front of the ProCredit Bank North Macedonia Head Office
Below: 24/7 Zone, Pristina Branch, ProCredit Bank Kosovo

The group considers an exposure to be impaired if at least one of the default definition criteria is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When determining provisions in Stage 3, a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 150,000. For significant exposures with indications of impairment, an individual assessment is performed to determine loss allowances, taking account for probability-weighted expected inflows in various scenarios, including collateral liquidation. For individually insignificant exposures, loss allowances are determined using parameters for the collective assessment of credit risk.

Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. Unrestructured loans can be repaid no sooner than three months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. Restructured loans *(forbearance)* can be repaid no sooner than 12 months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. No migration between stages is possible for POCI exposures.

Purchased or Originated Credit Impaired (POCI) exposures

In line with IFRS guidelines, the group performs separate recognition of POCI (Purchased or Originated Credit Impaired) exposures. Within our business model, the acquisition of impaired exposures is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation through significant modification of the contractually agreed cash flows. For POCI exposures, no allowances for impairment are made at the time of initial recognition. In subsequent periods, all changes with regard to the expected losses over the remaining maturity period (lifetime ECL) are recognised as an expense in the income statement and reported accordingly as loss allowances for these exposures.

Changes to contractual terms (modifications)

Changes to the originally agreed contractual conditions of an exposure are possible, in particular with the aim of improving the prospects of repayment and, if possible, avoiding default, foreclosure or the realisation of collateral. The ProCredit group uses qualitative and quantitative factors to determine the existence of a substantial modification of contractual conditions. As a quantitative factor, the net present value of cash flows is determined in order to assess the changed conditions of an exposure (net present value test). In the event of a substantial change, the original contract is derecognised and a new exposure is recognised at the fair value at the time of modification. In the case of a non-substantial change, the gain or loss is recognised through profit or loss.

Write-offs

When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure.

For exposures of any size, the banks carry out an individual assessment of the justified feasibility of repayments. Based on the assessment, the bank may decide to write off the exposure or continue to actively manage the exposure in order to allow for further repayment of the loan. A portion of written-off exposures are still subject to enforcement activities.

	31.12.2021				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Written-off exposures subject to enforcement activity	0	0	13,673	0	13,673

	31.12.2020				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Written-off exposures subject to enforcement activity	0	0	10,017	19	10,036

The following table provides an overview of the respective loan portfolio, as well as loss allowances by stage and segment.

	31.12.2021				
in '000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
South Eastern Europe					
Gross outstanding amount	3,933,093	118,360	82,084	1,202	**4,134,739**
Loss allowances	-27,261	-11,012	-43,893	-451	**-82,617**
Net outstanding amount	3,905,833	107,349	38,191	750	**4,052,122**
Eastern Europe					
Gross outstanding amount	1,231,375	59,279	23,619	1,371	**1,315,644**
Loss allowances	-15,248	-6,099	-14,167	-499	**-36,014**
Net outstanding amount	1,216,127	53,180	9,452	872	**1,279,630**
South America					
Gross outstanding amount	358,722	37,132	27,463	0	**423,316**
Loss allowances	-3,102	-1,037	-8,317	0	**-12,457**
Net outstanding amount	355,619	36,095	19,146	0	**410,859**
Germany					
Gross outstanding amount	50,334	376	0	0	**50,711**
Loss allowances	-353	-4	0	0	**-356**
Net outstanding amount	49,982	373	0	0	**50,354**
Total					
Gross outstanding amount	5,573,524	215,148	133,166	2,572	**5,924,410**
Loss allowances	-45,964	-18,152	-66,377	-951	**-131,444**
Net outstanding amount	5,527,560	196,996	66,788	1,622	**5,792,966**
Contingent liabilities					
Nominal amount	827,719	12,334	992	0	**986,577**
Provisions	-2,406	-401	-214	0	**-3,222**

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**
Contingent liabilities					
Nominal amount	789,581	14,605	4,234	0	**917,102**
Provisions	-2,396	-129	-143	0	**-2,733**

The following tables show the changes in loss allowances for the respective loan portfolio, broken down by geographical region.

Development of loss allowances in the South Eastern Europe segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-26,708**	**-7,865**	**-43,968**	**-333**	**-78,873**
New financial assets originated	-13,196	-2,110	-2,934	0	**-18,240**
Release due to derecognition	2,331	1,147	6,387	0	**9,865**
Transfers to Stage 1	-1,640	1,600	40	0	**0**
Transfers to Stage 2	2,110	-2,363	253	0	**0**
Transfers to Stage 3	95	1,172	-1,267	0	**0**
Change in credit risk	9,270	-2,640	-13,255	-217	**-6,842**
Usage of allowance	0	0	11,543	99	**11,642**
Exchange rate movements	476	48	-692	-1	**-168**
Loss allowances as of 31.12.2021	**-27,261**	**-11,012**	**-43,893**	**-451**	**-82,617**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2020	**-20,613**	**-5,488**	**-44,599**	**-491**	**-71,192**
New financial assets originated	-11,406	-999	-4,915	0	**-17,320**
Release due to derecognition	1,736	1,773	7,150	152	**10,811**
Transfers to Stage 1	-2,284	2,229	55	0	**0**
Transfers to Stage 2	2,566	-2,870	304	0	**0**
Transfers to Stage 3	163	3,444	-3,608	0	**0**
Change in credit risk	2,506	-6,619	-10,488	6	**-14,595**
Usage of allowance	0	0	11,482	0	**11,482**
Exchange rate movements	625	665	651	0	**1,941**
Loss allowances as of 31.12.2020	**-26,708**	**-7,865**	**-43,968**	**-333**	**-78,873**

The main change in loss allowances in the South Eastern Europe segment resulted from additions for newly disbursed loans during the financial year. The adjustment of the model parameters in 2021 resulted in a reduction in loss allowances for loans in Stage 1; however, based on higher loss allowances due to a change in credit risk for Stage 2 and Stage 3, there was an overall increase in this category. In particular, loss allowances for Stage 2 increased significantly, due to additions during the year as well as the regular update of the model parameters. Usage of loss allowances was exclusively for loans in Stage 3 and is in line with our expectations from previous years.

Development of loss allowances in the Eastern Europe segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-13,719**	**-7,077**	**-12,488**	**-593**	**-33,877**
New financial assets originated	-9,600	-456	-1,212	0	**-11,268**
Release due to derecognition	1,926	993	3,781	450	**7,150**
Transfers to Stage 1	-399	395	4	0	**0**
Transfers to Stage 2	1,104	-1,796	693	0	**0**
Transfers to Stage 3	43	2,306	-2,349	0	**0**
Change in credit risk	6,489	-99	-5,614	-72	**704**
Usage of allowance	0	0	4,424	503	**4,927**
Exchange rate movements	-1,093	-366	-1,405	-787	**-3,650**
Loss allowances as of 31.12.2021	**-15,248**	**-6,099**	**-14,167**	**-499**	**-36,014**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2020	**-7,878**	**-1,699**	**-17,937**	**-588**	**-28,101**
New financial assets originated	-8,577	-584	-1,048	0	**-10,209**
Release due to derecognition	1,071	1,384	3,582	19	**6,056**
Transfers to Stage 1	-1,599	1,594	6	0	**0**
Transfers to Stage 2	3,308	-3,447	139	0	**0**
Transfers to Stage 3	40	1,173	-1,213	0	**0**
Change in credit risk	-1,798	-5,762	-1,985	-182	**-9,727**
Usage of allowance	0	0	4,477	178	**4,655**
Exchange rate movements	1,713	265	1,492	-20	**3,450**
Loss allowances as of 31.12.2020	**-13,719**	**-7,077**	**-12,488**	**-593**	**-33,877**

In the Eastern Europe segment as well, the largest change in loss allowances resulted from additions for newly disbursed loans during the financial year. The update of model parameters in 2021 likewise resulted in a positive change in loss allowances for Stage 1, which was balanced out overall by higher loss allowances due to a change in credit risk for Stage 2 and Stage 3. The effect of currency fluctuations on loss allowances is typically greater in Eastern Europe than in other regions. Usage of loss allowances was exclusively for loans in Stage 3 and is in line with our expectations from previous years.

Development of loss allowances in the South America segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-2,314**	**-1,500**	**-5,628**	**0**	**-9,442**
New financial assets originated	-1,665	0	-2,167	0	**-3,833**
Release due to derecognition	485	330	1,491	0	**2,306**
Transfers to Stage 1	-87	5	82	0	**0**
Transfers to Stage 2	17	-19	2	0	**0**
Transfers to Stage 3	40	139	-179	0	**0**
Change in credit risk	639	113	-1,944	0	**-1,192**
Usage of allowance	0	0	612	0	**612**
Exchange rate movements	-217	-105	-586	0	**-908**
Loss allowances as of 31.12.2021	**-3,102**	**-1,037**	**-8,317**	**0**	**-12,457**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2020	**-3,308**	**-319**	**-3,159**	**0**	**-6,786**
New financial assets originated	-1,124	0	-2,347	0	**-3,471**
Release due to derecognition	904	109	681	0	**1,694**
Transfers to Stage 1	-46	34	13	0	**0**
Transfers to Stage 2	165	-166	1	0	**0**
Transfers to Stage 3	56	19	-75	0	**0**
Change in credit risk	800	-1,285	-2,101	0	**-2,587**
Usage of allowance	0	0	830	0	**830**
Exchange rate movements	239	109	529	0	**877**
Loss allowances as of 31.12.2020	**-2,314**	**-1,500**	**-5,628**	**0**	**-9,442**

In South America, additions for newly disbursed loans are the largest item in loss allowances during the year. The update of model parameters in 2021 resulted in a positive change in loss allowances for Stage 1 and Stage 2. However, the adjustments for loans in Stage 3 predominate, so an overall increase in loss allowances is visible as a result of changes in credit risk. Usage of loss allowances was exclusively for loans in Stage 3 and is in line with the usual amount from previous years.

Development of loss allowances in the Germany segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-213**	**-278**	**0**	**0**	**-491**
New financial assets originated	-85	0	0	0	**-85**
Release due to derecognition	14	159	0	0	**173**
Transfers to Stage 1	-70	70	0	0	**0**
Transfers to Stage 2	3	-3	0	0	**0**
Transfers to Stage 3	0	0	0	0	**0**
Change in credit risk	-1	48	0	0	**47**
Usage of allowance	0	0	0	0	**0**
Exchange rate movements	0	0	0	0	**0**
Loss allowances as of 31.12.2021	**-353**	**-4**	**0**	**0**	**-356**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2020	**-224**	**-69**	**0**	**0**	**-293**
New financial assets originated	-29	0	0	0	**-29**
Release due to derecognition	10	0	0	0	**10**
Transfers to Stage 1	0	0	0	0	**0**
Transfers to Stage 2	16	-16	0	0	**0**
Transfers to Stage 3	0	0	0	0	**0**
Change in credit risk	10	-189	0	0	**-179**
Usage of allowance	0	0	0	0	**0**
Exchange rate movements	4	-4	0	0	**0**
Loss allowances as of 31.12.2020	**-213**	**-278**	**0**	**0**	**-491**

For the business in Germany, the releases for existing contracts are greater than the additions for newly disbursed loans during 2021. The loan portfolio in Stage 2 decreased primarily due to loan repayments and transfers back to Stage 1. The bank in Germany has no exposures in Stage 3.

The tables below show our loan portfolio broken down by internal risk classification and by economic sector and stage.

in '000 EUR		31.12.2021				
Loan portfolio	**Risk class**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	7,973	0	0	0	7,973
	2	408,472	792	0	0	409,264
	3	1,764,187	1,341	0	0	1,765,527
	4	2,077,631	8,581	0	0	2,086,212
	5	533,465	12,774	0	0	546,239
Underperforming	6	36,936	112,014	0	0	148,950
	7	2,791	63,415	0	0	66,206
Defaulted	8	0	0	113,100	2,473	115,574
Without risk class*		742,069	16,231	20,066	99	778,464
Gross outstanding amount		**5.573.524**	**215.148**	**133.166**	**2.572**	**5.924.410**

in '000 EUR		31.12.2020				
Loan portfolio	**Risk class**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	5,672	0	0	0	5,672
	2	345,909	1,177	0	0	347,085
	3	1,649,138	4,509	0	0	1,653,647
	4	1,861,776	24,301	0	0	1,886,076
	5	499,350	32,436	0	0	531,786
Underperforming	6	33,440	114,150	0	0	147,590
	7	3,213	57,974	0	0	61,187
Defaulted	8	0	0	110,469	3,383	113,852
Without risk class*		464,047	22,951	20,306	67	507,370
Gross outstanding amount		**4,862,544**	**257,497**	**130,775**	**3,450**	**5,254,266**

* Loans to private customers and business customers with a credit volume of less than EUR 50,000 are not assessed with an internal risk classification.

	31.12.2021								
	Business loans					Private loans			
in '000 EUR	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Trans-portation and storage	Other economic activities	Housing	Investment loans	Others	Total
Stage 1									
Gross outstanding amount	1,434,086	1,059,525	1,188,281	222,502	1,201,370	401,576	57,770	8,414	**5,573,524**
Loss allowance	-10,609	-8,826	-8,870	-1,741	-9,450	-5,250	-1,101	-116	**-45,964**
Net outstanding amount	1,423,477	1,050,700	1,179,411	220,761	1,191,920	396,326	56,669	8,297	**5,527,560**
Stage 2									
Gross outstanding amount	41,676	39,596	47,923	22,988	57,522	4,561	720	162	**215,148**
Loss allowance	-2,760	-4,708	-3,431	-2,197	-4,513	-499	-38	-5	**-18,152**
Net outstanding amount	38,916	34,888	44,492	20,791	53,009	4,062	682	157	**196,996**
Stage 3									
Gross outstanding amount	34,659	20,438	26,240	10,969	31,602	7,574	1,302	381	**133,166**
Loss allowance	-17,908	-10,780	-12,489	-5,646	-14,258	-4,221	-797	-278	**-66,377**
Net outstanding amount	16,751	9,658	13,751	5,323	17,344	3,353	505	104	**66,788**
POCI									
Gross outstanding amount	326	656	0	217	1,324	48	0	1	**2,572**
Loss allowance	-171	-88	0	0	-658	-32	0	-1	**-951**
Net outstanding amount	155	568	0	217	666	16	0	0	**1,622**
Total									
Gross outstanding amount	1,510,747	1,120,215	1,262,444	256,675	1,291,818	413,759	59,792	8,958	**5,924,410**
Loss allowance	-31,449	-24,402	-24,791	-9,583	-28,880	-10,003	-1,936	-400	**-131,444**
Net outstanding amount	1,479,298	1,095,814	1,237,654	247,092	1,262,939	403,757	57,856	8,558	**5,792,966**

	31.12.2020								
	Business loans					Private loans			
in '000 EUR	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Trans-portation and storage	Other economic activities	Housing	Investment loans	Others	Total
Stage 1									
Gross outstanding amount	1,280,568	917,002	1,150,446	214,109	983,518	262,840	47,204	6,859	**4,862,544**
Loss allowance	-10,509	-7,900	-9,680	-1,618	-7,961	-4,354	-821	-112	**-42,955**
Net outstanding amount	1,270,059	909,102	1,140,766	212,491	975,557	258,485	46,383	6,747	**4,819,589**
Stage 2									
Gross outstanding amount	54,868	49,485	50,130	24,145	71,188	6,350	935	395	**257,497**
Loss allowance	-2,761	-4,398	-2,866	-2,524	-3,565	-550	-42	-11	**-16,719**
Net outstanding amount	52,107	45,087	47,264	21,621	67,623	5,800	893	384	**240,778**
Stage 3									
Gross outstanding amount	36,196	24,609	28,207	9,346	24,927	5,873	1,171	446	**130,775**
Loss allowance	-17,576	-10,597	-12,756	-4,340	-12,297	-3,525	-695	-298	**-62,084**
Net outstanding amount	18,620	14,012	15,451	5,005	12,630	2,349	475	148	**68,691**
POCI									
Gross outstanding amount	852	1,014	6	0	1,289	8	0	280	**3,450**
Loss allowance	-404	-74	-6	0	-405	-2	0	-36	**-926**
Net outstanding amount	448	940	0	0	884	6	0	244	**2,524**
Total									
Gross outstanding amount	1,372,484	992,110	1,228,789	247,600	1,080,922	275,071	49,310	7,980	**5,254,266**
Loss allowance	-31,250	-22,968	-25,309	-8,483	-24,227	-8,431	-1,559	-457	**-122,684**
Net outstanding amount	1,341,234	969,142	1,203,480	239,117	1,056,695	266,640	47,751	7,523	**5,131,582**

Credit risk at the portfolio level is assessed on a monthly basis and, if necessary, more frequently. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, coverage level and concentration risk.

Concentration risk in the loan portfolio is effectively limited by a high degree of diversification. This diversification is a consequence of lending in particular to small and medium-sized businesses in various economic sectors and to private clients. The distribution of the loan portfolio across 13 countries likewise makes a significant impact in terms of diversification.

	31.12.2021			
in '000 EUR	< EUR 50,000	EUR 50,000 – 250,000	> EUR 250,000	Total
Business loans	**405,015**	**1,804,543**	**3,232,342**	**5,441,901**
Wholesale and retail trade	110,701	549,570	850,476	1,510,747
Agriculture, forestry and fishing	134,220	443,380	542,615	1,120,215
Production	62,499	388,708	811,237	1,262,444
Transportation and storage	33,923	103,790	118,962	256,675
Other economic activities	63,674	319,094	909,051	1,291,818
Private loans	**187,334**	**247,316**	**47,860**	**482,509**
Housing	125,723	240,634	47,402	413,759
Investment loans	53,677	5,657	457	59,792
Others	7,934	1,025	0	8,958
Gross outstanding amount	**592,349**	**2,051,859**	**3,280,202**	**5,924,410**

	31.12.2020			
in '000 EUR	< EUR 50,000	EUR 50,000 – 250,000	> EUR 250,000	Total
Business loans	**394,934**	**1,634,846**	**2,892,124**	**4,921,905**
Wholesale and retail trade	100,500	489,736	782,247	1,372,484
Agriculture, forestry and fishing	130,485	397,073	464,552	992,110
Production	59,722	354,124	814,943	1,228,789
Transportation and storage	33,696	102,427	111,477	247,600
Other economic activities	70,531	291,486	718,905	1,080,922
Private loans	**156,272**	**156,788**	**19,301**	**332,361**
Housing	112,064	147,011	15,997	275,071
Investment loans	37,333	8,939	3,038	49,310
Others	6,875	838	267	7,980
Gross outstanding amount	**551,207**	**1,791,634**	**2,911,426**	**5,254,266**

In addition, the ProCredit banks limit the concentration risk of their portfolios by means of the following requirements: Large credit exposures (those exceeding 10% of regulatory capital of the respective ProCredit bank) require the approval of the bank's Supervisory Board and the Group Risk Management Committee. No large credit exposure may exceed 25% of regulatory capital of a bank, and the sum of all large credit exposures of a bank may not exceed 150% of its regulatory capital.

The quality of the loan portfolio in all client categories is monitored by credit control units at the individual bank level. They assess the quality of the credit analysis as well as compliance with internal procedures and identify signs of fraudulent activity. These teams comprise experienced staff who conduct on-site visits to customers and also systematically screen the portfolio for irregularities.

Continuous training of the staff ensures that credit risk is properly evaluated whenever a loan is issued, and that credit exposures are closely observed throughout their lifetime and, if necessary, that appropriate measures are taken in a timely manner. That is why the quality of the ProCredit banks' loan portfolios is significantly higher than the sector average in most countries, even in times when recovering outstanding loan repayments is more difficult.

Counterparty risk, including issuer risk

The ProCredit group defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of managing liquidity. There are also structural exposures towards national central banks in the form of mandatory minimum reserves. We limit counterparty risk within the ProCredit group through our investment strategy.

Typically, our counterparties are central banks, central governments and commercial banks. The main exposures are account balances, short-term TDAs, highly liquid securities, and, on a very limited scale, simple derivative instruments for liquidity management and hedging purposes (mostly foreign currency forwards and swaps).

Counterparty risk is managed according to the principle that our liquidity must be placed securely and in the most diversified manner. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. risk considerations predominate. For this reason, we only work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms (typically overnight) and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. Within the ProCredit group, it is prohibited to engage in speculative trading. Liquidity in domestic currency is predominantly invested in central bank papers or sovereign bonds in the respective country. EUR or USD, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals with a high international rating. The impact of market price changes on the group is limited.

Despite the still ongoing COVID-19 pandemic, the group's counterparty and issuer risk remained stable in 2021. None of our counterparties were downgraded by rating agencies during the year; on the contrary, some of our major counterparties were upgraded, indicating their high credit quality.

The group's exposure to counterparty and issuer risk increased compared to the previous year. This development is attributable to higher liquidity reserves in our banks.

in '000 EUR	**31.12.2021**	**in %**	**31.12.2020**	**in %**
Central bank balances	1,215,034		1,051,991	
Mandatory reserve	*565,798*		*504,491*	
of which covered by insurance	*-190,000*	64.7	*-218,500*	64.7
Other balances with central banks	*839,981*		*766,599*	
Loss allowances for central bank balances	*-745*		*-599*	
Loans and advances to banks	252,654	13.4	236,524	14.6
Loss allowances for loans and advances to banks	*-5*		*-5*	
Derivative financial assets	1,343	0.1	509	0.0
Investment securities	410,421	21.8	336,511	20.7
Loss allowance for investment securities	*-101*		*-94*	
Total	**1,879,346**	**100.0**	**1,625,435**	**100.0**

The exposure to banking groups contains repurchase agreements in the amount of EUR 55.3 million. For these, collateral items were obtained with a fair value in approximately the same amount. None of them were repledged or sold.

For other financial assets, creditworthiness of a counterparty is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Examples of such events are a breach of contract (such as default or overdue payment), significant financial difficulties of a party to a contract, or a significant deterioration of the external rating. None of our investment securities was past due nor showed any signs of impairment. They are thus assigned to Stage 1 (performing). We have established provisions in accordance with IFRS 9 requirements (see also notes 15-18 to the consolidated financial statements).

The table below provides a breakdown of the investment portfolio by rating category and corresponding loss allowances (only Stage 1). Securities from the respective issuers are assigned to rating categories based on the "long-term issuer default rating" from Fitch; if unavailable, then from S&P or Moody's, or according to our internal methodology.

in '000 EUR	**31.12.2021**		**31.12.2020**	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
AAA	33,398	-1	51,103	-1
AA+	42,593	-2	32,347	-2
BBB	31,421	-12	11,524	-6
BBB-	26,652	-6	23,042	-9
BB+	81,376	-37	58,852	-29
BB	11,909	-6	12,753	-5
BB-	28,916	-20	20,656	-13
B+	14,087	-5	10,439	-4
B	71,929	-7	61,005	-5
B-	68,140	-6	54,791	-20
Investment securities	**410,421**	**-101**	**336,511**	**-94**

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for credit risk. ProCredit banks conclude transactions only with counterparties that have previously been analysed and for which a limit has been approved. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%. Essentially, these comprise transactions in the framework of ordinary business activities with locally regulated commercial banks in those countries where we operate whose banking regulations are not aligned with CRR/CRD.

In order to avoid risk concentrations on group level, an additional maximum limit towards each banking group and each state group (total exposure towards central bank, government and state-owned entities) exists. Due to mandatory minimum reserves, a concentration exists at group level with regard to exposures towards central banks. The group has therefore insured a significant share, totalling EUR 190 million, of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

Country risk

The ProCredit group defines country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to convertibility or transfer restrictions on its cross-border obligations. Country risk thus arises solely from cross-border transactions.

Country risk is a material risk only for ProCredit Holding and the ProCredit bank in Germany, because only these companies conduct cross-border transactions with other group banks or clients abroad. The other ProCredit companies are only exposed to country risk to a very limited extent, particularly through their nostro accounts with ProCredit Bank Germany or selected third-party banks. Furthermore, they only carry out cross-border transactions in exceptional cases and only with prior approval from the Group Risk Management Committee.

Country limits are set in order to diversify cross-border transactions as much as possible. These country limits are defined taking into account both the risk perspective and the strategic business perspective. All cross-border transactions and developments in the ProCredit countries of operation are monitored regularly. Among other things, internal indicators, external ratings and country-specific information are used for this purpose. Furthermore, we closely follow the developments in all countries where we operate, including through regular communication and exchange of information with our colleagues in the ProCredit banks and through publications by economic research institutes.

Economic development in the countries in which we operate continued to be impacted by the COVID-19 pandemic in 2021. Moreover, rising energy prices, bottlenecks in supply chains and increasing inflation, particularly towards the end of 2021, caused further uncertainty. The current armed conflict in Ukraine and the associated high level of political and macroeconomic uncertainty represent substantial country risk.

Ratings agencies maintained the sovereign ratings for our countries of operation in 2021. At year-end 2021, two countries where we operate (Romania and North Macedonia) still had a ‘negative’ outlook from Fitch (if no Fitch rating, then Moody’s or S&P). The outlook was changed for three countries during the year: Georgia was changed from “negative” to “stable”, Bulgaria from “stable” to “positive”, and Ukraine from “stable” to “positive”. Due to the armed conflict, Ukraine’s rating was downgraded from “B” to “CCC” in February 2022. The outlook for the other countries in which we operate remained “stable” in each case.

The cross-border transactions generally take place between group companies, with country risk consisting of potential conversion or transfer restrictions. As a result, we do not consider provisions to be necessary for cross-border transactions within the group as of 31 December 2021.

Market risks
Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for the ProCredit group are foreign currency risk and interest rate risk in the banking book. All ProCredit banks are non-trading book institutions. The ProCredit group manages market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with the group risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes.

Foreign currency risk
We define foreign currency risk as the risk that a group company or the group as a whole incurs losses due to exchange rate fluctuations or that the group's equity is reduced through currency translation effects. At the level of individual banks, foreign currency risk can have adverse effects on income and can lead to a decline in regulatory capital ratios. At group level, foreign currency risk primarily arises from the equity investments made by ProCredit Holding.

Results are impacted negatively when the volume of its assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set at bank level.

Domestic currency depreciation can reduce regulatory capital ratios at bank level in cases where the capital of a bank is held in a different currency than many of the assets it supports: foreign currency assets appreciate (from a local perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims to keep a high share of assets in the domestic currency of the respective banks.

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 domestic currency. Most ProCredit banks keep their equity in the respective domestic currency. Thus, from a consolidated group perspective, OCPs 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. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in EUR terms.

The translation reserve changed from EUR -111.8 million at the end of 2020 to EUR -83.1 million in December 2021. This is mainly due to strong appreciations of Eastern European currencies and the US dollar. In 2021, exchange rates were recovering from the sharp depreciations they had experienced since the outbreak of the COVID-19 pandemic in 2020. Compared to the previous year, the Ukrainian and Georgian national currencies appreciated by 11% and 13%, respectively. The appreciation of the US dollar was 8%.

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. This amount increased by EUR 13.1 million during the year and stood at EUR 110.2 million as of December 2021.

Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses due to changes in market interest rates and primarily arises from differences between the repricing maturities of assets and liabilities. The aim of interest rate risk management is to keep these differences as small as possible in all currencies. This is particularly relevant against the background of the limited opportunities to manage this risk using interest rate derivatives, especially in the local currencies of our banks (with the exception of the euro and US dollar).

The measurement, monitoring, limiting and management of interest rate risk is based on economic value impact (EVI) and P&L-oriented indicators. The risk is measured on a regular basis, at least quarterly. The assets and liabilities are distributed across time buckets according to the contractual terms, thereby aggregating individual contracts into homogeneous groups. Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific analyses of historical data. In addition, regularly updated assumptions on planned business developments are used to calculate the P&L indicator.

Both at bank level and for the group as a whole, interest rate risk is quantified on the basis of economic value impact and on the basis of the 12-month P&L effect. Modelled country-specific, risk-free yield curves are used in a multi-curve approach to discount the cash flows.

At the bank level, we assume a +/– parallel shift of the yield curves. The magnitude of the interest rate shock is essentially determined on the basis of a historical analysis of the corresponding yield curves. For each currency, only the parallel shift scenario that results in a loss is included in the indicator. Limits are set in relation to regulatory capital for the economic value impact and in relation to the forecast net interest income for the P&L effect. In addition, further scenarios are considered.

At group level, account is taken for EVI effects within the scope of the group's capital adequacy calculation in the economic approach. The indicators are calculated using Value-at-Risk models with a holding period of one year and confidence level of 99.9% (EVI) or 99% (P&L effect). The maturity-specific interest rate shocks per curve are based on the historical daily development of the reference curves over the last ten years.

in '000 EUR	31.12.2021		31.12.2020*	
	Economic Value Impact	**12 month P&L-Effect**	**Economic Value Impact**	**12 month P&L-Effect**
	-101,214	**-7,141**	**-68,447**	**-5,168**

* The risk values at year-end 2020 were recalculated using the model updated in 2021. Therefore, the figures are different from those published last year by approximately EUR -24 million for the economic value impact and EUR -5.6 million for the 12-month P&L-effect.

Compared to the previous year, the negative economic value impact grew by EUR 32.8 million to EUR -101.2 million, mainly driven by the growth of the loan portfolio on group level. More specifically, the local currency in Ukraine and the US dollar translated into a higher contribution due to a higher volatility of the respective reference curves. Moreover, the model was refined during the year. Essentially, for the determination of the economic value impact, the basis point approach was replaced by the present value approach, eliminating some limitations of the former (e.g. applicable only for small interest rate changes). This, along with the ongoing calibration of the currency-specific interest rate shocks, also impacted the results for both indicators. The 12-month P&L effect increased by EUR 2 million to EUR 7.1 million, with the increase being driven by a higher share of the variable-rate loan portfolio.

In addition, the calculation of the present value of the interest book and the calculation of economic value impact according to the regulatory interest shock scenarios from BaFin were implemented and limited accordingly.

Liquidity and funding risk

Liquidity and funding risk addresses the ProCredit group's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity risk

We assess short-term liquidity risk in the ProCredit banks on the basis of a liquidity gap analysis, among other instruments, and we monitor this risk using numerous indicators. These include a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI), a survival period, and the liquidity coverage ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The SLI measures whether institutions have sufficient liquidity in relation to the expected inflows and outflows of funds in the next 30 days. The survival period is the timeframe during which the banks are able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements in the banks. LCR indicates whether the banks and the group have sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

Market-wide, institution-specific (idiosyncratic) and combined stress tests are conducted monthly and ad hoc. Each ProCredit bank should keep sufficient liquid funds to meet its obligations, even in difficult times. Moreover, each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis. In addition, ProCredit Holding has developed a liquidity contingency plan.

Liquidity is managed on a daily basis by the respective treasury departments, based on the ALCO-approved cash flow projections, and is monitored by risk management and ALCO as well as monthly by Group ALCO. Liquidity movements within the group are coordinated by Group ALCO in order to utilise liquidity as efficiently as possible.

We continued to closely monitor the potential impact of the COVID-19 pandemic on the group's liquidity position in 2021, in order to be able to take appropriate measures in good time if necessary. Developments were monitored and assessed on the basis of daily liquidity risk indicators, regular communication between ProCredit Holding and the subsidiary banks, and monitoring of regulatory measures and market trends. Compared with the previous year, the considerable uncertainty regarding market liquidity and possible deposit outflows has decreased. The liquidity situation of the ProCredit banks and the group remained adequate and even improved over the course of the year. This was mainly due to an increase in deposits in all banks as well as new funding agreements with banks. Both the banks and the group had sufficient liquidity available at all times in 2021 to meet all financial obligations in a timely manner.

The following tables show the undiscounted cash flows of the financial assets and financial liabilities of the group according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

The moratoria granted on loan repayments as part of the measures to handle the COVID-19 pandemic have been reflected accordingly in the tables below. Based on their very low volume, these are not significant.

	31.12.2021					
in '000 EUR	Up to 1 month	1 – 3 months	4 – 12 months	1 – 5 years	over 5 years	Total
Assets						
Cash	140,488	0	0	0	0	140,488
Central bank balances	1,445,368	0	0	22,557	0	1,467,925
Loans and advances to banks	238,984	19,249	28,324	49,580	17,032	353,169
Derivative financial assets	650	150	144	0	399	1,343
Investment securities	152,540	49,634	72,266	136,640	7,296	418,375
Loans and advances to customers	172,241	360,274	1,702,375	2,809,847	1,314,708	6,359,444
Current tax assets	0	1,257	1,394	821	0	3,472
Other assets	14,316	1,461	1,157	1,301	6,085	24,320
Total assets	**2,164,586**	**432,025**	**1,805,660**	**3,020,745**	**1,345,519**	**8,768,536**
Liabilities						
Liabilities to banks	39,699	56,117	286,647	696,883	302,868	1,382,214
Derivative financial liabilites	148	59	3	0	150	360
Liabilities to customers	4,041,272	224,213	1,003,351	243,687	41,024	5,553,547
Debt securities	30,606	1,403	136,097	139,913	72,836	380,854
Other liabilities	17,746	814	4,695	11,028	3,646	37,929
Provisions	2,681	1,835	7,713	2,717	207	15,152
Current tax liabilities	11	3,581	22	0	0	3,614
Subordinated debt	413	787	5,535	99,316	0	106,051
Total liabilities	**4,132,576**	**288,808**	**1,444,063**	**1,193,543**	**420,731**	**7,479,721**
Contingent liabilities						
Performance guarantees, payment guarantees and letters of credit	282,458	0	0	0	0	282,458
Loan commitments (revocable)	681,697	0	0	0	0	681,697
Loan commitments (irrevocable)	22,423	0	0	0	0	22,423
Contractual liquidity surplus	**-2,954,566**	**143,217**	**361,597**	**1,827,202**	**924,789**	

in '000 EUR	31.12.2020 Up to 1 month	1 – 3 months	4 – 12 months	1 – 5 years	over 5 years	Total
Assets						
Cash*	134,857	0	0	0	0	134,857
Central bank balances*	1,318,488	0	0	0	0	1,318,488
Loans and advances to banks	214,636	8,924	11,189	1,220	1,830	237,799
Derivative financial assets	43	0	0	466	0	509
Investment securities	125,561	30,011	72,620	108,475	5,980	342,648
Loans and advances to customers	186,310	333,001	1,526,396	2,502,459	1,142,772	5,690,937
Current tax assets	584	2,954	1,615	961	0	6,113
Other assets	16,289	2,125	2,753	2,591	5,654	29,412
Total assets	**1,996,769**	**377,015**	**1,614,573**	**2,616,172**	**1,156,236**	**7,760,765**
Liabilities						
Liabilities to banks*	29,945	72,102	353,638	679,951	157,241	1,292,878
Derivative financial liabilites	969	426	2,543	57	410	4,405
Liabilities to customers	2,800,539	839,152	711,729	405,627	157,487	4,914,534
Debt securities	534	1,130	42,407	189,439	62,162	295,672
Other liabilities	17,653	677	2,551	6,013	10,995	37,887
Provisions	2,767	892	5,473	3,311	958	13,402
Current tax liabilities	56	1,243	284	0	0	1,582
Subordinated debt	404	1,076	6,567	56,515	54,557	119,120
Total liabilities	**2,852,867**	**916,699**	**1,125,191**	**1,340,913**	**443,810**	**6,679,480**
Contingent liabilities						
Performance guarantees, payment guarantees and letters of credit	251,053	0	0	0	0	251,053
Loan commitments (revocable)	656,291	0	0	0	0	656,291
Loan commitments (irrevocable)	9,757	0	0	0	0	9,757
Contractual liquidity surplus	**-1,773,199**	**-539,684**	**489,382**	**1,275,259**	**712,426**	

* The previous year's figures have been adjusted to the current presentation.

When presented by contractual maturity, there is a negative contractual liquidity surplus in the first maturity band, in particular due to sight deposits, overnight deposits and contingent liabilities. Therefore, contractual liquidity surpluses do not represent the group's liquidity risk. In order to take appropriate account of liquidity risk, assumptions are made about inflows and outflows, based on their observed historical behaviour in stress situations or on regulatory benchmarks. Guarantee commitments usually expire without being called upon. Due to special termination rights of creditors, particularly at the level of ProCredit Holding, if a material default event occurs for ProCredit Holding or one of its significant subsidiaries, then, depending on the type of default event, the debt securities and a majority of the subordinated loans in the maturity bands "up to 1 month" or "1-3 months" are taken into account. The associated liquidity and funding risks are generally very low in the ordinary course of business, but can become significant in the event of unexpected major political events, as is currently the case in the wake of the Russian invasion of Ukraine.

At group level, short-term liquidity risk is measured particularly by means of LCR. As of 31 December 2021, the LCR was 158% (2020: 153%) at group level, and thus above the regulatory requirement of 100% and our internally defined early warning threshold. This indicates an appropriate liquidity situation for the group. It should be emphasised that, for the majority of ProCredit banks, the LCR at individual institution level is significantly higher than the consolidated LCR at group level. Due to liquidity transfer restrictions, which are mainly based on national regulatory requirements in the countries where we operate, a portion of the banks' liquidity buffer is not included in LCR consolidation.

Pledged assets

Assets are deemed to be pledged when they are committed to collateral agreements or agreements to improve the credit assessment of on- or off-balance sheet transactions and it is not possible to withdraw these assets from the terms of such agreements.

The ProCredit group has a limited amount of pledged assets, as the group largely funds its activities through deposits. These comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. As of 31 December 2021, the pledged assets of the ProCredit group amounted to EUR 48.5 million (see also note 24 to the consolidated financial statements), which is equivalent to 0.6% of total assets.

Funding risk

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at higher costs. This risk exists at ProCredit group level and for ProCredit Holding. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through deposits; our deposit-taking operations focus on our target group of business clients and private clients/savers. These are supplemented by loans from international financial institutions (IFIs). The funding of the ProCredit group has proven to be resilient. As of end-December 2021, the largest funding source was deposits with EUR 5,542.3 million. Liabilities to banks are the second-largest source of funding, accounting for EUR 1,313.7 million.

The ProCredit group manages, measures and limits funding risk through business planning, maturity gap analysis and several indicators. This includes the structural liquidity ratio (net stable funding ratio, NSFR), which was introduced in June 2021 by the CRR Amendment Regulation (CRR II). As of 31 December 2021 the NSFR was 142%.

The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed at group level. Group ALCO monitors the progress of all individually significant transactions with external funding providers, especially international financial institutions. ProCredit Holding and the ProCredit Bank in Germany also offer bridge financing in the event that a funding project is delayed. A key indicator for limiting funding risk is the deposit concentration indicator. Two more indicators additionally limit the level of funding from the interbank market.

Operational risk

In line with the *Capital Requirements Regulation* (CRR), we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence.

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events identified in the group with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/or preventive measures for reducing or avoiding operational and fraud risk. The number of loss events during the financial year was 202 (12.2020: 167). The table below provides an overview of the gross and net losses due to operational loss events.

in EUR m	**31.12.2021**	**31.12.2020**
Gross loss	2.9	0.7
Current net loss	2.2	0.6

Figures as of 31 Dec. 2021 are based on our Risk Even Database (RED) as of 31 Jan. 2022; figures as of 31 Dec. 2020 are based on the RED as of 25 Jan. 2021.

In addition, risk assessments are carried out annually throughout the group. In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, these risk assessments are systematically performed in order to identify and evaluate key risks and to assess the adequacy of the control processes. Risk mitigation measures are defined for the areas identified as high risk. These two control components complement each other and provide an overall picture of the operational risk profile for each ProCredit bank, ProCredit Holding and the group as a whole.

In addition, early warning indicators have been defined centrally for all ProCredit banks, in order to identify areas of banking business with increased fraud risk. These can be expanded upon by the subsidiary banks. The early warning indicators are analysed regularly and, where needed, preventive measures are agreed upon.

To complete the management of operational risk, all new products and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation.

Operational risk is accounted for and monitored within the scope of the group's capital adequacy calculation in the economic approach.

The group has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The ProCredit banks carry out a classification of their information assets and conduct a risk assessment on their critical information assets each year. The business continuity framework implemented in the group ensures that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes. The IT service provider, Quipu, is part of the ProCredit group and supports all group companies with respect to software and hardware.

Against the backdrop of the COVID-19 pandemic, we have not identified any increase in operational risk (including increase in fraudulent acts). The continuity of business operations, protection of clients and employees, and appropriate staffing levels were ensured at all times. Our digital approach to all routine banking operations has enabled us to quickly implement home-office models to protect the health and safety of customers and employees. Another focal point in pandemic times is the regular monitoring of information security. We have seen a pandemic-related increase in attempted cyber attacks in the group, although these did not result in any losses. The events in Ukraine give rise to additional risk potential. We were able to maintain business continuity and guarantee the availability of IT systems without any loss of performance.

Risks arising from money laundering, terrorist financing and other acts punishable by law

Responsible behaviour is an integral part of our values-oriented business model. This is reflected in the Code of Conduct for the group's employees as well as in the contents of the introductory courses for new staff and in the curricula of the ProCredit academies. The prevention of money laundering, terrorist financing and fraud is a key component of our self-perception. This is illustrated by the criteria used to select customers and by the few cases of internal fraud within the group.

ProCredit banks are in full compliance with all regulatory requirements concerning the prevention of money laundering and terrorist financing. Moreover, our banks have implemented the group-wide guidelines on the prevention of money laundering and terrorist financing, which can be stricter than the legal requirements prevailing in the individual countries of operation. Implementation is regularly reviewed by the group's Anti-Money Laundering Officer.

As the ProCredit group is supervised by the German financial supervisory authorities, we implement the requirements stipulated by the German Money Laundering Act, as well as the requirements applicable at the European level, across the group as minimum requirements in all of our banks. As the superordinated company for the ProCredit group, ProCredit Holding is responsible for ensuring group-wide compliance with these requirements. All ProCredit banks also have their own independent money laundering officers, who in turn implement both group-wide requirements and national regulations for the prevention of money laundering and terrorist financing in the respective banks.

Our ethical responsibility is documented in the form of our Code of Conduct and Exclusion List, which contain the core rules and regulations that all employees of ProCredit banks are obliged to observe. The group-wide guidelines on the prevention of money laundering, terrorist financing and fraudulent activities, together with their subordinate directives, specify how these basic rules are to be implemented in practice.

Besides identifying all contracting parties and clarifying the purpose of the business relationship, at our banks the collection of client data always also entails identifying the beneficial owner of all funds that are managed in customer accounts. Beneficial owners are natural persons who substantially profit from a business structure, even if they are not personally in evidence during our business relationship with a client.

All ProCredit banks use specialised software to identify payments that give cause for suspicion of money laundering, terrorist financing or fraud. Anti-money laundering officers in all of our banks work closely with the responsible law enforcement authorities and report regularly to the Group Anti-Money Laundering (AML) Officer at ProCredit Holding, who in turn is the main contact for supervisory and law enforcement authorities in Germany and other countries.

Above: Photovoltaic plant in the Agrinio region in Greece, financed by ProCredit Bank Bulgaria
Below: MEMA, furniture production and trade, client of ProCredit Bank Albania

Other material risk

Other risks that are assessed as material include business risk and model risk.

Business risk is defined as the risk of reduced profitability due to external and internal factors. These include deteriorating economic conditions, unanticipated regulatory interventions and disadvantageous business decisions. Business risk is mitigated by means of a structured process for the planning, implementation, assessment and adjustment of the business strategy and risk strategy, as well as through the regular interaction between the Management of ProCredit Holding and the management team in the banks. Furthermore, the standardised software products provided by the group's own IT provider, Quipu, likewise have risk-mitigating effects. Last but not least, our internal training programme also promotes a high level of competence among our managers and staff.

Model risk comprises the risk that model deficiencies or inadequately applied models serve as a faulty basis for decision-making, resulting in the assumption of a higher level of risk than intended. The basic principles of model risk management are the identification and avoidance of model risks (e.g. through the use of standard market models) and the appropriate consideration of known model risks (e.g. through conservative calibration). Model risks that are not known and therefore cannot be mitigated are accepted as an inherent risk of the business model. With regard to governance in model risk management, requirements are defined for model use, model validation and model changes, among other things.

Capital Management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may at any time incur greater risks than they are able to bear. In this context, the group has the following objectives:

- Compliance with regulatory capital requirements (normative perspective)
- Ensuring adequate capitalisation in the economic perspective
- Compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure that the group and the banks are able to act
- Support for the banks and for the group in implementing their plans for sustainable growth

The principle of capital adequacy is monitored using different indicators for which early warning indicators and limits are established. The indicators for each individual ProCredit bank and the group as a whole include, in addition to regulatory standards in each country, a capital adequacy calculation in accordance with CRR requirements, a Tier 1 leverage ratio in accordance with CRR and a calculation of capitalisation in the economic perspective. Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College pursuant to Section 8a KWG, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities.

Capitalisation in the economic perspective

Ensuring that the group as a whole and each individual bank maintains sufficient capitalisation in the economic perspective is a key element of ProCredit's group-wide risk management and capital management processes. In the context of the economic perspective, the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is sufficient. Capitalisation in the economic perspective was adequate at all times during the course of 2021.

The methods we use to calculate the amount of economic capital required to cover the different risks the group is exposed to are based on statistical models, provided that appropriate models are available. The guiding principle for our calculations is that the group is able to withstand strong shock scenarios. Compared to the previous year, there were no significant changes to the risk models. However, interest rate risk modeling was expanded. The countries in which we do business have a relatively volatile history. Therefore, our datasets include various periods of stress. As a result, there was no need to adjust risk modelling for the 2021 financial year.

When calculating the economic capital required to cover risk exposures we apply a one-year risk assessment horizon. The included material risks and the limits set for each risk reflect the specific risk profile of the group and are based on the annually conducted risk inventory. The following risks are included in the calculation of the economic perspective for the group:

Material risk	**Quantification/treatment**
Credit risk, comprising: • customer credit risk • counterparty risk • country risk	Portfolio model based on a Monte Carlo simulation (VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
Business risk	Analytical method (Business VaR)
Funding risk	Qualified expert assessment
Model risk	Qualified expert assessment

The group's risk-taking potential (RTP), defined as the consolidated group equity (net of intangibles and deferred tax assets) plus ProCredit Holding's subordinated debt, amounted to EUR 922.4 million as of the end of December 2021 (2020: EUR 842.9 million). The Management set the Resources Available to Cover Risk (RAtCR) at an amount of EUR 826.0 million (2020: EUR 745.0 million). This reflects the maximum acceptable risk amount for the ProCredit group; moreover, taking account for the risk tolerance, it was set below the group's RTP in order to ensure the existence of a sufficient security buffer. In the course of 2022, the ProCredit group will adjust the definition of risk-taking potential and no longer take into account the subordinated debt of ProCredit Holding. This change has thus been accounted for in the planning. The economic capital required to cover the risks is compared with the internal capital available for each risk and for covering all risks.

The table below shows the distribution of RAtCR among the different risks and the limit utilisation. In the standard scenario, which is calculated with a 99.9% confidence level, the ProCredit group needs 73.1% of its RAtCR (2020: 75.6%) to cover its risk profile.

in Mio. EUR	31.12.2021 Limit	31.12.2021 Limit Used	31.12.2020 Limit	31.12.2020 Limit Used
Credit Risk	420	301.1	385	288.6
Interest Rate Risk	140	101.2	122	92.5
Foreign Currency Risk	150	110.2	128	97.0
Operational Risk	30	22.6	27	21.0
Business Risk	28	21.0	28	19.4
Funding Risk	11	8.0	10	7.0
Model Risk	47	40.0	45	38.0
Total	**826**	**604.2**	**745**	**563.5**
Total limit used in %		**73.1%**		**75.6%**

Stress tests

Stress tests are performed regularly, at least once per quarter and ad hoc, to test the group's capacity to withstand shock conditions. Various types of analysis are applied, from simple sensitivity analysis for individual risk types to scenario analyses in which multiple or all risk factors are stressed simultaneously. The stress tests are supplemented by reverse stress tests and, if applicable, by ad-hoc stress tests.

A range of stress scenarios are adopted and tested in order to analyse the impact of extraordinary but plausible events. The scenarios apply to both historical and hypothetical stress situations. They are based on, among other things, assumptions depicting significant deterioration of worldwide macroeconomic conditions and include an analysis of a severe economic downturn. The selection of the scenarios takes account for the group's strategic orientation and the economic environment. Against the backdrop of the current war in Ukraine, we are analysing further stress scenarios. The results of stress testing show that the capitalisation of the group in the economic perspective would be adequate under the defined stress conditions.

Capitalisation in the normative perspective

The normative perspective analyses whether regulatory and supervisory capital requirements have been met on a continuous basis. This was the case at all times during the reporting period. The group's regulatory capital ratios are presented below:

	31.12.2021	31.12.2020
Common equity Tier 1 capital ratio	14.1%	13.3%
Tier 1 capital ratio	14.1%	13.3%
Total capital ratio	**15.3%**	**14.7%**

The ProCredit group issued no AT1 instruments during the reporting period. Therefore, as of 31 December 2021 our entire Tier 1 capital consisted of Common Equity Tier 1 capital. The dividend distributions for the 2019 and 2020 financial year earnings have been accounted for throughout the period, despite the delay in payouts payout due to the COVID-19 pandemic.

Our (fully loaded) Tier 1 capital ratio increased from 13.3% to 14.1%. Risk-weighted assets (RWA) increased by EUR 276 million compared to December 2020. Solid loan portfolio growth of EUR 670.1 million in 2021 was largely offset in risk-weighted assets by the following effects: recognition of North Macedonia's and Bosnia and Herzegovina's banking regulation as CRR-equivalent by the EU Commission, full implementation of the SME support factor, and application of Deep and Comprehensive Free Trade Area (DCFTA) guarantees for credit risk reduction. CET1 capital increased by EUR 86 million, mainly due to the recognition of 2021 interim profits and the positive development of the translation reserve. Our total capital ratio increased from 14.7% to 15.3%. The level of capitalisation in the ProCredit group is significantly higher than the current regulatory requirements, which include an SREP requirement amounting to 2.0%.

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. The minimum was set at 3% in CRR II and compliance has been binding since 28 June 2021. As of year-end 2021 the ProCredit group reported a comfortable leverage ratio of 9.3%.

in '000 EUR	**31.12.2021**	**31.12.2020**
Equity	791,990	706,378
Assets	8,506,240	7,601,680
Leverage ratio	**9.3%**	**9.3%**

Internal control system and risk management system in the financial reporting process

The internal control system and risk management system in the ProCredit Holding and ProCredit group's financial reporting process comprises the principles, procedures and measures for the effective, cost-efficient and rule-compliant application of financial reporting requirements. The main risks in due and proper financial reporting are the improper representation of financial position and financial performance or delayed publication. The internal control system in the financial reporting process is subject to the general principles of our risk management approach and is thus an integral component of the risk management system.

Primary responsibility for the internal control system and risk management system in the financial reporting process, and thus for its effectiveness and monitoring, lies with the Management. The Management establishes the general principles and defines areas of responsibility. Finance & Controlling implements the requirements of the Management and defines the specific parameters within the framework provided. Group Risk Data and Operational Risk Management identifies and assesses risks on a regular basis. Risk assessment comprises an evaluation of operational and fraud risks as well as a review of the effectiveness of the respective controls. If necessary, appropriate measures are defined and implemented in order to limit the risks identified.

The financial reporting process aims to standardise, to the greatest extent possible, the application of the main international financial reporting standards and related processes. The Group Accounting & Taxes department establishes the accounting manual, which applies throughout the group, and defines the material processes in the respective policies, taking account for the principle of dual control. The processes for report preparation are largely automated and the functionalities of the key IT applications have been defined on a centralised basis. IT permissions are defined and regularly monitored in accordance with the respective policies.

The financial reporting process is supported by a multi-step control system. This ensures compliance with legal requirements and the implementation of internal policies. The units in the group prepare information relevant for financial reporting with the support of IT applications which are uniform throughout the group. The information packages from units in the group are reviewed locally, taking account for the dual control principle, and then subject to standardised quality checks. Consolidation is carried out using standard software support.

In addition, Internal Audit supports the Management and the Supervisory Board in their control functions through independent and objective risk-oriented audits. Regular audits are performed on the financial reporting processes in the ProCredit Holding and ProCredit group to determine whether they are effective, orderly and cost efficient.

DISCLOSURES REQUIRED BY TAKEOVER LAW PURSUANT TO SEC. 289a AND 315a GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH)

The share capital of ProCredit Holding AG & Co. KGaA (the Company) is divided into 58,898,492 registered shares with no par-value. Each share entitles its holder to one vote.

In principle, all shares can be freely traded.

Certain restrictions apply to Zeitinger Invest GmbH, DOEN Participaties B.V., IFC, KfW and ProCredit Staff Invest GmbH & Co. KG (the Core Shareholders) as follows:

The Core Shareholders entered into an agreement dated 7 July 2011, as amended on 27 October 2021 (the Core Shareholders' Agreement), according to which each Core Shareholder agrees to exercise its influence as a shareholder in the Company on a long-term basis, subject to applicable law, to ensure that (i) the financial institutions of the ProCredit group continue to focus on providing responsible and transparent banking services to SMEs and private customers, (ii) the ProCredit group continues to operate in a manner that strives to create well-managed, commercially sustainable institutions in line with German banking regulations, and (iii) that the operations of the Company and its subsidiaries continue to be in line with applicable law and best practice banking and socially responsible standards. The Core Shareholders' Agreement stipulates that each Core Shareholder exercises its voting rights at its own discretion only, and that there is no obligation to exercise such voting rights jointly and in a coordinated manner with any or all of the other Core Shareholders. Moreover, the Core Shareholders' Agreement sets out certain minimum levels for the Core Shareholders' shareholding in the Company, collectively amounting to 20% of the Company's share capital, which the Core Shareholders agreed to maintain until 30 October 2022.

The company's shares do not procure any particular monitoring rights.

The following shareholders owned (directly or indirectly) as of 31 December 2021, pursuant to their most recent voting rights notification, 10% or more of the voting rights:

- Zeitinger Invest GmbH (voluntary notification dated 8 October 2018)
- Federal Republic of Germany (indirectly via KfW) (voting rights notification dated 28 December 2016)
- DOEN Foundation (indirectly via DOEN Participaties B.V.) (voting rights notification dated 29 December 2016)

There are no shareholders holding shares with special rights conferring power of control.

As of 31 December 2021, the employees of the Company, according to the most recent corresponding legal voting rights notification from 3 December 2019, collectively held 2.99% of the voting rights via the investment company ProCredit Staff Invest GmbH & Co. KG. The investment company is the direct shareholder and thus exercises the voting rights for the employees of the Company. As far as employees are direct shareholders, they themselves exercise the voting rights control.

The activities of the Company are managed by ProCredit General Partner AG, which, due to the legal nature of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA), does not have to be appointed but has been the managing entity of the Company since its establishment. The activities of ProCredit General Partner AG are managed by natural persons who are appointed and removed by the Supervisory Board of ProCredit General

Partner AG in accordance with sec. 84 and 85 AktG and Art. 6 (2) of the Articles of Association of ProCredit General Partner AG. Pursuant to Art. 22 (1) of the Articles of Association of the Company and sec. 179 (2) AktG, the Articles of Association of the Company can be amended upon resolution of the Company's General Meeting with simple majority, unless otherwise stipulated by compulsory law. Furthermore, ProCredit General Partner AG has rights of approval for such changes pursuant to Art. 22 (2) of the Articles of Association of the Company. This approval is subject to confirmation by the Supervisory Board of ProCredit General Partner AG, pursuant to Art. 7 (4) of the Articles of Association of the Company, as well as by the General Meeting of ProCredit General Partner AG, pursuant to Art. 4 (2) of the Internal Rules of Procedure of the Management Board.

The Management of the Company was authorised by the Extraordinary General Meeting of 15 November 2019 to acquire, within the legal limits, treasury shares up to a total of 1.5% of the share capital existing at the time the resolution is adopted by the General Meeting or – if this value is lower – of the share capital existing at the time the authorisation is exercised. The authorisation may be exercised directly by the Company or by third parties commissioned by the Company; it permits the acquisition of the Company's own shares in their entirety or in partial amounts as well as one-off or multiple acquisitions. The acquisition of treasury shares can only be effected via the stock exchange. The Company may only pay a price per share (excluding incidental acquisition costs) which does not deviate more than 10% above or below the arithmetic mean of the prices of the Company's non-par value shares in the closing auction in Xetra trading (or a corresponding successor system) on the Frankfurt Stock Exchange during the last ten trading days prior to the conclusion of the commitment transaction.

The Management of the Company was also authorised to use shares of the Company acquired on the basis of the above authorisation for all legally permissible purposes, and in particular for the following: They may be transferred free of charge to selected members of the respective management as well as to selected employees in managerial and key positions of certain enterprises affiliated with the Company within the meaning of sections 15 et seq. of the German Stock Corporation Act (AktG) and domiciled abroad under the proviso that these shares are transferred without delay as contributions in kind to ProCredit Staff Invest GmbH & Co. KG in exchange for shares in the limited partnership; the transfer of the shares to the aforementioned employees shall be effected in accordance with a staff programme. Shareholders' subscription rights to these treasury shares are excluded to this extent pursuant to sections 71 (1) no. 8, 186 (3) and (4) AktG.

ProCredit General Partner AG, as the managing general partner pursuant to Article 4 (3) of the Articles of Association of the Company, is authorised to issue new shares in a total amount of up to EUR 29,449,246.00 in the period until 22 May 2023 (Authorised Capital 2018).

There are no significant agreements between the Company and another party that are subject to a change of control of the Company following a takeover bid.

Furthermore, there are no compensation agreements in place with the members of the Management or with any employees of the Company in case of a takeover bid.

CORPORATE GOVERNANCE STATEMENT[13]

Corporate Governance Report

ProCredit Holding AG & Co. KGaA (also "Company" or "ProCredit Holding") places emphasis on transparent corporate governance and open communication with all stakeholders. This approach and our development-oriented mission are supported by the shareholders. The values upon which we have successfully built the ProCredit group include personal integrity and commitment, social responsibility and tolerance, open communication and transparency, as well as high professional standards.

Management Board and Supervisory Board

Relationship between Management Board and Supervisory Board

ProCredit Holding has the legal form of a partnership limited by shares ("KGaA" – Kommanditgesellschaft auf Aktien). In the case of a KGaA, the management board's duties of a stock corporation ("AG" – Aktiengesellschaft) are incumbent upon the general partner. The sole personally liable general partner of the Company is ProCredit General Partner AG (Geschäftsleitung) (also "General Partner" or "Management"), whose management board ("Management Board") is thereby responsible for managing the Company's business operations.

Currently the supervisory boards of ProCredit General Partner AG and ProCredit Holding AG & Co. KGaA (the latter "Supervisory Board") comprise the same individuals. This allows for a high level of transparency in the cooperation between the Supervisory Board level and the Management Board of ProCredit General Partner AG.

Management Board and Supervisory Board cooperate closely to the benefit of the Company. The Supervisory Board meets at least twice in each half year. During the 2021 financial year, the Supervisory Board held one in-person meeting. Due to the prevailing pandemic conditions, eight video conferences were also held.

The Supervisory Board has determined a comprehensive set of reports to be provided by the Management in due time before each meeting. The Management Board reports on the business and risk strategies of the group at least once per year and routinely reports on the status of implementation of the strategies.

The Supervisory Board reviews and approves the Annual Financial Statements for ProCredit Holding and the Consolidated Annual Financial Statements for the ProCredit group. The Supervisory Board examines the efficiency and effectiveness of its activities on a regular basis, and at least once in every calendar year. The Company complies with the German Corporate Governance Code except as outlined in the Statement provided below.

[13] The corporate governance statement is not part of the audit of the financial statements.

Management Board of ProCredit General Partner AG

The Management Board comprised the following individuals in the 2021 financial year:

Member of the Management Board (in alphabetical order)	**First appointed**	**Appointed until**	**Responsibilities** (as of year-end)
Dr Gian Marco Felice	2020	31 May 2024	Business Support, Environmental Management and Impact Reporting, IT
Ms Sandrine Massiani	2017	28 February 2026	Risk Management, Legal, Human Resources Management, Internal Audit, Anti-Money Laundering and Compliance
Dr Gabriel Schor	2004	31 December 2022	Accounting and Taxes, Administration and Translation, Communications, Funding and Treasury, Investor Relations, Reporting and Controlling, Supervisory Reporting and Capital Planning

The members of the Management Board are jointly responsible for the management of the General Partner AG and the management of the Company. Its Internal Rules of Procedure govern the work of the Management Board. The supervisory board of ProCredit General Partner AG decides on the appointment and dismissal of members of the Management Board including long-term succession planning for the Management Board. The supervisory board of ProCredit General Partner AG also sets the remuneration of the individual members of the Management Board. The Supervisory Board has been informed of and has agreed to the decisions. A Nomination Committee and a Remuneration Control Committee were established for this purpose in February 2021.

The basis for succession planning is the continuous and systematic development of the Company through the early identification of suitable candidates of different disciplines and nationalities as well as different genders and ages. Another crucial aspect is the development of managers through the assumption of tasks with increasing responsibility and with a good understanding of and interest in the group's core business and its objectives with regard to sustainable and responsible banking. When appointing management board members, sufficient diversity is ensured in terms of professional training and experience, cultural background, internationality and gender. Independent of individual criteria, a holistic appreciation of the individual personality is decisive.

The Management Board of ProCredit General Partner AG will be expanded by one member, Hubert Spechtenhauser. The expansion of the Management Board was resolved at the Supervisory Board meeting on 11 February 2022, with effect from 1 March 2022.

Supervisory Board of ProCredit Holding AG & Co. KGaA
The Supervisory Board comprised the following individuals in the 2021 financial year:

Supervisory Board member	First appointed	Appointed until	Supervisory board positions held outside the group
Dr Claus-Peter Zeitinger (Chairman)	2004	2022	None
Rainer Ottenstein (Deputy Chairman)	2016	2026	None
Dr H.P.M. (Ben) Knapen	2020	2022	None
Christian Krämer	2014	May 2021	None
Marianne Loner	2017	2022	Sura Asset Management S.A., Medellin, Colombia, member of the supervisory board Britam Holdings Plc, Nairobi, Kenya, member of the supervisory board Amundi Planet Sicav-SIF, Luxembourg, Luxembourg, member of the supervisory board
Jovanka Joleska Popovska	May 2021	2022	None
Petar Slavov	2014	May 2021	None
Dr Jan Martin Witte	May 2021	2022	Global Public Policy Institute, e.V., Berlin, Germany, member of the supervisory board Microfinance Enhancement Fund SICAV SIF, Luxembourg, Luxembourg, member of the management

On 7 March 2022, the chairmanship of the Supervisory Board passed from Dr Claus-Peter Zeitinger to Rainer Ottenstein.

The supervisory board of the General Partner oversees the Management Board and is involved in decisions of fundamental importance to the group. The Management Board regularly informs the Supervisory Board of the group business strategy and other fundamental matters relating to the assets, liabilities, financial and profit situation of the group as well as its risk situation, risk management and risk controlling. Key decisions of the group are approved by the supervisory board of the General Partner. The Supervisory Board is informed of and can discuss these decisions, particularly since it is comprised of the same individuals of the supervisory board of the General Partner.

Objectives for the composition of the Supervisory Board and status of implementation
The Supervisory Board has determined that its members shall include persons who, in addition to a sound knowledge of banking, also have:

- a good understanding of and interest in the group's core business
- the time and interest to travel to the region to understand and assess the operations of ProCredit subsidiaries, and ideally a seat on at least one supervisory board of a subsidiary
- a good understanding of and interest in development finance and sustainability aspects
- at least one member should have professional experience in South Eastern and Eastern Europe

All members should have sufficient knowledge of financial analysis and risk aspects of banking. Furthermore, since the Company's shares are listed on the Frankfurt Stock Exchange, a general understanding of capital markets is valuable.

All members of the Supervisory Board aim to act as independent members within the meaning of the provisions of the German Stock Corporation Act and the GCGC. The Supervisory Board has determined that it has an adequate number of independent members. More than half of the members of the Supervisory Board are independent at all times. Members of the Supervisory Board are also members of the supervisory board of ProCredit General Partner AG. Five members have been nominated by core shareholders. However, in our opinion, this does not affect the independence of the Supervisory Board members involved, as they have been carefully instructed to comply with all applicable laws, in particular with those obliging them to maintain their independence. Furthermore, the Management Board has not become aware of any circumstances that may compromise the independence of any Supervisory Board member. Although Mr Zeitinger has been a member of the Company's Supervisory Board for more than twelve years, he is nevertheless to be regarded as independent, as there is no personal or economic proximity between him and any member of the General Partner's Management Board. With respect to Mr Zeitinger's independence from the Board, it should also be noted that Ms Massiani and Mr Felice have only been members of the Board for 4 years and less than one year, respectively. There are no other circumstances that would impair Mr Zeitinger's independence.

The Supervisory Board requires prospective candidates to indicate any potential conflicts of interest and shall assess such conflicts and satisfy itself that the respective candidates can devote the required amount of time before making its proposals to the General Meeting of the Company concerning the election of new members of the Supervisory Board.

As a rule, the age limit for Supervisory Board members is 75 years.

The Supervisory Board believes that it complies with the specified concrete objectives regarding its composition.

In February 2021, the Supervisory Board formed a Risk and Audit Committee and a Nomination Committee for the first time, in order to comply with the requirements of the German Banking Act. Both committees are composed of all members of the Supervisory Board.

The Supervisory Board respects diversity when proposing members for appointment to the Supervisory Board. Two members of the six-person Supervisory Board and one member of the three-person Management Board are women.

The Supervisory Board has set the target that at least one woman should serve on the Management Board. In addition, at least one woman should serve on the Supervisory Board should there only be one or fewer women on the Management Board. Furthermore, the Management has established a 25% minimum level of gender representation for the first two levels of management. This target was met in 2021.

The Supervisory Board evaluates the effectiveness and efficiency of its activities and the activities of the Management Board on a regular basis at the last Supervisory Board meeting before the end of the year, and it assesses whether the supervisory and control tasks have been achieved with regard to the above-mentioned objectives. This is based on experience and on regular contact and meetings with members of the Management and with all managers and colleagues in the group. Of particular importance in this respect is the regular exchange of information within the framework of the quarterly Supervisory Board meetings of the banks in the group, with participation from Management and staff from the subsidiaries. In addition, assessment shall take into account the quarterly group risk report and the handling of changes in the regulatory framework, both at group level and at the level of the banks in the group. The composition and competencies of the Management Board are likewise discussed. In the 2021 financial year, the review did not give rise to any complaints.

Remuneration and share ownership of the Management and Supervisory Board members
For information on the compensation of the Management and Supervisory Boards' members, please refer to our Remuneration Report, which is published on the ProCredit Holding website (https://www.procredit-holding.com/investor-relations/reports-and-publications/).

Of the Supervisory Board members, Ms Jovanka Joleska Popovska and Mr Petar Slavov hold shares in ProCredit Holding indirectly (via ProCredit Staff Invest GmbH & Co. KG).

Management Board members hold shares in ProCredit Holding either directly or indirectly (via ProCredit Staff Invest GmbH & Co. KG). However, in no individual case or together does the aggregated volume of shares reach 1% of the total share capital of the Company. There is no share option scheme for members of the Company's Management Board.

The combined volume of shares held directly and indirectly by all Management Board and Supervisory Board members amounts to less than 1% of the shares of the Company.

Managers' transactions
The members of the Management Board and of the Supervisory Board as well as persons closely associated to them are required pursuant to Art. 19 Regulation (EU) No. 596/2014 (Market Abuse Regulation – "MAR") to disclose transactions relating to the shares of the Company as well as other financial instruments linked thereto, if the total amount of such transactions reaches EUR 5,000 within a calendar year. Information on such transactions will be made public and can be seen on the Company's website under https://www.procredit-holding.com/en/investor-relations/news. During the 2021 financial year no such reportable transactions occurred.

Other Key Aspects of our Approach to Corporate Governance

Working relationship between ProCredit Holding and its subsidiaries
Central to the effective governance of the ProCredit group is the relationship between the Company as the holding entity and its subsidiaries. A strength of the ProCredit group is its ability to implement its business and risk strategies with a very high degree of efficiency and uniformity, despite having operations spread across countries. All ProCredit banks are independent, licensed and regulated banks. The Company holds a controlling stake (typically 100%) of its subsidiaries and is in a position to appoint the majority of supervisory board members of its subsidiaries. The management board at each ProCredit bank bears responsibility for the operations of its respective institution. They operate within the tight business and risk management framework set by ProCredit Holding.

Transparency
ProCredit Holding is committed to transparency and open communication with its shareholders. Relevant information is to be made available to the public promptly to ensure the equal treatment of shareholders. ProCredit Holding oversees an effective consolidated reporting process. It makes quarterly financial statements available. ProCredit Holding's Investor Relations team provides additional clarity via investor and analyst presentations,

Above: Ansor Prod, packaging specialist, client of ProCredit Bank Romania
Below: Khorost-Podillia, crop producer and livestock breeder, client of ProCredit Bank Ukraine

roadshows and press communication, including ad hoc notifications, as necessary. Important non-financial information, including an annual non-financial group statement (Group Impact Report) in accordance with section 315b (3) no. 1 and 2 b) HGB, as well as our Group Code of Conduct, is also available on the ProCredit Holding website. The Group Impact Report is available at: https://www.procredit-holding.com/investor-relations/reports-and-publications/.[14]

Risk Management

Risk management, controlling and promulgating an appropriate risk culture are central aspects of management in the ProCredit group. The ProCredit group applies a standardised and comprehensive framework of rules and policies for risk management, internal control and the prevention of money laundering and other criminal offences. All ProCredit banks are required to follow centrally set standards. The implementation of this framework is monitored regularly by ProCredit Holding. Group risk management and anti-money laundering policies are in line with German and European banking regulations and are updated annually to reflect new developments. ProCredit is firmly committed to transparency and takes a conservative approach to risk management. The Management Board is supported by the Group Risk Management Committee and receives a monthly report on the risk profile and capitalisation (economic and normative perspective) of the group. The Supervisory Board receives a comprehensive report on the risk profile and capitalisation of the group at least quarterly.

Compliance Management System

At a fundamental level, the group compliance management system is rooted in our development mission and our unique approach to staff recruitment and development. Our methodical and responsible approach to all operations is underpinned by our Code of Conduct. Compliance with the Code of Conduct is compulsory for all staff members, and regular training is provided. On a more formal level, the Group Compliance Officer bears responsibility for the implementation of a group-wide system to ensure fulfilment of all applicable regulatory requirements. There is a Group Compliance Committee and corresponding committees at the bank level to enable efficient coordination on all compliance-relevant issues. Compliance risks are regularly assessed and controlled. Each ProCredit bank has a Compliance Officer who bears responsibility for managing adherence to national banking regulations and for reporting regularly and ad hoc to the Management of the bank and to the Group Compliance Officer. The Supervisory Board receives an Annual Group Compliance Risk Management Report.

[14] The Group Impact Report is not part of the audit of the financial statements.

The ProCredit banks, which themselves are subject to national regulations on the prevention of money laundering and terrorist financing, implement the regulations under section 9 of the German Money Laundering Act (Geldwäschegesetz – GwG) as a minimum standard, in accordance with the Group Anti-Money Laundering Policy. In addition to the legal requirements, this also includes the recommended best practices from EU-wide and international standards, such as the guidelines on risk factors for money laundering and terrorist financing issued by the European Banking Authority (EBA) and the recommendations of the Financial Action Task Force (FATF). In addition, all ProCredit banks implement all national regulations related to the prevention of money laundering and terrorist financing in the countries where they operate. All ProCredit banks implement, without exception, the financial sanctions of the United Nations (UN), the European Union (EU), Germany, France and the United States of America (USA). Comprehensive Group Operational Risk Management and Fraud Prevention Policies set stringent standards with regard to whistleblowing, New Risk Approval, Key Risk Indicators and the group Risk Event Database. All ProCredit institutions apply a diligent approach to data protection. Violations of applicable law or of the internal policies of the ProCredit group can be reported to the relevant ProCredit bank or ProCredit Holding via a whistleblowing system. All notifications are treated equally; anonymous reports can also be submitted to ProCredit banks and ProCredit Holding.

Statement on the recommendations of the "Government Commission on the 'German Corporate Governance Code" pursuant to section 161 of the German Stock Corporation Act

Pursuant to section 161 of the German Stock Corporation Act (AktG), the "Management Board" of ProCredit General Partner AG, as the sole "General Partner", and the "Supervisory Board" of ProCredit Holding AG & Co. KGaA ("Company") declare that the Company, in accordance with the special legal characteristics of a partnership limited by shares, has been in compliance with the recommendations of the German Corporate Governance Code ("GCGC") of 16 December 2019, as published by the Federal Ministry of Justice in the official part of the German Federal Gazette on 20 March 2020, since its last statement of compliance on 18 March 2021, with the deviations listed therein, and will, with the deviations listed below, continue to be in compliance in the future.

Deviations based on the legal form of the Company

- The Company's legal form is that of a partnership limited by shares ("**KGaA**" – *Kommanditgesellschaft auf Aktien*). In the case of a KGaA, the managerial duties of a stock corporation ("AG" - *Aktiengesellschaft*) are incumbent upon the General Partner. The sole personally liable general partner of the Company is ProCredit General Partner **AG** ("General Partner"), whose Management Board ("Management Board") is thereby responsible for managing the Company's business operations.
- Compared to the supervisory board of an AG, the rights and obligations of the supervisory board of a KGaA are more restricted. In particular, the Company's Supervisory Board has no authority to appoint the General Partner or its Management Board and to set the terms of the contractual agreement with the General Partner, nor to issue any internal rules of procedure governing the Company's management, nor to determine which transactions require authorisation. These duties are performed by the supervisory board of the General Partner.
- The General Meeting of a KGaA has essentially the same rights as that of an AG. It also decides upon the approval of the Company's annual financial statements as well as the ratification of the acts of the Supervisory Board and of the General Partner. Many of the resolutions of the General Meeting require the consent of the General Partner; this includes the approval of the Company's annual financial statements.

Recommendation G.17

The GCGC recommends that the higher time commitments of the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairman and members of committees should be adequately taken into account in the remuneration of Supervisory Board members. The Supervisory Board members receive a uniform remuneration of EUR 10,000 per annum. Although there is a Chairman on the Supervisory Board and positions on committees, these individuals receive no additional remuneration. The Management Board and the Supervisory Board are of the opinion that the current level of remuneration for the Supervisory Board members is adequate and that additional remuneration is unnecessary.

Frankfurt am Main, 22 March 2022

Management Board of
ProCredit General Partner AG

Supervisory Board of
ProCredit Holding AG & Co. KGaA

ProCredit Holding Supervisory Board Report

Dear Shareholders,

In the following, I would like to inform you about the work undertaken by the Supervisory Board ("**Supervisory Board**") of ProCredit Holding AG & Co. KGaA ("**ProCredit Holding**" or "**Company**") in the 2021 financial year.

In the 2021 financial year, the Supervisory Board and its committees ("**Committees**", each a "**Committee**") performed their respective tasks as defined by the law, the Company's Articles of Association and the Supervisory Board's and the Committees' Internal Rules of Procedure, in particular:

- they continually advised and supervised the activities of ProCredit General Partner AG (*Komplementär*) ("**General Partner**") and its management board ("**Management Board**" or "**Management**");
- they examined whether the annual financial statements of ProCredit Holding and the ProCredit group, the other financial reports as well as the non-financial reporting were in compliance with the applicable requirements;
- the Supervisory Board approved decisions for which its consent was required following careful review and consultation.

Composition of the Supervisory Board and working relationship between the Supervisory Board, the Committees and the General Partner

The composition of the Supervisory Board and its Committees complies with all statutory requirements, specifically with those of the German Banking Act (*Kreditwesengesetz*) and the standards of good corporate governance. The suitability of each member has been examined by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - **BaFin**), and is monitored on an ongoing basis by the Supervisory Board with the support of the Nomination Committee. The suitability assessment comprises the necessary expertise, reliability and time availability of each individual member. In addition, the necessary knowledge, skills and experience of the Supervisory Board as a whole have been assessed.

The chairperson of the Supervisory Board and the chairperson of the Risk and Audit Committee are independent in accordance with the relevant Internal Rules of Procedure.

In the 2021 financial year, the Supervisory Board and the Committees regularly advised the General Partner on the management of ProCredit Holding and continuously supervised its conduct of business. The Supervisory Board concluded that the management of the Company was lawful, proper and appropriate.

The meetings of the Supervisory Board and its Committees featured open and intensive exchanges of information and opinions. The General Partner fulfilled its duty to inform the Supervisory Board and the Committees and provided regular written and oral reports with prompt and comprehensive information on all issues of relevance to ProCredit Holding and the whole ProCredit group.

The Supervisory Board and the Committees were also kept fully informed about specific topics between its regular meetings. In addition, as the Chairperson of the Supervisory Board, I am kept regularly informed by the General Partner as and when needed about important developments and discussions that have taken place. At the following Supervisory Board meeting, I then report on important findings to the other Supervisory Board members.

The Committees' chairpersons and the chairperson of the Supervisory Board maintained regular contact with each other and with the members of the Management Board. We also coordinated with each other regarding our respective activities and the agendas of the various meetings of the Supervisory Board and the Committees. Upcoming decisions were also discussed in regular meetings both with the Management Board and between the chairpersons of the Committees. The cooperation was characterised by an open and trusting atmosphere.

The Supervisory Board was regularly informed by the General Partner of decisions of major significance.

Where required by the law or the Articles of Association, the Supervisory Board provided its approval for individual decisions, based on prior critical assessment.

Supervisory Board meetings during 2021

In the financial year 2021, the Supervisory Board of the Company held nine meetings that were conducted as video conferences owing to risks and restrictions imposed as consequences of the COVID-19 pandemic.

The first five meetings were attended by all members, while Dr Witte could not attend on the sixth, and the seventh meeting; on the ninth meeting he voted on the basis of votes communicated in writing which were submitted to the meeting by Mr Ottenstein. Dr Knapen could not attend the last two meetings following a temporary conflict with his mandate as interim Minister of Foreign Affairs of the Kingdom of the Netherlands. In the eighth meeting Ms Loner voted on the basis of votes communicated in writing which were submitted to the meeting by Ms Popovska.

At each meeting, and on the basis of the quarterly Management Board reports, group-wide risk reports and the reports of the group internal audit department, the Supervisory Board received timely and detailed reports from the General Partner on the current business and financial performance of the ProCredit group, including analysis in relation to planning, as well as analysis of the group risk position and risk management, internal audit findings and significant personnel and organisational issues. In the context of the on-going COVID-19 pandemic, particular attention was always given to indicators and initiatives which relate to operational risk, credit risk, liquidity planning, regulatory changes and other fields likely to become affected by the COVID-19 pandemic. As in previous years, the Supervisory Board has always given due consideration to the environmental, impact and ethical aspects of our operations, and not just the financial results.

As a rule, the Supervisory Board meets subsequent to the meetings of the supervisory board of the General Partner. As the members of both supervisory boards are identical, the members of the Supervisory Board are informed of the discussions and resolutions of the supervisory board of the General Partner. Therefore, if separate decisions by the Supervisory Board are not required, its members acknowledge the discussions and decisions of the agenda of the foregoing supervisory board meeting of the General Partner.

The members of the Supervisory Board essentially take care self-responsibly of their training and further education measures required for their work. In the financial year 2021, the members of the Supervisory Board did not see the need for any particular training measures. This said, the Company has offered to support the Supervisory Board members upon their appointment and during training and professional development measures as needed.

In its **meeting on 12 February 2021**, the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 12 February 2021 and provided its unanimous acknowledgement. The supervisory board of the General Partner had addressed, in addition to the regular items on the agenda, the

Management Board's group business strategy, the group risk strategy and the group IT strategy for the financial year 2021. Further, the General Partner's supervisory board had been presented and discussed the Management Board's Group Risk Report for the fourth quarter of 2020 as well as the annual group and ProCredit Holding internal Audit Report for the last quarter of 2020.

Moreover, the General Partner's supervisory board had been presented the Management Report (focussing on business development, the development of human resources, credit risk, the financial results of the business year 2020, including the preliminary financial results from the financial year 2020, and investor relations activities) for 2020. Special consideration was given to the general and group-specific implications of the Covid pandemic, in particular on the loan portfolio quality and the approach to restructuring selected exposures as well as on the business plan for the next five years.

Finally, the Supervisory Board unanimously resolved to form a Risk and Audit Committee and a Nomination Committee in order to comply with the new requirements of the German Banking Act (*Kreditwesengesetz*).

In its **meeting on 22 March 2021**, the Supervisory Board unanimously acknowledged the discussions held, and the resolution proposals brought forward, by the General Partner's supervisory board meeting held on 22 March 2021. To start with, the supervisory board of the General Partner had been updated by Management on the positive business development in the first two months of the year. As discussed in, and proposed by, the Remuneration Control Committee of the General Partner's supervisory board of the same day, the General Partner's supervisory board had unanimously approved the remuneration system for the Management Board. Further, in addition to the discussions held in the Risk and Audit Committee of the Supervisory Board ("**Risk and Audit Committee**"), the supervisory board of the General Partner had further discussed the annual financial statements of the Company, the consolidated financial statements for the ProCredit group, and the combined management report, each for the year 2020 (collectively "**Financials 2020**"), as well as the General Partner's proposal to propose to the Ordinary Shareholders' Meeting of the Company to pay a dividend of EUR 0.18 per share, and the results of the statutory audit of the Financials 2020. The supervisory board of the General Partner had further acknowledged, based upon the information provided by Management to the Risk and Audit Committee, the intention of the General Partner, subject to the regulators' recommendations, to propose to an Extraordinary Shareholders' Meeting of the Company in the fourth quarter of the year an additional dividend of EUR 0.35 per share on the profits of the financial year 2020, as well as the outcome of the review conducted by the Risk and Audit Committee of the (1) the Annual Report, (2) the Group Impact Report, (3) the Group Compliance Report and (4) the Group Anti-Money-Laundering Report, each for 2020. Moreover, the supervisory board of the General Partner had referred to (1) the presentation of the statutory auditor on the scope, approach and results of the statutory audit of the Financials 2020, and (2) to the presentation of the Management on the Financials 2020 to the Risk and Audit Committee; it had further discussed those presentations and then unanimously resolved to give its formal consent to the General Partner's approval to the adoption (*Feststellung*) of the Company's annual financial statements and the combined management report 2020 by the Company's Shareholders' Meeting.

The Supervisory Board thereinafter, following the recommendations of the Risk and Audit Committee of the same day, which had been based on a presentation by the Management, and made following lengthy and detailed discussions, unanimously resolved (1) to approve the proposal of the General Partner concerning the appropriation of profits from the financial year 2020, and (2) to propose to the ordinary Shareholders' Meeting of the Company to pay out a dividend of EUR 0.18 per share from the Company's profits (*Bilanzgewinn*) from the financial year 2020 and to carry forward the remaining profits (*Bilanzgewinn*) from the financial year 2020 to new account.

Further following the Audit and Risk Committee's recommendation, which had been based on the statutory auditor's presentation on the scope, approach and results of the statutory audit as well as on a presentation by the Management, the Supervisory Board unanimously approved (*billigen*) the Financials 2020, and unanimously resolved to propose to the Shareholders' Meeting to adopt (*feststellen*) the Company's annual financial statements and the combined management report for the Company and the ProCredit group for the financial year 2020.

Moreover, the Supervisory Board, following the review of the Risk and Audit Committee, unanimously approved the report of the Supervisory Board, which is to be submitted pursuant to sec. 171 AktG.

Further, the Supervisory Board unanimously resolved to propose to the Shareholders' Meeting (1) to formally ratify the acts of the General Partner for the financial year 2020; (2) to formally ratify the acts of the members of the Supervisory Board for financial year 2020; and (3) to confirm the remuneration of the Supervisory Board.

Making reference to the recommendation of the Supervisory Board's Nomination Committee of the same day, the Supervisory Board unanimously resolved to propose to the Company's Ordinary Shareholders' Meeting to re-elect Mr Rainer Ottenstein as a member of the Supervisory Board with effect from the end of the Ordinary Shareholders' Meeting 2021 and ending with the conclusion of the Ordinary Shareholders' Meeting which decides whether to ratify the acts of the members of the Supervisory Board in the year 2026.

Finally, the Supervisory Board unanimously resolved (1) to approve the Compliance Statement (*Entsprechens-erklärung*) regarding the German Corporate Governance Code, (2) to appoint Mr Florian Stahl as the Chairperson (*Versammlungsleiter*) of the Company's Ordinary Shareholders' Meeting 2021, and (3) to grant its approval to the General Partner to conduct that Shareholders' Meeting as a purely virtual assembly in accordance with the Act on measures in company, cooperative, association, foundation and residential property law to combat the effects of the COVID-19 pandemic.

In its **meeting on 12 April 2021** the Supervisory Board, the Supervisory Board unanimously acknowledged the discussions held, and the resolution proposals brought forward, by the General Partner's supervisory board meeting held on 12 April 2021. The General Partner's supervisory board had made decisions on proposals for new candidates. Further, the Supervisory Board had been updated with some results of the first quarter of 2021.

Referring to the discussions, and following the recommendation, of its Risk and Audit Committee of the same day, the Supervisory Baord then resolved with four affirmative votes and one abstention to propose to the Company's Ordinary Shareholders' Meeting to appoint BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Frankfurt office, as the statutory auditor of the Company and the ProCredit group for the financial year 2021 as well as for a possible review of the condensed financial statements and the interim management report for the ProCredit group for the first half year 2021.

Referring to the discussions, and following the recommendation, of its Nomination Committee of the same day, the Supervisory Board further resolved (1) unanimously to propose Ms Jovanka Joleska Popovska to be elected by the Ordinary Shareholders' Meeting 2021 as a new member of the Supervisory Board, (2) with five affirmative votes and one abstention to propose Dr Jan Martin Witte to be elected by the Ordinary Shareholders' Meeting 2021 as a new member of the Supervisory Board, both with effect from the conclusion of that Shareholders' Meeting and ending with the conclusion of the Shareholders' Meeting which decides whether to ratify the acts of the Supervisory Board for the financial year 2021.

In its **meeting on 10 May 2021**, the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 10 May 2021 and provided its unanimous acknowledgement.

The supervisory board of the General Partner had addressed, in addition to the regular items on the agenda, the detailed report from the Management Board for the first quarter 2021, which had continuously been coloured by the combined effects of economic recovery and ongoing COVID-19 pandemic. The Management Board had reported that the infection rates had remained high in the first quarter of the year and the vaccination rollout had remained so far limited in all countries of operation, with the exception of Serbia and to some extent Romania. The Management Board had reported that the results of the first quarter had been strong and in line with the growth trends of 2020 and that only around 1 per cent of the loan portfolio was under moratoria at the time. Further, it had been reported that the trend toward digital payments had clearly continued, as compared with the same period of the preceding year. The quality of the loan portfolio had been reported to be very stable and strong in the first quarter of the year. While the group's capital position had been steady and the CET 1 capital slightly increased, the net profit had been identified to be above the business plan, which had been reported to have resulted in the strongest return on equity as compared with other larger European banking groups. The General Partner's supervisory board had further referred to Management's detailed Group Risk Report for the first quarter of the year as presented to the Risk and Audit Committee of the same day, according to which generally no changes in the risk assessments had materialised as compared to the last quarter 2020 meaning that despite the ongoing pandemic no significantly increased risk levels had been observed. Finally, the General Partner's supervisory board had referred to the internal Audit Report for Q1 2021 of the same day as presented to the Risk and Audit Committee of the same day.

In its **meeting on 31 May 2021** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 31 May 2021 and provided its unanimous acknowledgement. Further, the Supervisory Board, in each case unanimously, re-elected Mr Ottenstein, and elected Ms Popovska and Mr Witte for the first time, as members of the Risk and Audit Committee and the Nomination Committee.

In its **meeting on 16 July 2021** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 16 July 2021 and provided its unanimous acknowledgement. In addition to the routine agenda points, the supervisory board of the General Partner had been presented the management report for the first half of the year 2021. The Management Board had reported on the very strong results of the first six months of the year, both operationally and financially; further, that the quality of the loan portfolio had remained steady as had the liquidity situation and the capital ratios. The pandemic situation had been reported to have improved, but that preventive measures and regular testing had continued to be applied with the group, nevertheless. The key pillars of the renewable energy project financing setup had further been presented in detail. As regarded the preliminary financial results of the first half of the year, the Management Board had presented the strong increase in the net profit as compared with the first half of the previous year, mainly owed to lower loan loss provisions, the high quality of the loan portfolio, an increase of the operating income and relatively flat administrative expenses; further, the strong capital position of the group had been highlighted. The Management Board had further informed that it envisaged the potential issuance of profit participation rights in the second half of 2021, thus generating AT1 capital in order to diversify the capital structure. Regarding a potential second dividend for 2020 the General Partner's supervisory Board had been informed that Management expected the regulators' decision on the recommendation to banks regarding profit distribution soon. Concerning the group's risk profile Management had informed that no changes to the risk assessments had been made as compared to the last quarter and that no significantly increased risk levels could be observed.

In its **meeting on 9 August 2021** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 9 August 2021 and provided its unanimous acknowledgement. The supervisory board of the General Partner had acknowledged, based upon the information provided by Management to the Risk and Audit Committee, the update on business developments as of July 2021, the final group financial results as of the first half 2021 and the Interim Report as of 30 June 2021, the Group Risk Report and the internal audit report, each for the first half 2021. The Management Board had informed the Committee on the ongoing robust growth of the loan portfolio and confirmed in essence the preliminary half-yearly financial results presented in July. Further, the external auditors had reported on the review conducted on the condensed financial information for the first half of the year and had discussed the results with the Risk and Audit Committee. In connection with the Group Risk Report for the second quarter 2021, it had further been reported that signs of an economic recovery had been further noted. Given the return to economic growth, the outlook for FX risk had been changed from watch to stable, while country and operational risks had remained stable. Moreover, regarding customer credit risk the loan portfolio quality had been reported to have remained at strong and stable levels, with the asset quality indicators slightly improved. The liquidity situation of the group had been reported to be stable.

Further, the General Partner's supervisory board had been presented in detail the key features of the planned AT1 instrument as a hybrid instrument combining features of debt and equity as a way to optimize the capital structure and further strengthen Tier-1 capital. Moreover, the potential volume of the transaction and the resulting capital structure had been presented and discussed in detail with Management. Following an in-depth discussion the General Partner's supervisory board unanimously consented to the General Partner's approval to a resolution of the Company's Shareholders' Meeting authorizing the General Partner to issue for a period of five years one or more hybrid bonds in an aggregate amount of up to EUR 100m in the name of the Company, which meet the requirements for regulatory recognition as additional Tier 1 capital, with the possibility to exclude the subscription rights of the shareholders of the Company, provided the issue price of that instrument would not be significantly below the market price ("**Issuance**"), and had unanimously resolved (1) that consent be granted to the General Partner's approval to a resolution of the Shareholders' Meeting of the Company to authorize the General Partner to conduct the Issuance and (2) to propose the General Partner's Shareholders' Meeting to consent to the General Partner's approval to a resolution of the Company's Shareholders' Meeting.

Referring to Management's presentation and the discussion in the Risk and Audit Committee and the General Partner's supervisory board, the Supervisory Board unanimously resolved to propose to the Company's Shareholders' Meeting to authorize the General Partner to conduct the Issuance.

In its **meeting on 22 October 2021** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 22 October 2021 and provided its unanimous acknowledgement. Among other topics, the General Partner's supervisory board had unanimously prolonged Dr Schor's appointment as a member of the Management Board until 31 December 2022.

The Supervisory Board then referred to the discussions made in the Risk and Audit Committee and of the Supervisory Board on 22 March 2021 concerning the intention to propose a second dividend for the business year 2020. As this was identified to be the case the Supervisory Board resolved after a discussion with three affirmative and two negative votes to propose to an Extraordinary Shareholders' Meeting to partially amend the 2021 Ordinary Shareholders' Meeting's resolution and propose to pay another dividend of 0.35 Euro per share out of the profits of the business year 2020. Further, the Supervisory Board unanimously approved to conduct the Company's Extraordinary Shareholders' Meeting, planned by the General Partner to be held in December 2021, as a virtual assembly in accordance with the Act on measures in company, cooperative, association, foundation and residential property law to combat the effects of the COVID-19 pandemic, and unanimously elected Mr Florian Stahl, who had chaired the Company's Shareholders' Meeting in the previous three years, as the chairperson (*Versammlungsleiter*) for this Extraordinary Shareholders' Meeting. Finally, the Supervisory Board approved one-time non-audit services in compliance with the EU Audit Regulation and the group's internal policies.

In its **meeting on 8 November 2021** the Supervisory Board unanimously acknowledged the discussions held, and the resolution proposals brought forward, by the General Partner's supervisory board meeting held on 8 November 2021. To start with, the General Partner's supervisory Board had been updated with the Management Report for Q3 2021, including the group business development, IT support, development on human resources, credit risk, financials and investor relations. Regarding to the latter it had been noted that the liquidity of ProCredit Holding's shares had increased, and that measures to increase the share's visibility would be continued. The members of the General Partner's supervisory board had been presented an overview of the business development in the group, highlighting the strong and qualitative growth of the loan portfolio and the sustained development of customer deposits on line with the strategic objectives of the group. The supervisory board of the General Partner had further been informed on, and reviewed, the group salary structure, which was subsequently approved by the Supervisory Board.

The supervisory board of the General Partner had further referred to the presentation of the interim report and Management's and the statutory auditor's report, which had been presented to the Risk and Audit Committee of the same day. Moreover, the General Partner's supervisory board had referred to the group risk report, and the internal audit reports, each as of 30 September 2021, as they had been presented to the Risk and Audit Committee of the same day. In addition, the General Partner's supervisory board referring to the discussions and recommendation of its Nomination Committee regarding a guidance issued by BaFin (*Merkblatt zu den Mitgliedern von Verwaltungs- oder Aufsichtsorganen gemäß KWG und KAGB* dated 20 December 2020) ("**Guidance**") had unanimously adopted a guideline for assessing the suitability of the Management Board, and acknowledged the report on the annual assessment of the Management Board. Moreover, the General Partner's supervisory board had reported on its annual efficiency assessment. In this context, it had confirmed its members and those of the committees to be well-informed and able to fulfil their supervisory functions in light of their experience and on the basis of regular contact and meetings with the members of the Management Board members and other managers and colleagues across the group. They had further indicated that they did not see the need for any particular training, while the General Partner would support the supervisory board's members in line with the provisions of the internal rules of procedures. The General Partner's supervisory board had also noted that the Management Board's work processes in 2021 had been effective, and that the Management Board had acted in the best interest of the General Partner and the Company, thus an effective and prudent management being in place.

In addition, the Supervisory Board, referring to the discussions and recommendation of its Nomination Committee of the same day regarding the BaFin's Guidance, unanimously adopted a guideline for assessing the suitability of the members of the Supervisory Board, and acknowledged the annual assessment of the Supervisory Board. In this context, it confirmed its members and those of the committees to be well-informed and able to fulfil their supervisory functions in light of their experience and on the basis of regular contact and meetings with the members of the Management Board members and other managers and colleagues across the group. They further indicated that they did not see the need for any particular training, while the Company would support the supervisory board's members in line with the provisions of the internal rules of procedures. Finally, the Supervisory Board confirmed that the General Partner's work processes in 2021 had been effective, and that the it had acted in the best interest of the Company.

Committee Work

In order to comply with the requirements of the amended Banking Act (*Kreditwesengesetz*) the Supervisory Board formed a Risk and Audit Committee as well as a Nomination Committee in February 2021. Both Committees have the same members as the Supervisory Board.

The Risk and Audit Committee dealt in six meetings and one telephone conference with the monitoring of financial accounting, including the accounting process, and the effectiveness of the risk management system, in particular the overall risk appetite and risk strategy, with a focus on credit, liquidity, FX, interest rate, and operational risk. In the telephone conference and the first three meetings all six members participated, while Dr Witte could not participate in the fourth and sixth meeting, and Dr Knapen could not attend on the fourth, fifth and sixth meeting following a temporary conflict with his mandate as interim Minister of Foreign Affairs of the Kingdom of the Netherlands. In the fifth meeting Ms Loner voted on the basis of votes communicated in writing which were submitted to the meeting by Ms Popovska. The committee discussed in detail the identification of the group's risk areas, as well as measures to control and to reduce them. Specifically, it has looked very closely at the COVID-19 pandemic's impact on the risk environment of the Company and the group, as well as at the measures taken by the Company in response. Another focal point of the Risk and Audit Committee in 2021 was to monitor the regulatory background and to discuss a recommendation to the Supervisory Board regarding the proposal to the Shareholders' Meeting on dividend payments that are in line with the group's dividend policy.

Moreover, the Risk and Audit Committee fulfilled its responsibility for monitoring the internal control systems and internal audit, as well as the audit of the annual financial statements and all matters of compliance. In this regard it supported the Supervisory Board in monitoring the accounting process and examined in depth the yearly and interim financial statements, both on the Company's and on a consolidated level as well as the Company's separate non-financial group report which contains the non-financial group statement. It prepared the Supervisory Board's decisions (1) on the approval of the annual and consolidated financial statements, the Supervisory Board's recommendation to the Shareholders' Meeting to adopt (*feststellen*) the annual financial statements, (2) on the General Partner's proposals on the appropriation of profits and (3) on the Supervisory Board's report to be submitted pursuant to sections 278 (3) and 171 of the German Stock Corporation Act (AktG).

The Risk and Audit Committee was kept informed by Management comprehensively of all risk- and audit-relevant developments within the Company and the group, in particular of the work of the Internal Audit Department, its audit plan and its equipment. It considered the actions taken by the Management Board to address the issues identified by the statutory auditors, the Internal Audit Department and the supervisory authorities, and was regularly informed of the status and progress of the resolution of identified deficiencies.

The Risk and Audit Committee decided, after duly following the statutory selection process, to recommend to the Supervisory Board, and later to the Shareholders' Meeting, that BDO be appointed as the Company's and the group's statutory auditor for the financial year 2021. In this context, it took into account the results of the independence audit, which did not reveal any indications of bias or threats to independence.

The Risk and Audit Committee further dealt with the preparatory measures for the audit of the annual financial statements and consolidated financial statements for 2021 and defined its own focal points for the audit. It also dealt with the particularly significant audit matters presented in the auditor's report, and in the separate non-financial report.

The statutory auditor also regularly reported to the Risk and Audit Committee on the quality of the audit so that the Committee could assess it using appropriate indicators.

The Company's Nomination Committee convened three times in 2021. In the first two meetings all members participated, while in the third meeting Dr Witte and Dr Knapen could not attend, regarding the latter following a temporary conflict with his mandate as interim Minister of Foreign Affairs of the Kingdom of the Netherlands. It recommended to the Supervisory Board to propose to the Shareholders' Meeting to re-elect Mr Ottenstein, and to elect Ms Popovska and Dr Witte, each for the first time, as suitable candidates to the Supervisory Board. In doing so, the Nomination Committee was guided by the objectives set by the Supervisory Board, the competence profile established for the body as a whole, potential conflicts of interest and the diversity of the members of the Supervisory Board. It also considered the balance and diversity of knowledge, skills and experience of all members of the Supervisory Board.

Further, the Nomination Committee discussed, and prepared for the Supervisory Board, a recommendation for a suitability policy for the Supervisory Board, reflected the requirements set out in the BaFin's Guidance. It finally supported the Supervisory Board regarding the yearly report on the annual efficiency assessment of the Supervisory Board, its Committees and the General Partner.

Audit of ProCredit Holding AG & Co. KGaA

The annual financial statements for ProCredit Holding, the consolidated annual financial statements and the combined management report for ProCredit Holding and the ProCredit group for financial year 2021 were audited by the statutory auditor BDO AG Wirtschaftsprüfungsgesellchaft, Hamburg, Germany. The external auditor granted an unqualified audit opinion in each case.

The Risk and Audit Committee also carefully examined the annual financial statements of ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the combined management report and the non-financial report for the group for financial year 2021. The external auditors participated via video in the respective meeting of the Risk and Audit Committee and in the corresponding Supervisory Board meeting at which the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the combined management report and the non-financial report for financial year 2021 were discussed. In accordance with applicable law, the non-financial report was not subject to the statutory audit.

The Risk and Audit Committee discussed the financial statement documents and the reports of BDO in detail with the auditor and subjected them to its own careful review. The Committee came to the conclusion that the reports meet, in particular, the legal requirements set out in Sections 317 and 321 of the German Commercial Code (HGB). The Committee reported to the Supervisory Board on its review and recommended that the annual financial statements and the consolidated financial statements be approved.

After conducting its own review and discussion of the annual financial statements, the consolidated annual financial statements, the combined management report and the non-financial report for the group, the Supervisory Board acknowledged the findings of the auditor's report and stated that no objections would be submitted. In accordance with the recommendation of the Risk and Audit Committee, the Supervisory Board unanimously approved the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group for financial year 2021, and recommended that the Shareholders' Meeting adopt (*feststellen*) the annual financial statements for ProCredit Holding.

Changes to the members of the Supervisory Board, its Committees and the Management Board of the General Partner

In financial year 2021 Mr Christian Krämer and Mr Petar Slavov resigned as members of the Supervisory Board with effect from the end of the Ordinary Shareholders' Meeting on 27 May 2021. Ms Jovanka Joleska Popovska and Dr Jan Martin Witte were elected as new members of the Supervisory Board for the period from the close of the Ordinary Shareholders' Meeting on 27 May 2021 until the close of the Shareholders' Meeting that resolves on the ratification of the acts of the Supervisory Board for the 2021 financial year. Further, Mr Rainer Ottenstein was re-elected as a member of the Supervisory Board for the period from the close of the Ordinary Shareholders' Meeting on 27 May 2021 until the close of the Shareholders' Meeting that resolves on the ratification of the acts of the Supervisory Board for the 2025 financial year. With effect from March 7, 2022, Mr Ottenstein took over the chairmanship of the Supervisory Board from Dr Zeitinger.

Moreover, the Supervisory Board acknowledged the unanimous decision of the supervisory board of the General Partner dated 22 October 2021 regarding the prolongation of Dr Schor's appointment as a member of the Management Board of the General Partner until 31 December 2022.

In its meeting dated 22 March 2021 the Risk and Audit Committee unanimously elected Dr Knapen as its chairperson. Following Dr Knapen's a temporary conflict with his mandate as interim Minister of Foreign Affairs of the Kingdom of the Netherlands, the Risk and Audit Committee elected Mr Ottenstein as its chairperson on 22 October 2021. On 22 March 2021 the Supervisory Board's Nomination Committee unanimously elected Dr Zeitinger as its chairperson.

Conflicts of Interests

In the financial year 2021 there were no conflicts of interest of individual members of the Supervisory Board.

Frankfurt am Main, 23 March 2022

Rainer Ottenstein
Chairperson of the Supervisory Board of
ProCredit Holding AG & Co. KGaA

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in '000 EUR	Note	1.1.–31.12.2021	1.1.–31.12.2020
Interest income (effective interest method)		310,438	301,924
Interest expenses		88,418	100,364
Net interest income	(6)	**222,020**	**201,561**
Fee and commission income		73,380	66,416
Fee and commission expenses		22,524	19,035
Net fee and commission income	(7)	**50,855**	**47,380**
Result from foreign exchange transactions	(8)	18,317	16,341
Result from derivative financial instruments and hedging relationships*	(1)	629	-553
Result on derecognition of financial assets measured at amortised cost		1	1,072
Net other operating result	(9)	-9,941	-13,686
Operating income*	(1)	**281,881**	**252,114**
Personnel expenses	(10)	90,096	84,305
Administrative expenses	(11)	90,763	87,125
Loss allowance*	(1, 12)	6,490	28,600
Profit before tax		**94,532**	**52,085**
Income tax expenses	(22)	14,890	10,689
Profit of the period		**79,642**	**41,396**
Profit attributable to ProCredit shareholders		*79,642*	*41,396*

** 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	Note	1.1.–31.12.2021	1.1.–31.12.2020
Profit of the period		**79,642**	**41,396**
Items that are or may be reclassified to profit or loss			
Change in revaluation reserve	(18)	-714	968
Change in value not recognised in profit or loss		*-738*	*955*
Change in loss allowance (recognised in profit or loss)		*24*	*13*
Change in deferred tax on revaluation reserve	(18)	56	-69
Change in translation reserve	(5)	28,633	-54,710
Change in value not recognised in profit or loss		*28,633*	*-54,710*
Other comprehensive income of the period, net of tax		**27,975**	**-53,811**
Total comprehensive income of the period		**107,617**	**-12,415**
Total comprehensive income attributable to ProCredit shareholders		*107,617*	*-12,415*
Earnings per share* in EUR	(14)	1.35	0.70

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in '000 EUR	Note	31.12.2021	31.12.2020
Assets			
Cash	(15)	140,488	134,857
Central bank balances	(4, 12, 15)	1,405,034	1,270,491
Loans and advances to banks	(4, 12, 16)	252,649	236,519
Derivative financial assets	(4, 17)	1,343	509
Investment securities	(4, 12, 18)	410,400	336,476
Loans and advances to customers	(4, 12, 19)	5,792,966	5,131,582
Property, plant and equipment	(20)	137,536	140,744
Intangible assets	(21)	18,411	19,316
Current tax assets	(22)	3,472	6,113
Deferred tax assets	(22)	1,746	1,630
Other assets	(4, 12, 23)	51,855	51,063
Total assets		**8,215,901**	**7,329,301**
Liabilities and equity			
Liabilities to banks*	(1, 4)	1,313,666	1,235,763
Derivative financial liabilities	(4, 17)	360	4,405
Liabilities to customers	(4, 25)	5,542,251	4,898,897
Debt securities	(4, 26)	353,221	266,858
Other liabilities	(27)	41,629	41,249
Provisions	(28)	16,816	14,875
Current tax liabilities	(22)	3,614	1,582
Deferred tax liabilities	(22)	640	969
Subordinated debt	(4, 26)	87,390	84,974
Liabilities		**7,359,587**	**6,549,573**
Subscribed capital and capital reserve	(31)	441,277	441,277
Retained earnings		496,044	447,434
Translation reserve		-83,145	-111,779
Revaluation reserve		2,139	2,797
Equity attributable to ProCredit shareholders		**856,314**	**779,729**
Total liabilities and equity		**8,215,901**	**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		79,642			79,642		79,642
Other comprehensive income of the period, net of tax			28,633	-658	27,975		27,975
Total comprehensive income of the period		79,642	28,633	-658	107,617		107,617
Distributed dividends		-31,216			-31,216		-31,216
Other changes		185			185		185
Balance as of 31.12.2021	**441,277**	**496,044**	**-83,145**	**2,139**	**856,314**	**0**	**856,314**

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		41,396			41,396	0	41,396
Other comprehensive income of the period, net of tax			-55,958	901	-55,056	1,246	-53,811
Total comprehensive income of the period		41,396	-55,958	901	-13,661	1,246	-12,415
Change of ownership interests		839			839	-12,187	-11,348
Balance as of 31.12.2020	**441,277**	**447,434**	**-111,779**	**2,797**	**779,729**	**0**	**779,729**

CONSOLIDATED STATEMENT OF CASH FLOWS

in '000 EUR	Note	1.1.–31.12.2021	1.1.–31.12.2020
Profit of the period		79,642	41,396
Income tax expenses		14,890	10,689
Profit before tax		**94,532**	**52,085**
Non-cash items included in the profit of the period and transition to the cash flow from operating activities:			
Depreciation, impairment and appreciation of loans and advances, property, plant and equipment and financial investments		30,681	53,509
Increase / decrease of provisions		6,864	7,567
Gains / losses from disposal of fixed assets		99	798
Other non-cash expenses and income		-214,892	-227,484
Subtotal		-82,717	-113,525
Net change in assets and liabilities from operating activities:			
Loans and advances to banks		-83,087	-51,717
Loans and advances to customers		-676,523	-452,087
Other assets from operating activities		-29,432	-86,594
Liabilities to banks		78,610	158,247
Liabilities to customers		642,752	568,232
Debt securities	(26)	72,453	-76,870
Other liabilities from operating activities		-3,835	11,450
Interest received		314,083	289,309
Interest paid		-88,522	-97,436
Income tax paid		-10,636	-13,124
Cash flow from operating activities		**133,147**	**135,885**
Proceeds from disposal of fixed assets		4,049	3,691
Payments for purchase of fixed assets		-17,492	-29,231
Cash flow from investing activities		**-13,443**	**-25,541**
Dividends paid		-31,216	0
Acquisition of shares from NCI's		0	-8,808
Proceeds/ payments from subordinated loans	(26)	-4,790	-7,626
Cash flow from financing activities		**-36,006**	**-16,433**
Cash and cash equivalents at end of previous year		**1,279,229**	**1,229,077**
Cash flow from operating activities		133,147	135,885
Cash flow from investing activities		-13,443	-25,541
Cash flow from financing activities		-36,006	-16,433
Effects of exchange rate changes		35,867	-43,759
Cash and cash equivalents at end of period	(15)	**1,398,793**	**1,279,229**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting principles

Result for the financial year

Notes to the Statement of Financial Position

Additional Notes

Significant accounting principles

(1) Basis of accounting

The activities of the ProCredit group comprise the financing of Small and Medium-sized Enterprises (SMEs) and direct banking 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.

Our consolidated financial statements as of 31 December 2021 comprise 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 Consolidated Statement of Cash Flows and the Notes to the Consolidated Financial Statements. Further disclosures with regard to the nature and extent of risks arising from financial instruments are presented in our risk report as part of the Combined Management Report. The corporate governance statement required by sec. 161 of the German Stock Corporation Act (AktG) is included in the Combined Management Report.

The consolidated financial statements are presented in euros, which is also the group's functional currency. The significant accounting policies have been consistently applied to all financial years presented, unless otherwise stated. The following material changes in presentation or recognition and measurement principles were made in the current year:

- The "Loss allowance" is reported after the positions "Personnel expenses" and "Administrative expenses". Similarly, we adjusted the subtotal for "Operating income". "Liabilities to international financial institutions" which were reported separately in the previous year, are reported within the position "Liabilities to banks". We have adjusted the presentation of interest expenses accordingly (see note 6)). The previous year's figures have been aligned to the current disclosure structure.

- We designate certain derivatives as hedging instruments in qualifying hedging relationships (hedge accounting) in accordance with IFRS 9. Gains or losses arising from changes in the fair value of interest rate swaps 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". For further explanations, please refer to notes 4) Financial instruments and 17) Derivative financial assets and liabilities.

The financial year of the ProCredit group is the calendar year. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (EUR, %, etc.). Reporting and valuation are made on a going concern assumption. In this assessment, we had to gauge the current situation and make assumptions due to the armed conflicts in Ukraine.

A material default event of ProCredit Bank Ukraine could lead to special termination rights in the funding agreements at the level of ProCredit Holding, which could result in additional liquidity risk for the group (see "Liquidity risk" section in the Combined Management Report).

A material default event would arise if bankruptcy proceedings were initiated against the bank by the Ukrainian supervisory authority, if the bank were insolvent or over-indebted, or if certain third-party liabilities of ProCredit Bank Ukraine were prematurely declared due. At the present time, these risks are assessed as low. The capital and financial position of ProCredit Bank Ukraine was solid at the time of financial statement preparation. The operationality of the bank is supported by the decentralised location of employees in Ukraine and abroad and by the securing of ProCredit Bank Ukraine's IT infrastructure outside of Ukrainian territory by our group-internal software company, Quipu (see section "Events after the reporting period" in the Combined Management Report). The Management Board currently considers the risk of a non-continuation of Ukrainian rule of law as the greatest risk for a potential default event of ProCredit Bank Ukraine.

These financial statements have been prepared on a going concern basis because there are currently no special termination rights due to a material default event, and because at this time we have no indication that the necessary funding measures to eliminate the liquidity risk could not be implemented.

ProCredit Holding has already taken measures to mitigate the liquidity risk described, in particular negotiations on new funding guarantees. Due to the very recent developments in Ukraine, these could not be finalised on the date these financial statements were prepared.

Further assumptions, estimates, and necessary management judgements have to be made in the course of preparation of the consolidated financial statements. 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. For a description of the effects of estimates and judgements, please refer to notes 4) Financial instruments, 12) Loss allowance, 21) Intangible assets, 28) Provisions and 30) Fair value of financial instruments, as well as the risk report in the Combined Management Report.

(2) Principles of consolidation

ProCredit Holding prepares the consolidated financial statements for the largest scope of entities. The consolidated financial statements comprise the financial statements of ProCredit Holding together with its subsidiaries. Subsidiaries are all companies which are controlled by the group. Control over an entity exists when ProCredit Holding is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date on which control ceases. The group has no interest in joint ventures or associates. Group-internal transactions, balances and interim profits are eliminated in full.

The following subsidiaries are included in the scope of consolidation as of 31 December 2021:

#	Name of institution	Company purpose	Principal place of business	Turnover in '000 EUR	Profit before tax in '000 EUR	Income tax expenses in '000 EUR	Staff No. 31.12.2021	Proportion of ownership interest 31.12.2021	Proportion of ownership interest 31.12.2020
	EU member states								
1	ProCredit Bank (Bulgaria) E.A.D.	Credit institution with banking licence	Bulgaria	49,638	21,472	1,918	381	100.0	100.0
2	ProCredit Bank AG	Credit institution with banking licence	Germany	10,709	1,464	0	64	100.0	100.0
3	ProCredit Academy GmbH*	Training academy	Germany	2,585	0	0	24	100.0	100.0
4	Quipu GmbH	IT consulting and software company	Germany	38,683	-333	23	428	100.0	100.0
5	ProCredit Bank S.A.	Credit institution with banking licence	Romania	14,095	1,804	-19	144	100.0	100.0
	Non-EU member states								
6	ProCredit Bank Sh.a	Credit institution with banking licence	Albania	7,986	624	13	106	100.0	100.0
7	ProCredit Bank d.d.	Credit institution with banking licence	Bosnia and Herzegovina	11,327	1,368	191	143	100.0	100.0
8	Banco ProCredit S.A.	Credit institution with banking licence	Ecuador	18,783	885	640	243	100.0	100.0
9	JSC ProCredit Bank	Credit institution with banking licence	Georgia	22,632	13,322	2,213	253	100.0	100.0
10	ProCredit Bank Sh.a	Credit institution with banking licence	Kosovo	32,709	19,434	1,988	273	100.0	100.0
11	ProCredit Bank A.D.	Credit institution with banking licence	North Macedonia	15,272	3,295	275	173	100.0	100.0
12	ProCredit Regional Academy Eastern Europe dooel*	Training academy	North Macedonia	84	-168	22	4	100.0	100.0
13	BC ProCredit Bank S. A.	Credit institution with banking licence	Moldova	11,003	4,689	577	114	100.0	100.0
14	ProCredit Bank a.d. Belgrade	Credit institution with banking licence	Serbia	32,697	4,893	825	369	100.0	100.0
15	JSC ProCredit Bank	Credit institution with banking licence	Ukraine	48,733	29,069	5,334	328	100.0	100.0

* *not considered in the regulatory scope of consolidation*

Turnover corresponds to the position "Operating income". The amounts shown above are reported for each country without eliminating transactions between group companies, i.e. based on the respective annual financial statements for each subsidiary.

Shares in subsidiaries whose influence on the financial position and financial performance is insignificant, both individually and as a whole, are not consolidated but are recognised as financial investments under equity instruments. This includes the wholly owned subsidiaries ProCredit Reporting DOOEL, North Macedonia, Pro Energy L.L.C., Kosovo, and the special purpose entity PC Finance II B.V., The Netherlands. ProCredit Reporting DOOEL supports the reporting activities of the group and Pro Energy L.L.C. will be engaged in the production, trade and distribution of renewable energy. In the past, part of the loan portfolio of a ProCredit bank was securitised via PC Finance II B.V.

(a) Changes in the scope of consolidation

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.

(b) Significant restrictions

As of year-end, our group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which the banking subsidiaries operate. These frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets. Please refer to our disclosures in the risk report as part of the Combined Management Report. In some countries where the ProCredit group operates, payout of dividends is subject to the approval of local regulatory authorities.

(3) Accounting developments

(a) Standards, amendments and interpretations that are already effective

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to Interest Rate Benchmark Reform (IBOR reform) will have a minor impact. The amendments concern changes in contractual cash flows: If a change in the reference interest rate results in changes in contractual cash flows, the carrying amount of the financial instruments concerned shall not be adjusted or derecognised, but the effective interest rate shall be updated. Information must be disclosed on new risks arising from the IBOR reform and on how the transition to new reference interest rates is handled. There are no effects on the hedge accounting for the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2021.

The following standards, amendments or interpretations were issued by the IASB and endorsed by the EU and had no impact on the consolidated financial statements: Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9" and amendments to IFRS 16 "COVID-19-Related Rent Concessions".

(b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" have no impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 April 2021.

- Annual improvements to IFRS (2018-2020 cycle) with amendments to IFRS 1, IFRS 9, IFRS 16 (Illustrative Example) and IAS 41 have a minor impact on the consolidated financial statements with regard to the amendment to IFRS 9. The amendment clarifies which fees are to be included when assessing whether the contractual terms of a modified financial liability differ significantly from the original financial liability. The amendments are effective for annual periods beginning on or after 1 January 2022.

- Amendments to IFRS 3: “Reference to the Conceptual Framework”, to IAS 16: “Property, Plant and Equipment: Proceeds before Intended Use” and to IAS 37: “Onerous Contracts: Cost of Fulfilling a Contract” will not have an impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2022.

- Amendments to IAS 1: “Classification of Liabilities as Current or Non-Current” have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2023.

- Amendments to IAS 1 and to IFRS Practice Statement 2: “Making Materiality Judgements” have a negligible impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

- Amendments to IAS 8: “Definition of Accounting Estimates” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

- Amendments to IAS 12: "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" have an impact on the measurement of deferred taxes. The amendments are an additional retrospective exception from the initial recognition exemption for IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions that give rise to equal deductible and taxable temporary differences on initial recognition. The amendments are effective for transactions occurring on or after the beginning of the earliest comparative period presented. At the beginning of the earliest comparative period presented, deferred taxes must be recognised for all temporary differences relating to leases. The cumulative effect of applying the amendments for the first time is recognised as an adjustment to the opening balance of retained earnings. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2023.

- IFRS 17 “Insurance Contracts” will not have an impact on the consolidated financial statements. The standard is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2023.

There was no early adoption of any standards, amendments and interpretations not yet effective.

(4) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument for another entity. The financial assets of our group are mainly debt instruments, with only a small proportion consisting of equity instruments. Equity instruments are recognised at fair value through other comprehensive income. For debt instruments, IFRS 9 is based on a consistent approach to classify and measure financial assets according to the underlying business model in which the financial assets are managed and to their cash flow characteristics.

We differentiate between the following business models:

- "Hold to collect": the financial assets are held with the aim of collecting the contractual cash flows.
- "Hold to collect and sell": the financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
- "Other": this business model is used for financial assets that are neither allocated to the "hold to collect" business model nor to the "hold to collect and sell" business model.

Our business models for financial assets are assessed on the basis of groups of financial assets (portfolios). The allocation to a business model is based on the actual circumstances at the time of the assessment. We take the following criteria, among others, into account:

- our business strategy and risk strategy,
- the way in which the development of the business model is evaluated and reported to our Management and Supervisory Board,
- if there were sales in previous periods, the frequency, volume, timing and reasons for those sales as well as expectations regarding future sales activities.

As a result, the balance sheet positions allocated to the "hold to collect" business model are: "Central bank balances", "Loans and advances to banks", "Loans and advances to customers" and "Other assets". "Investment securities" are allocated to the "hold to collect" or the "hold to collect and sell" business model.

Subsequent recognition of financial liabilities is at amortised cost; only derivative financial liabilities are recognised at fair value.

(a) Financial assets and liabilities at amortised costs
A financial asset is classified "at amortised cost" when the financial asset is assigned to the "hold to collect" business model with the objective to solely collect contractual cash flows through interest and principal payments (SPPI conform). The review of the SPPI criterion is a discretionary decision of the Management. The financial assets arise when the group provides capital directly to a contracting party with no intention of trading the receivable.

These financial assets are initially recognised at fair value plus transaction costs; subsequently they are measured at amortised cost using the effective interest method. Expected credit losses (ECL) are recognised using a three-stage model (see note 12)). If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the Consolidated Statement of Profit or Loss. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been substantially modified, or we have transferred substantially all risks and rewards of ownership. In addition, when loans and receivables are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset.

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the Consolidated Statement of

Profit or Loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

(b) Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income
A financial asset is classified and recognised as "Fair Value through Other Comprehensive Income" ("FVOCI financial instrument"), if the financial asset is allocated to a "hold to collect and sell" business model.

In general, part of "Investment securities" are allocated to this business model. The cash flow criterion is checked individually. Investment securities of the ProCredit group fulfil the cash flow criterion (SPPI conform) but can be sold if required. Furthermore, a small amount of shares included under "Other assets" are classified as FVOCI. There is no intention to trade or sell these shares.

At initial recognition, the FVOCI financial instruments are recorded at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently they are carried at fair value. Gains and losses arising from changes in fair value are recognised in the Consolidated Statement of Other Comprehensive Income under "Revaluation reserve". If the financial asset is derecognised (see note 12) for details on impairment), the cumulative gain or loss previously recognised in the "Revaluation reserve" is recognised in the Consolidated Statement of Profit or Loss. Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as FVOCI financial instruments are recognised in the Consolidated Statement of Profit or Loss. For the FVOCI equity instruments, any dividend payments are recognised in the Consolidated Statement of Profit or Loss, but not the accumulated value change on derecognition (no recycling).

Purchases and sales of FVOCI financial instruments are recorded as of the trade date. They are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or when we have transferred substantially all risks and rewards of ownership.

(c) Financial assets and financial liabilities at fair value through profit or loss
Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under "Derivative financial assets". Derivatives with a negative fair value are carried as financial liabilities and are reported under "Derivative financial liabilities". 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 compliance with the effectiveness requirements both at the inception of the hedging relationship and on an ongoing basis.

Derivative financial instruments are initially recognised at fair value, and transaction costs are expensed in the Consolidated Statement of Profit or Loss. Purchases and sales of derivative financial instruments are recognised on the trade date – the date on which the group commits to purchase or sell the instrument. Subsequently, the financial instruments are carried at fair value. Gains and losses arising from changes in their fair value are immediately recognised in the Consolidated Statement of Profit or Loss of the period.

Derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or where the group has transferred legal rights and substantially all risks and rewards of ownership. Derivative financial liabilities are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

(5) Foreign currency translation

(a) Transactions in foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the group companies at the exchange rates prevailing on the date of the transaction. The financial statements of the local companies are prepared in the local currency which corresponds to the functional currency there.

Foreign currency monetary assets and liabilities are translated using the closing exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss (result from foreign exchange transactions).

Foreign non-monetary items measured at amortised cost are translated with the historical exchange rate as at the date of the transaction.

(b) Group companies

The financial statements of all group entities (none of which operate in an economy subject to hyperinflation) whose functional currency is not the euro are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position.
- Income and expenses are translated at average exchange rates of the period.
- All differences resulting from the translation of net investments in foreign subsidiaries are recognised in the "Translation reserve" in Equity. Upon disposal of a foreign subsidiary, the accumulated translation differences are reclassified from Equity to the Consolidated Statement of Profit or Loss.

Result for the financial year

(6) Net interest income

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Interest income from		
Central bank balances	664	626
Loans and advances to banks	859	1,284
Derivative financial assets	384	1,248
Investment securities FVOCI	2,680	1,579
Investment securities AC	5,586	10,434
Loans and advances to customers	299,947	286,308
Prepayment penalty	319	445
Interest income (effective interest method)	**310,438**	**301,924**
Interest expenses on		
Liabilities to banks*	27,711	30,580
Derivative financial liabilities	504	822
Liabilities to customers	43,400	53,395
Debt securities	7,406	7,621
Subordinated debt	5,029	5,894
Negative interest from assets	4,368	2,052
Interest expenses	**88,418**	**100,364**
Net interest income	**222,020**	**201,561**

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

Interest income and expenses are recognised in the Consolidated Statement of Profit or Loss and reported on an accrual basis. Net interest income is calculated on the gross book value of a financial asset; for financial assets in Stage 3, net interest income is calculated on the net book value of a financial asset. Payments received in respect of written-off loans are not recognised in net interest income, but rather under "Loss allowance".

(7) Net fee and commission income

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Fee and commission income from		
Payment services	25,244	22,680
Debit/credit cards	13,388	10,111
Account maintenance fee	22,601	23,034
Letters of credit and guarantees	5,982	5,496
Others	6,165	5,094
Fee and commission income	**73,380**	**66,416**
Fee and commission expenses on		
Payment services	4,201	3,707
Debit/credit cards	11,773	9,947
Account maintenance fee	3,323	2,812
Letters of credit and guarantees	3,080	2,447
Others	147	121
Fee and commission expenses	**22,524**	**19,035**
Net fee and commission income	**50,855**	**47,380**

Fee and commission income and expenses are recognised on the basis of the agreed amount payable. Income and expenses are generally recognised at a point in time.

(8) Result from foreign exchange transactions

This position refers to the results of foreign currency exchange with and for customers. We do not engage in foreign currency trading on our own account. This position also includes unrealised foreign currency revaluation effects.

in '000 EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Currency exchange	20,114	18,071
Net gains and losses from FX revaluation	-1,797	-1,730
Result from foreign exchange transactions	**18,317**	**16,341**

(9) Net other operating income

in '000 EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Other operating income from		
Reversal of provisions	2,110	1,050
Reimbursement of expenses	461	396
Sale of repossessed properties	2,238	1,548
Sale of property, plant and equipment	628	757
IT-services	4,650	3,968
Rental of investment properties	827	784
Others	2,737	1,430
Other operating income	**13,651**	**9,933**
Other operating expenses for		
Deposit insurance	8,847	10,055
Reimbursement	422	256
Disposal of property, plant and equipment	727	1,555
Impairment of repossessed properties	3,625	3,264
Administration of repossessed properties	414	456
Credit recovery services and solvency checks	1,059	768
Impairment of goodwill	1,397	986
Litigation settlements	3,707	1,842
Provisions for non-financial off-balance sheet items	202	63
Others	3,193	4,374
Other operating expenses	**23,592**	**23,619**
Net other operating result	**-9,941**	**-13,686**

In 2021, the ProCredit group received public funding totalling EUR 86 thousand (2020: EUR 43 thousand). In addition, staff of ProCredit Academy GmbH received furlough compensation from the Federal Employment Agency in the amount of EUR 187 thousand (2020: EUR 285 thousand), which was netted against personnel expenses presented below.

(10) Personnel expenses and employees

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Salary expenses	75,119	70,399
Social security expenses	9,751	9,018
Post-employment benefits plans (Defined contribution plans)	3,555	3,367
Post-employment benefits plans (Defined benefit plans)	374	123
Other employee benefits	1,298	1,398
Personnel expenses	**90,096**	**84,305**

During the reporting period, total compensation paid to the Management of ProCredit General Partner AG as the representative of ProCredit Holding amounted to EUR 580 thousand (2020: EUR 495 thousand), most of which comprise short-term employee benefits. The members of the Supervisory Board receive annual compensation totalling EUR 50 thousand (2020: EUR 56 thousand). Further details on remuneration for the Management Board and Supervisory Board are provided in the remuneration report, which is published on the website of ProCredit Holding.

The number of employees is broken down according to the following segments:

	2021		2020	
	Average	Year end	Average	Year end
South Eastern Europe	1,695	1,685	1,742	1,768
Eastern Europe	710	711	695	728
South America	242	243	238	249
Germany	524	539	512	516
Total	**3,171**	**3,178**	**3,187**	**3,261**

(11) Administrative expenses

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Depreciation fixed and intangible assets (incl. Impairment)	22,576	24,017
IT expenses	18,606	17,713
Office space-related expenses	10,104	10,013
Non-profit tax	13,054	10,564
Legal and consulting fees	7,274	7,797
Marketing, advertising and representation	4,235	3,188
Transport	1,698	1,742
Recruitment and other personnel-related expenses	4,176	3,204
Insurances	2,717	3,290
Lease expenses	1,900	1,859
Other administrative expenses	4,424	3,739
Administrative expenses	**90,763**	**87,125**

Of the total administrative expenses, EUR 6,353 thousand (2020: EUR 6,096 thousand) was incurred for staff training.

Lease expenses mainly include short-term leases or leases of low-value assets to which the exemptions established in IFRS 16 are applied.

Legal and consulting fees include the following expenses of ProCredit Holding for the total fee charged by the auditor:

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Audit of financial statements	464	477
Tax advisory services	0	0
Other confirmatory services	6	6
Other services	0	0
Group auditor expenses	**470**	**483**

(12) Loss allowance

We establish loss allowances in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for investment securities recognised at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for contingent liabilities. A three-stage model is used to report loss allowances. Estimates and assumptions are particularly necessary for determining which future-related macroeconomic factors are to be included. Furthermore, discretionary decisions are made when determining the probability of occurrence for various scenarios. Additional disclosures with regard to the nature and extent of risks arising from financial instruments, and particularly default risks, are presented in the risk report as part of the Combined Management Report.

The ProCredit group sets aside loss allowances for the balance sheet positions "Central bank balances", "Loans and advances to banks", "Loans and advances to customers", and "Investment securities", as well as for the financial assets under "Other assets" and for contingent liabilities. These are recognised at net value within the corresponding balance sheet position; the exceptions are "Investment securities" recognised at fair value and contingent liabilities. The loss allowance for investment securities at fair value is recognised through profit or loss directly in shareholders' equity under "Revaluation reserve". Loss allowances for contingent liabilities are reported under the balance sheet position "Provisions".

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Change in loss allowances	19,058	39,440
Recovery of written-off loans	-12,816	-11,213
Direct write-offs	248	373
Loss allowance	**6,490**	**28,600**

Change in loss allowances

Recognition of loss allowances uses a three-stage model based on expected credit losses. Allocation to stages requires discretionary decisions to be made with regard to the definition of default, stage transfers and the determination of criteria as to whether there has been a significant increase in credit risk since recognition in the balance sheet:

- Stage 1: All financial assets are allocated to Stage 1 upon recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). We establish loss allowances in an amount equivalent to the expected credit losses during a maximum of 12 months following the balance sheet date, insofar as there is no significant increase in credit risk since initial recognition.
- Stage 2: If credit risk increases significantly, the assets are classified as Stage 2 and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.

- Stage 3: Impaired financial assets are classified as Stage 3 and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. For significant exposures, loss allowances are determined individually on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised on the net book value (with consideration of loss allowances).

Financial assets which are already impaired at initial recognition (POCI) are reported as part of the impaired exposures. These financial assets are initially recognised at fair value and thus no loss allowances are established. In subsequent periods, changes in the expected loss over the entire remaining maturity are recognised as an expense in the Consolidated Statement of Profit or Loss.

A non-substantial modification exists if a financial asset is modified without derecognition. The modification gain or loss is recognised in "Change in loss allowances". The modification gain or loss is equal to the difference between the original gross book value and the present value, discounted at the original effective interest rate, of the contractual cash flows under the modified terms.

Migration between the stages is possible in both directions (except for POCI), provided the grounds for the prior migration no longer exist. In the event that credit risk decreases, loss allowances already recorded are reduced.

For the "Other assets" position, loss allowances are established using the simplified approach. As a rule, loss allowances are recorded at initial recognition and on each subsequent reporting date in an amount equivalent to the expected credit losses during the total maturity period. For these short-term assets, the total maturity period has been simplified as 12 months.

Recoveries of written-off loans and direct write-offs
When a loan is uncollectible, it is written off considering the related loss allowance which has been set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts which have been written off are recognised in the Consolidated Statement of Profit or Loss under "Loss allowances". Uncollectible loans for which no loss allowances have been set aside in full are recognised in profit or loss as direct write-offs.

(13) Segment reporting
The group aggregates its operations into reporting segments according to geographical regions. Each of these segments exhibits individual risk and return characteristics, as described in the Combined Management Report. In general, business activities in all countries of operations are carried out with local customers, so that the respective items are allocated to the country in which the subsidiary is based. The operating income of the parent company is derived mainly from within the group. With the exception of the relationship between the German segment and the subsidiaries, there are no significant income or expense items arising from business dealings between segments. All income and expense items between the segments are disclosed separately in the following table. These are primarily interest income and expenses derived from loans extended by the parent company to the subsidiaries. The underlying interest rates are established at market conditions. Additionally, inter-segment transactions include the provision of centralised services by ProCredit Holding, IT services, staff training and dividends transferred from the subsidiaries to ProCredit Holding.

	1.1.–31.12.2021					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)	159,239	113,767	35,424	22,594	-20,585	310,438
of which inter-segment	*80*	*45*	*0*	*20,460*		
Interest expenses	29,189	42,436	15,247	22,110	-20,563	88,418
of which inter-segment	*7,805*	*5,544*	*5,911*	*1,304*		
Net interest income	**130,050**	**71,331**	**20,177**	**483**	**-21**	**222,020**
Fee and commission income	54,149	14,907	1,163	13,710	-10,550	73,380
of which inter-segment	*342*	*35*	*0*	*10,173*		
Fee and commission expenses	22,396	7,143	1,572	1,967	-10,555	22,524
of which inter-segment	*6,130*	*3,785*	*522*	*118*		
Net fee and commission income	**31,753**	**7,764**	**-409**	**11,743**	**5**	**50,855**
Result from foreign exchange transactions	10,971	6,315	103	988	-60	18,317
of which inter-segment	*34*	*309*	*0*	*-283*		
Result from derivative financial instruments and hedging relationships	531	0	0	99	0	629
of which inter-segment	*238*	*0*	*0*	*-238*		
Result on derecognition of financial assets measured at amortised cost	0	1	0	0	0	1
Net other operating result	-6,913	-1,599	-1,088	112,637	-112,978	-9,941
of which inter-segment	*2,196*	*1,545*	*0*	*109,238*		
Operating income	**166,392**	**83,811**	**18,783**	**125,949**	**-113,055**	**281,881**
Personnel expenses	40,488	13,430	5,934	30,244	0	90,096
Administrative expenses	65,824	24,668	10,947	35,019	-45,694	90,763
of which inter-segment	*21,470*	*10,988*	*4,561*	*8,675*		
Loss allowance	7,024	-1,435	1,018	-116	0	6,490
Profit before tax	**53,057**	**47,149**	**885**	**60,803**	**-67,361**	**94,532**
Income tax expenses	5,246	8,109	640	895		14,890
Profit of the period	**47,811**	**39,040**	**244**	**59,907**	**-67,361**	**79,642**
Profit attributable to ProCredit shareholders						*79,642*

	1.1.-31.12.2020					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)	147,404	120,050	31,653	23,949	-21,132	301,924
of which inter-segment	*-289*	*30*	*-1*	*21,391*		
Interest expenses	30,129	57,236	13,049	23,115	-23,166	100,364
of which inter-segment	*9,148*	*7,613*	*5,816*	*590*		
Net interest income	**117,275**	**62,814**	**18,604**	**834**	**2,034**	**201,561**
Fee and commission income	49,377	13,627	1,105	12,891	-10,583	66,416
of which inter-segment	*736*	*43*	*0*	*9,804*		
Fee and commission expenses	17,998	5,304	1,371	2,214	-7,852	19,035
of which inter-segment	*4,753*	*2,288*	*552*	*259*		
Net fee and commission income	**31,379**	**8,322**	**-267**	**10,677**	**-2,731**	**47,380**
Result from foreign exchange transactions	10,904	7,271	70	-2,161	257	16,341
of which inter-segment	*22*	*602*	*50*	*-930*		
Result from derivative financial instruments and hedging relationships	-718	292	0	165	-292	-553
of which inter-segment	*31*	*292*	*0*	*-31*		
Result on derecognition of financial assets measured at amortised cost	942	131	0	0	0	1,072
Net other operating result	-10,125	-2,236	-869	64,303	-64,760	-13,686
of which inter-segment	*1,502*	*-40*	*979*	*62,319*		
Operating income*	**149,657**	**76,594**	**17,538**	**73,817**	**-65,492**	**252,114**
Personnel expenses	38,082	12,288	5,818	28,118	0	84,305
Administrative expenses	61,721	20,914	10,526	33,097	-39,133	87,125
of which inter-segment	*19,699*	*7,671*	*4,235*	*7,528*		
Loss allowance*	13,685	11,156	3,562	197	0	28,600
Profit before tax	**36,169**	**32,236**	**-2,367**	**12,406**	**-26,358**	**52,085**
Income tax expenses	4,580	4,890	-120	1,338		10,689
Profit of the period	**31,589**	**27,345**	**-2,247**	**11,067**	**-26,358**	**41,396**
Profit attributable to ProCredit shareholders						*41,396*

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

	31.12.2021		
in '000 EUR	Total assets excl. taxes	Total liabilities excl. taxes	Contingent liabilities
South Eastern Europe	5,665,180	5,080,004	735,355
Eastern Europe	1,806,530	1,563,780	216,670
South America	496,823	449,751	19,637
Germany	2,044,811	1,316,115	14,915
Consolidation	-1,802,660	-1,054,318	0
Total	**8,210,683**	**7,355,333**	**986,577**

	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**

(14) Earnings per share

in '000 EUR	2021	2020
Profit of the period	79,642	41,396
Profit attributable to ProCredit shareholders	*79,642*	*41,396*
Weighted average number of ordinary shares	58,898,492	58,898,492
Earnings per share* (in EUR)	**1.35**	**0.70**

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

Notes to the Statement of Financial Position

(15) Cash and central bank balances

in '000 EUR	31.12.2021	31.12.2020
Cash in hand	140,488	134,857
Balances at central banks	1,405,779	1,271,090
Loss allowances for central bank balances	-745	-599
Cash and central bank balances	**1,545,522**	**1,405,349**
Loss allowances for central bank balances	745	599
Loans and advances to banks with a maturity up to 3 months	248,000	223,553
Investment securities with a maturity up to 3 months	200,539	154,242
Minimum reserve, which does not qualify as cash for the statement of cash flows	-596,014	-504,515
Cash and central bank balances	**1,398,793**	**1,279,229**

The changes in central bank balances and the respective loss allowances are presented in the following tables. All central bank balances are classified as Stage 1.

in '000 EUR	2021	2020
Gross outstanding amount as of 1.1.	**1,271,090**	**939,225**
New financial assets originated	52,718	72,789
Derecognition	-71,977	-22,968
Change in exposure*	142,443	292,744
Exchange rate movements*	11,505	-10,699
Gross outstanding amount as of 31.12.	**1,405,779**	**1,271,090**

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

in '000 EUR	2021	2020
Loss allowances as of 1.1.	**-599**	**-484**
New financial assets originated	-84	0
Release due to derecognition	0	0
Change in credit risk	-46	-131
Exchange rate movements	-16	17
Loss allowances as of 31.12.	**-745**	**-599**

(16) Loans and advances to banks

The changes in loans and advances to banks and the respective loss allowances are presented in the following tables. All loans and advances to banks are classified as Stage 1.

in '000 EUR	2021	2020
Gross outstanding amount as of 1.1.	**236,524**	**320,742**
New financial assets originated	260,684	80,396
Derecognition	-240,970	-118,872
Change in exposure*	-8,832	-34,521
Exchange rate movements*	5,248	-11,220
Gross outstanding amount as of 31.12.	**252,654**	**236,524**

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

in '000 EUR	2021	2020
Loss allowances as of 1.1.	**-5**	**-5**
New financial assets originated	-10	-3
Release due to derecognition	3	3
Change in credit risk	7	0
Exchange rate movements	0	0
Loss allowances as of 31.12.	**-5**	**-5**

(17) Derivative financial assets and liabilities

	31.12.2021		
		Fair value	
in '000 EUR	**Nominal amount**	**Assets**	**Liabilities**
Derivative financial assets and liabilities			
a) Foreign exchange derivatives			
Swaps	152,544	941	206
Forwards	4,455	2	3
b) Interest rate derivatives			
Interest rate swaps (hedging instruments)	37,441	238	0
Interest rate swaps (others)	18,387	161	150
Total	**212,827**	**1,343**	**360**

	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**

We use interest rate swaps as hedging instruments. These are used to hedge against changes in the fair value of fixed-interest loans or fixed-interest irrevocable loan commitments attributable to interest rate risk (micro fair value hedge). Gains or losses arising from changes in the fair value of interest rate swaps 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 hedged items 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 hedged items is adjusted accordingly.

With regard to the risk management strategy, including the management of interest rate risk in ProCredit group, we refer to the explanations in the risk report as part of the Combined Management Report.

We hedge the fixed-interest underlying transactions with pay-fixed/receive-floating interest rate swaps in the context of micro-hedges. Underlying and hedging transactions enter into a hedging relationship in full. The critical terms of the hedging instrument and the hedged item match or are closely aligned. The assessment of effectiveness is therefore based on a qualitative assessment of those critical terms ("critical terms match method").

The main causes of possible hedge ineffectiveness are:

- early repayment or different repayment dates for the hedged item and the hedging instrument,
- the use of different yield curves to discount the hedged item and the hedging instrument,
- the effect from interest rate premiums on the variable side of an interest rate swap.

As of 31 December 2021, we held interest rate swaps as fair value hedges related to interest rate risk on loans and irrevocable loan commitments with the following remaining maturities:

	Remaining maturity as of 31.12.2021		
in '000 EUR	**Up to 1 year**	**1-5 years**	**More than 5 years**
Nominal amount	0	0	37,441
Average fixed interest rate	0.0%	0.0%	3.1%

The hedging instruments and the hedged items used to hedge the fair value with respect to interest rate risk, as well as hedge ineffectiveness, are shown in the following tables:

	31.12.2021			
		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	238	0	277

	31.12.2021		
	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			
Loans and irrevocable credit commitments	37,192	-302	-302

in '000 EUR	**1.1.-31.12.2021**
Hedge ineffectiveness recognised in profit or loss	-24

The interest rate swaps are included in the consolidated statement of financial position under "Derivative financial assets" and "Derivative financial liabilities". Loans are included in the consolidated statement of financial position under "Loans and advances to customers". Irrevocable loan 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".

(18) Investment securities

	31.12.2021			31.12.2020		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Fixed interest rate securities	204,021	146,734	350,755	159,899	127,777	287,676
Variable interest rate securities	42,898	16,768	59,665	37,624	11,211	48,835
Loss allowance		-20	-20		-35	-35
Investment securities	**246,919**	**163,481**	**410,400**	**197,524**	**138,952**	**336,476**

The changes in investment securities and the respective loss allowances are presented in the following tables. All investment securities are classified as Stage 1.

	2021			2020		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Gross outstanding amount as of 1.1.	**197,524**	**138,987**	**336,511**	**378,281**	**0**	**378,281**
New financial assets originated	131,562	140,658	272,220	171,554	723,155	894,709
Derecognition	-81,912	-129,010	-210,922	-311,504	-584,186	-895,690
Change in exposure*	-156	-3	-159	98	18	116
Exchange rate movements*	-99	12,866	12,767	-40,906	0	-40,906
Gross outstanding amount as of 31.12.	**246,919**	**163,498**	**410,417**	**197,524**	**138,987**	**336,511**

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

	2021			2020		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Loss allowances as of 1.1.	**-59**	**-35**	**-94**	**-46**	**0**	**-46**
New financial assets originated	-55	-60	-115	-54	-137	-191
Release due to derecognition	21	25	46	31	100	130
Change in credit risk	12	52	64	10	2	12
Exchange rate movements	0	-3	-3	1	0	1
Loss allowances as of 31.12.	**-81**	**-20**	**-101**	**-59**	**-35**	**-94**

The revaluation reserve for investment securities at FVOCI (for ProCredit shareholders) developed as follows during the financial year:

in '000 EUR	2021	2020
Revaluation reserve as of 1.1.	**2,797**	**1,894**
Changes in fair value	-738	955
Amount recognised in income statement	0	0
Change in loss allowance	24	13
Impairment	0	0
Deferred taxes	56	-69
Acquisition of minority interests	0	4
Revaluation reserve as of 31.12.	**2,139**	**2,797**

(19) Loans and advances to customers

	31.12.2021			
in '000 EUR	**Gross outstanding amount**	**Loss allowance**	**Net outstanding amount**	**%**
Business loans	**5,441,901**	**-119,105**	**5,322,796**	**91.9%**
Wholesale and retail trade	1,510,747	-31,449	1,479,298	25.5%
Agriculture, forestry and fishing	1,120,215	-24,402	1,095,814	18.9%
Production	1,262,444	-24,791	1,237,654	21.4%
Transportation and storage	256,675	-9,583	247,092	4.3%
Other	1,291,818	-28,880	1,262,939	21.8%
Private loans	**482,509**	**-12,339**	**470,170**	**8.1%**
Housing	413,759	-10,003	403,757	7.0%
Investment loans	59,792	-1,936	57,856	1.0%
Other	8,958	-400	8,558	0.1%
Total	**5,924,410**	**-131,444**	**5,792,966**	**100.0%**

	31.12.2020			
in '000 EUR	**Gross outstanding amount**	**Loss allowance**	**Net outstanding amount**	**%**
Business loans	**4,921,905**	**-112,237**	**4,809,668**	**93.7%**
Wholesale and retail trade	1,372,484	-31,250	1,341,234	26.1%
Agriculture, forestry and fishing	992,110	-22,968	969,142	18.9%
Production	1,228,789	-25,309	1,203,480	23.5%
Transportation and storage	247,600	-8,483	239,117	4.7%
Other	1,080,922	-24,227	1,056,695	20.6%
Private loans	**332,361**	**-10,447**	**321,915**	**6.3%**
Housing	275,071	-8,431	266,640	5.2%
Investment loans	49,310	-1,559	47,751	0.9%
Other	7,980	-457	7,523	0.1%
Total	**5,254,266**	**-122,684**	**5,131,582**	**100.0%**

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	2,396,756	22,403	19,513	509	2,439,180
Modification of contractual cash flows of financial assets	53	-208	-2	0	-157
Derecognitions	-846,847	-72,383	-30,125	-551	-949,906
Write-offs	0	0	-16,817	-620	-17,436
Changes in interest accrual	-69	-681	1,765	40	1,054
Changes in the principal and disbursement fee	-819,583	-56,155	-33,327	-725	-909,790
Transfers to stage 1	134,715	-132,568	-2,147	0	0
Transfers to stage 2	-231,142	237,619	-6,477	0	0
Transfers to stage 3	-18,116	-47,831	65,947	0	0
Exchange rate movements and others	95,214	7,456	4,059	470	107,199
Gross outstanding amount as of 31.12.2021	**5,573,524**	**215,148**	**133,166**	**2,572**	**5,924,410**

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	-24,546	-2,567	-6,313	0	-33,426
Release due to derecognition	4,757	2,629	11,658	450	19,495
Transfers to Stage 1	-2,195	2,070	125	0	0
Transfers to Stage 2	3,233	-4,181	948	0	0
Transfers to Stage 3	178	3,617	-3,795	0	0
Change in credit risk	16,397	-2,578	-20,813	-289	-7,283
Usage of allowance	0	0	16,579	602	17,180
Exchange rate movements	-834	-423	-2,683	-787	-4,727
Loss allowances as of 31.12.2021	**-45,964**	**-18,152**	**-66,377**	**-951**	**-131,444**

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
Exchange rate movements and others	-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**

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Amortised cost before modification	84,484	239,497
Net modification	-157	-371

With regard to the change in loss allowances, we also refer to the presentation in the Report on the Economic Position of the Group and the Risk Report as part of the Combined Management Report.

The following table shows the share of our loan portfolio which is subject to moratoria due to COVID-19 or which has been restructured due to COVID-19.

	31.12.2021				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loan portfolio					
currently under moratorium:					
moratorium only	1,051	0	0	0	**1,051**
moratorium and restructuring	0	0	14	0	**14**
with expired moratorium:					
moratorium only	874,064	43,358	28,760	332	**946,514**
moratorium and restructuring	284	34,127	23,192	421	**58,023**
with restructuring but not under moratorium	0	2,232	3,083	0	**5,315**

	31.12.2020				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loan portfolio					
currently under moratorium:					
moratorium only	60,845	12,169	3,864	0	**76,879**
moratorium and restructuring	159	8,409	556	0	**9,124**
with expired moratorium:					
moratorium only	1,262,578	73,360	19,583	0	**1,355,521**
moratorium and restructuring	19	33,080	18,283	770	**52,151**
with restructuring but not under moratorium	0	5,470	3,229	0	**8,699**

(20) Property, plant and equipment

in '000 EUR	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total PPE
Total acquisition costs as of 1.1.2021	**127,660**	**31,055**	**96,710**	**244**	**255,669**
Additions	4,990	3,743	7,792	65	16,591
Disposals	-10,760	-3,513	-10,917	0	-25,190
Changes in the scope of consolidation	0	0	84	0	84
Exchange rate adjustments	4,335	315	2,493	0	7,143
Total acquisition costs as of 31.12.2021	**126,226**	**31,600**	**96,162**	**310**	**254,297**
Accumulated depreciation as of 1.1.2021	**-35,314**	**-9,656**	**-69,879**	**-76**	**-114,925**
Depreciation	-3,725	-4,975	-9,245	-79	-18,024
Disposals	7,400	1,897	10,140	0	19,436
Exchange rate movements	-1,121	-161	-1,967	0	-3,249
Accumulated depreciation as of 31.12.2021	**-32,760**	**-12,895**	**-70,951**	**-155**	**-116,761**
Net book value	**93,465**	**18,705**	**25,211**	**155**	**137,536**

in '000 EUR	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total PPE
Total acquisition costs as of 1.1.2020	**128,563**	**24,316**	**97,567**	**167**	**250,612**
Additions	10,758	10,623	12,930	124	34,435
Disposals	-4,575	-3,144	-9,751	-46	-17,517
Exchange rate adjustments	-7,085	-740	-4,036	0	-11,861
Total acquisition costs as of 31.12.2020	**127,660**	**31,055**	**96,710**	**244**	**255,669**
Accumulated depreciation as of 1.1.2020	**-34,907**	**-5,272**	**-71,967**	**-60**	**-112,205**
Depreciation	-3,988	-5,908	-9,627	-62	-19,585
Disposals	1,895	1,211	8,595	46	11,747
Exchange rate movements	1,685	313	3,120	0	5,118
Accumulated depreciation as of 31.12.2020	**-35,314**	**-9,656**	**-69,879**	**-76**	**-114,925**
Net book value	**92,346**	**21,399**	**26,831**	**169**	**140,744**

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and impairment losses. Acquisition or production costs include all expenditure directly attributable to the goods. Component parts of an asset are recognised separately if they have different useful lives or have different patterns of use. The acquisition costs of rights-of-use assets (ROU) include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received.

Subsequent purchase or production costs are included in the asset's carrying amount or are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the current financial period.

Management makes the discretionary decision to depreciate assets on a straight-line basis over the following expected useful lives:

- Buildings 15 – 40 years
- Equipment 2 – 10 years

Leasehold improvements are depreciated over the shorter of rental contract life or expected useful life. The rights of use are amortised on a straight-line basis until the end of the lease term.

In addition, all property, plant and equipment are tested for impairment on an annual basis, or to the extent that events or changes in circumstances indicate that the carrying amount may not be recoverable. Moreover, impairment tests are performed for the cash-generating unit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Depreciation and impairment are recognised within "Administrative expenses".

(21) Intangible assets

Intangible assets consist predominantly of software and goodwill. A small amount is related to trademarks.

(a) Software

in '000 EUR	2021 Developed software	2021 Acquired software	2020 Developed software	2020 Acquired software
Total acquisition costs as of 1.1.	**18,506**	**36,280**	**17,046**	**34,912**
Additions	1,424	3,277	1,460	3,355
Disposals	0	-4,368	0	-1,460
Changes in the scope of consolidation	0	105	0	0
Exchange rate movements	0	254	0	-527
Total acquisition costs as of 31.12.	**19,930**	**35,548**	**18,506**	**36,280**
Accumulated depreciation as of 1.1.	**-12,551**	**-29,352**	**-10,685**	**-28,900**
Depreciation	-2,153	-2,397	-1,865	-2,391
Disposals	0	4,366	0	1,455
Exchange rate movements	0	-218	0	484
Accumulated depreciation as of 31.12.	**-14,704**	**-27,601**	**-12,551**	**-29,352**
Net book value	**5,226**	**7,947**	**5,956**	**6,928**

Software is stated at acquisition or production cost less scheduled depreciation and impairment losses. The acquisition or production costs include all expenses to acquire or to develop and bring to use the specific software. Management makes the discretionary decision to amortise software on a straight-line basis over an expected useful life of up to five years. In addition, software is tested for impairment on an annual basis or in response to relevant events or changed circumstances. Moreover, impairment tests are performed for the cash-generating unit. Depreciation and impairment are recognised within "Administrative expenses".

(b) Goodwill

in '000 EUR	31.12.2021	31.12.2020
Bulgaria	1,264	1,264
Georgia	1,073	931
Kosovo	614	614
Macedonia	382	382
Romania	0	1,420
Serbia	1,142	1,142
Ukraine	758	674
Goodwill	**5,234**	**6,428**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Impairment losses are charged to "Net other operating result" in the Consolidated Statement of Profit or Loss.

Goodwill developed as follows:

in '000 EUR	2021	2020
Goodwill as of 1.1.	**6,428**	**7,967**
Gross amount as of 1.1.	12,657	13,877
Exchange rate movements	515	-1,220
Gross amount as of 31.12.	13,172	12,657
Accumulated impairment losses as of 1.1.	-6,229	-5,910
Additions	-1,397	-986
Exchange rate movements	-312	667
Accumulated impairment losses as of 31.12.	-7,938	-6,229
Goodwill as of 31.12.	**5,234**	**6,428**

Goodwill is tested for impairment at least on an annual basis or in response to relevant events or changed circumstances. In performing goodwill impairment testing, a discounted cash flow model is used where each subsidiary is defined as an individual cash-generating unit. Management estimates are involved in forecasting future cash flows and in determining the cost of capital. The cash flow projections are based on the current business planning and therefore appropriately reflect future business prospects for a five-year period. Estimated future cash flows are extrapolated in perpetuity due to the long-term perspective of the equity investments, using management's best estimate for determining future net growth rates based on currently observable data and economic projections. The estimated future cash flows are discounted at specific equity discount rates which reflect the risk profile of the individual entity. Goodwill is tested by comparing the respective net present value of future cash flows from a subsidiary (value in use) with the carrying value of its net assets plus goodwill.

The pre-tax discount factors are derived from a pricing model. Assumptions regarding terminal growth are derived from the long-term growth prospects of the economies of the European Union.

	2021		2020	
	Discount Rate	**Terminal Growth Rate**	**Discount Rate**	**Terminal Growth Rate**
Bulgaria	7.2%	2.4%	7.3%	2.3%
Georgia	8.8%	3.6%	9.0%	3.5%
Kosovo	10.6%	3.0%	12.2%	2.9%
Macedonia	9.1%	2.7%	9.8%	2.6%
Romania	9.7%	2.7%	8.0%	2.6%
Serbia	7.9%	2.9%	8.0%	2.9%
Ukraine	11.1%	3.0%	12.2%	2.8%

In the past financial year, goodwill of EUR 1.4 million was written off at ProCredit Bank Romania in the South Eastern Europe segment. This is primarily due to an increase in the discount rate to 9.7%.

For the other cash-generating units, goodwill would only be impaired if the discount rates were to increase by more than 1.5 percentage points or the terminal growth rates were to decrease by more than 2.5 percentage points.

(22) Income taxes

In calculating both the current taxes on income and earnings and the deferred taxes, the respective country-specific tax rates are applied. The tax rate applied for the reporting period was 9.2% (2020: 13.6%), calculated by dividing the total tax burden by the unconsolidated profits.

Deferred taxes are recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements prepared in conformity with IFRS. Deferred tax assets and liabilities are determined using local tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

However, the deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the profit (before tax) for the period according to IFRS, nor the taxable profit or loss.

We recognise deferred tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilised. The profit projection is based on the current business planning and reflects the Management's view of future business prospects.

Changes of deferred taxes related to fair value re-measurement of investment securities are charged to the Consolidated Statement of Other Comprehensive Income. The presentation in the Consolidated Statement of Other Comprehensive Income is made on a gross basis. At the time of sale, the respective deferred taxes are recognised in the Consolidated Statement of Profit or Loss together with the deferred gain or loss.

Income tax assets and liabilities of the companies are recognised net if they relate to the same tax authority.

The tables below show the development of deferred taxes and provide information on the underlying business transactions for deferred tax assets and liabilities:

in '000 EUR	Tax depreciation	Loss allowance	Tax loss carried forward	Provisions	Other temporary differences	Deferred taxes
Net book value as of 1.1.2021	**394**	**-294**	**28**	**102**	**431**	**661**
Considered in Profit or Loss	-37	566	-12	36	-153	**401**
Considered in Other Comprehensive Income	0	0	0	0	23	**23**
Exchange rate movements	8	-8	0	11	9	**21**
Net book value as of 31.12.2021	**365**	**264**	**17**	**150**	**311**	**1,106**
thereof deferred tax assets	*676*	*823*	*17*	*142*	*88*	***1,746***
thereof deferred tax liabilities	*311*	*560*	*0*	*-8*	*-222*	***640***

in '000 EUR	Tax depreciation	Loss allowance	Tax loss carried forward	Provisions	Other temporary differences	Deferred taxes
Net book value as of 1.1.2020	**232**	**-1,181**	**42**	**1**	**395**	**-512**
Considered in Profit or Loss	177	796	-14	118	118	**1,196**
Considered in Other Comprehensive Income	0	0	0	0	-71	**-71**
Exchange rate movements	-15	91	0	-17	-11	**48**
Net book value as of 31.12.2020	**394**	**-294**	**28**	**102**	**431**	**661**
thereof deferred tax assets	*435*	*342*	*28*	*287*	*538*	***1,630***
thereof deferred tax liabilities	*41*	*636*	*0*	*185*	*107*	***969***

The reconciliation between expected and actual tax expenses is shown in the following table:

in '000 EUR	1.1.-31.12.2021	1.1.-31.12.2020
Profit before tax	94,532	52,085
Tax expected	19,346	8,155
Tax effects of items which are not deductable		
non-taxable income	-20,655	-7,072
non-tax deductable expenses	1,867	2,240
no tax asset built on tax loss carry forwards	566	3,238
Current tax of prior periods	-19	0
Consolidation effects	13,785	4,127
Income tax expenses	**14,890**	**10,689**

The expected tax expense is calculated by applying the weighted average of all local tax rates to the profit before tax. The change in the expected tax rate results from the change in the weighting. Compared to the previous year, local tax rates have not changed.

Tax effects on unused loss carry-forwards largely comprise an amount of EUR 0.5 million for ProCredit Holding. ProCredit Holding does not establish deferred tax assets for losses carried forward, as it will not be possible to make use of these assets within the tax planning period. The accumulated tax loss carry-forwards for which no deferred tax assets were established as of the balance sheet date for ProCredit Holding are EUR 131.4 million (2020: EUR 131.1 million) for corporation income tax and EUR 56.0 million (2020: EUR 57.2 million) for trade tax. The loss carry-forwards are mainly accumulated due to dividend income of ProCredit Holding, 95% of which is non-taxable in Germany, and are adjusted for trade tax by special add-backs within the interest barrier.

The following table shows the main components of income tax expense:

in '000 EUR	1.1.–31.12.2021	1.1.–31.12.2020
Current tax	15,310	11,884
Current tax of prior periods	-19	0
Deferred tax relating to origination and reversal of temporary differences	-401	-1,196
Income tax expenses	**14,890**	**10,689**
Deferred tax on revaluation reserve (charged or credited directly to equity)	56	-69
Total	**14,946**	**10,620**

(23) Other assets

in '000 EUR	31.12.2021	31.12.2020
Non-financial instruments		
Repossessed properties	6,274	7,525
Investment properties	5,895	5,756
Inventory and assets to be sold	748	913
Financial instruments		
Prepayments	14,725	13,004
Accounts receivable (up to one year)	10,179	9,931
Shares	6,383	5,280
Others	9,375	9,406
Loss allowance	-1,724	-752
Other assets	**51,855**	**51,063**

Repossessed properties are non-financial assets acquired in exchange for credit exposures as part of an orderly realisation and are sold as soon as possible. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan at the date of exchange. All subsequent impairment losses and reversals of impairment up to the original amount are recognised in the Consolidated Statement of Profit or Loss in "Net other operating result". Repossessed property can be subdivided into segments as follows:

in '000 EUR	31.12.2021	31.12.2020
South Eastern Europe	3,509	4,840
Eastern Europe	1,440	2,432
South America	1,325	253
Repossessed properties	**6,274**	**7,525**

Investment property comprises land and buildings leased to third parties. These are recognised using the acquisition cost model. Gains and losses on disposals (determined by comparing sale proceeds with carrying amount) are recognised in profit or loss at the time of disposal. As in the previous year, no impairment was recognised during the 2021 financial year.

in '000 EUR	2021	2020
Total acquisition costs as of 1.1.	**6.566**	**6.678**
Additions	128	728
Disposals	0	-333
Exchange rate adjustments	268	-507
Total acquisition costs as of 31.12.	**6.962**	**6.566**
Accumulated depreciation as of 1.1.	**-809**	**-766**
Depreciation	-190	-175
Disposals	0	19
Exchange rate movements	-69	113
Accumulated depreciation as of 31.12.	**-1.067**	**-809**
Investment properties	**5.895**	**5.756**

The fair value of investment property amounts to EUR 6.0 million (2020: EUR 5.9 million). The future minimum lease income of investment property breaks down as follows:

in '000 EUR	31.12.2021	31.12.2020
no later than 1 year	771	694
later than 1 year and no later than 5 years	1,230	437
later than 5 years	187	0
Future minimum lease income	**2,187**	**1,131**

The changes in other financial instruments (excluding shares) and the respective loss allowances are presented in the following tables. The simplified approach is used when establishing loss allowances.

in '000 EUR	2021	2020
Gross outstanding amount as of 1.1.	**32,341**	**35,347**
New financial assets originated	5,858	148,188
Derecognition	-3,728	-151,489
Change in exposure*	-530	1,304
Changes in the scope of consolidation	47	0
Exchange rate movements*	292	-1,009
Gross outstanding amount as of 31.12.	**34,280**	**32,341**

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

in '000 EUR	2021	2020
Loss allowances as of 1.1.	**-752**	**-431**
New financial assets originated	-208	-88
Release due to derecognition	16	93
Change in credit risk	-1,005	-446
Changes in the scope of consolidation	-1	0
Exchange rate movements	226	119
Loss allowances as of 31.12.	**-1,724**	**-752**

(24) Pledged and transferred assets

We have pledged a number of our assets for funding, the majority of which on a portfolio basis. The pledges could be exercised in case of default of principal or interest payment. The maturities of the pledges are in line with the related liabilities.

	31.12.2021		**31.12.2020**	
in '000 EUR	**Pledged assets that can be repledged or sold**	**related liability**	**Pledged assets that can be repledged or sold**	**related liability**
Central bank balances	23,820	21,283	0	0
Loans and advances to banks	4,654	0	9,045	3,387
Loans and advances to customers	18,373	28,970	27,365	34,986
Other assets	1,701	89	1,561	36
Total	**48,548**	**50,342**	**37,971**	**38,408**

(25) Liabilities to customers

in '000 EUR	**31.12.2021**	**31.12.2020**
Sight deposits	**2,578,030**	**2,126,947**
private individuals	726,272	591,647
legal entities	1,851,759	1,535,300
Saving deposits	**1,375,966**	**1,215,113**
private individuals	783,891	653,184
legal entities	592,075	561,929
Term deposits	**1,588,255**	**1,556,837**
private individuals	853,033	902,660
legal entities	735,222	654,177
Liabilities to customers	**5,542,251**	**4,898,897**

(26) Debt securities and subordinated debt

The change in debt securities and subordinated debt is as follows:

in '000 EUR	**Debt securities**	**Subordinated debt**
Book value as of 1.1.2021	**266,858**	**84,974**
Cashflow		
Cash out	-42,237	-4,790
Cash in	115,000	0
Non-cashflow		
Deferred fees and accrued interest	7,406	5,029
Exchange rate movements	6,193	2,178
Book value as of 31.12.2021	**353,221**	**87,390**

(27) Other liabilities

in '000 EUR	**31.12.2021**	**31.12.2020**
Lease liabilities	20,004	22,776
Deferred income	3,041	3,379
Liabilities for goods and services	9,926	7,915
Non-income tax liabilities	3,427	3,370
Others	5,232	3,809
Other liabilities	**41,629**	**41,249**

Lease liabilities are recognised at the present value of the lease payments not yet made at the reporting date. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

in '000 EUR	31.12.2021	31.12.2020
no later than 1 year	5,592	5,213
later than 1 year and no later than 5 years	10,594	6,136
later than 5 years	3,818	11,426
Lease liabilities	**20,004**	**22,776**

(28) Provisions

Provisions are established when we have a present legal or constructive obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period. Multi-year obligations are discounted at an average interest rate of 2.3% (2020: 3.2%). Unwinding is recognised as interest expense over time.

The development of provisions is as follows:

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**
Used	-2,406	-531	-1,799	0	0	-422	**-5,158**
Releases	-379	-713	-601	-75	-1,351	-351	**-3,469**
Change in credit risk	0	0	0	0	-151	0	**-151**
Additions	2,860	2,346	2,150	374	1,903	532	**10,165**
Unwinding	4	90	0	99	0	2	**196**
Exchange rate movements	26	62	65	89	88	28	**359**
Book Value as of 31.12.2021	**2,953**	**5,002**	**2,336**	**1,763**	**3,222**	**1,540**	**16,816**

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**
Used	-2,274	-285	-1,263	0	0	-162	**-3,984**
Releases	-307	-129	-66	-37	-1,125	-543	**-2,208**
Additions	2,626	1,626	2,055	123	2,272	812	**9,514**
Unwinding	0	34	0	86	0	0	**120**
Exchange rate movements	-53	-154	-127	-82	-96	-114	**-626**
Book Value as of 31.12.2020	**2,847**	**3,748**	**2,521**	**1,276**	**2,733**	**1,751**	**14,875**

Provisions for post-employment benefits include obligations for staff pensions. Provisions for contingent liabilities include provisions for financial and non-financial off-balance sheet transactions. Provisions for legal risks are mainly established for legal cases. The increase is mainly attributable to the legal dispute regarding the collection of commission fees in the Serbian banking sector. Provisions for untaken vacation are established for employee vacation days still outstanding as of the reporting date. Provisions for unbilled services are established for services which have been provided but not yet invoiced as of the reporting date.

(29) Maturities of assets and liabilities

In the following table, we show amounts for assets and liabilities that will be settled within twelve months (short-term) and more than twelve months (long-term) after the balance sheet date. Financial instruments without contractual maturities as well as "Cash" and "Central bank balances" are classified as short-term. We classify the balance sheet positions “Property, plant and equipment”, “Intangible assets” and “Deferred tax assets/liabilities” as long-term.

in '000 EUR	**Short-term**	**Long-term**	**31.12.2021**	**Short-term**	**Long-term**	**31.12.2020**
Assets						
Cash	140,488	0	140,488	134,857	0	**134,857**
Central bank balances	1,382,477	22,557	1,405,034	1,270,491	0	**1,270,491**
Loans and advances to banks	252,349	300	252,649	233,469	3,050	**236,519**
Derivative financial assets	944	399	1,343	43	466	**509**
Investment securities	270,896	139,505	410,400	226,052	110,423	**336,476**
Loans and advances to customers	2,051,416	3,741,550	5,792,966	1,869,489	3,262,093	**5,131,582**
Property, plant and equipment	0	137,536	137,536	0	140,744	**140,744**
Intangible assets	0	18,411	18,411	0	19,316	**19,316**
Current tax assets	2,651	821	3,472	5,153	961	**6,113**
Deferred tax assets	0	1,746	1,746	0	1,630	**1,630**
Other assets	44,477	7,379	51,855	42,828	8,236	**51,063**
Total assets	**4,145,698**	**4,070,203**	**8,215,901**	**3,782,383**	**3,546,919**	**7,329,301**
Liabilities						
Liabilities to banks*	355,292	958,373	1,313,666	431,205	804,558	**1,235,763**
Derivative financial liabilities	210	150	360	3,938	467	**4,405**
Liabilities to customers	5,258,085	284,166	5,542,251	4,341,454	557,443	**4,898,897**
Debt securities	160,221	193,000	353,221	35,514	231,344	**266,858**
with fixed interest rate	*160,221*	*183,000*	*343,221*	*35,515*	*221,344*	***256,858***
with variable interest rate	*0*	*10,000*	*10,000*	*0*	*9,999*	***9,999***
Other liabilities	26,955	14,674	41,629	24,242	17,007	**41,249**
Provisions	13,893	2,923	16,816	10,606	4,269	**14,875**
Current tax liabilities	3,614	0	3,614	1,582	0	**1,582**
Deferred tax liabilities	0	640	640	0	969	**969**
Subordinated debt	1,137	86,254	87,390	896	84,078	**84,974**
with fixed interest rate	*887*	*38,000*	*38,887*	*654*	*38,000*	***38,654***
with variable interest rate	*250*	*48,254*	*48,503*	*242*	*46,078*	***46,320***
Total liabilities	**5,819,406**	**1,540,180**	**7,359,587**	**4,849,436**	**1,931,479**	**6,549,573**

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

(30) Fair value of financial instruments

in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
		31.12.2021				
Financial assets						
Central bank balances	AC	1,405,034	1,405,034	0	1,405,034	0
Loans and advances to banks	AC	252,649	252,649	0	252,649	0
Derivative financial assets	FV	1,343	1,343	0	1,343	0
Investment securities	FVOCI	246,919	246,919	108,813	138,106	0
Investment securities	AC	163,481	163,504	0	163,504	0
Loans and advances to customers	AC	5,792,966	5,797,839	0	0	5,797,839
Other assets (Shares)	FVOCI	6,383	6,383	3,134	2,396	853
Other assets (Financial instruments)	AC	32,556	32,556	0	31,193	1,363
Total		**7,901,332**	**7,906,227**	**111,947**	**1,994,225**	**5,800,055**
Financial liabilities						
Liabilities to banks	AC	1,313,666	1,304,827	0	53,508	1,251,319
Derivative financial liabilities	FV	360	360	0	360	0
Liabilities to customers	AC	5,542,251	5,541,915	0	4,107,783	1,434,131
Debt securities	AC	353,221	363,348	0	0	363,348
Subordinated debt	AC	87,390	91,707	0	0	91,707
Total		**7,296,888**	**7,302,156**	**0**	**4,161,651**	**3,140,505**

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

in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
		31.12.2020				
Financial assets						
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*		**7,012,446**	**7,044,335**	**121,268**	**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 presentation and figures have been adapted to the current disclosure structure.*

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.

Upon acquisition, financial instruments are measured at fair value. 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.

(31) Equity

(a) Subscribed capital

The share capital amounts to approximately EUR 294.5 million, unchanged since the previous year, and is divided into 58,898,492 non-par value shares. All issued shares are non-par value shares and fully paid. Each holder of ordinary shares is entitled, subject to a corresponding resolution of the General Meeting, to receive dividends and is entitled to one vote per share. At the next General Meeting, the Management Board intends, against the backdrop of the current conflict situation in Eastern Europe, to propose that no dividends be distributed.

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing up to 5,889,849 new registered value shares for cash and non-cash consideration by a total amount of up to approximately EUR 29.4 million, which may be issued in whole or in part until 22 May 2023.

By resolution of the Extraordinary General Meeting of ProCredit Holding of 15 November 2019, the general partner, ProCredit General Partner AG, was authorised to acquire treasury shares of stock in accordance with section 71 (1) no. 8 AktG. The acquisition is possible for any legally permissible purpose. The authorisation is valid until five years after the date of the resolution and is limited in total to 1.5% of the share capital existing at the time the resolution is adopted by the General Meeting or – if lower – of the share capital existing at the time the authorisation is exercised. As of 31 December 2021 ProCredit Holding AG & Co. KGaA did not hold any treasury shares of stock.

(b) Capital reserve

Premiums from the issue of shares are shown in the capital reserve, which amounted to EUR 146.8 million (2020: EUR 146.8 million). The costs for issuing new shares are offset against capital reserve.

(c) Retained earnings

The retained earnings mainly result from profit carried forward from previous years, less dividends distributed. The retained earnings also include the legal reserve.

(d) Translation reserve

The translation reserve includes exchange rate gains and losses arising from capital consolidation and is based on exchange rate differences from the currency translation of the financial statements of consolidated subsidiaries.

(e) Revaluation reserve

The results from the measurement of investment securities and shares, after taking deferred taxes into account, as well as loss allowances for investment securities, are recognised in the revaluation reserve.

Additional Notes

(32) Regulatory own funds

We calculate our capital adequacy according to CRR and CRD V on the basis of the IFRS consolidated financial statements. Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities. These national requirements are largely based on the recommendations of the Basel Committee. In addition to compliance with the national requirements, each ProCredit bank calculates its capital ratios in accordance with CRR and ensures compliance with internally defined minimum requirements.

As of 31 December 2021, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 792 million, which is EUR 86 million higher than the previous year. This increase is essentially due to the recognition of interim profits and the positive development of the translation reserve. Tier 2 capital as of 31 December 2021 stood at EUR 64 million, a decrease of EUR 11 million from the previous period that can largely be attributed to the diminished capacity to recognise existing subordinated debt.

in ´000 EUR	**31.12.2021**	**31.12.2020**
Common equity Tier 1 capital	791,990	706,378
Additional Tier 1 capital	0	0
Tier 2 capital	64,426	75,922
Total capital	**856,415**	**782,300**
Risk weighted assets	**5,600,891**	**5,325,153**

Our risk-weighted assets increased during the year by EUR 276 million or 5%, reaching a total amount of EUR 5.6 billion. Solid loan portfolio growth of EUR 670.1 million in 2021 was largely offset in risk-weighted assets by the recognition of North Macedonia's and Bosnia and Herzegovina's banking regulation as CRR-equivalent by the EU Commission, full implementation of the SME support factor, and application of Deep and Comprehensive Free Trade Area (DCFTA) guarantees for credit risk reduction.

For assessing the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes. The amount of credit risk increased in 2021 by EUR 199.1 million, ending the period at EUR 4.6 billion.

Since the ProCredit group consists only of non-trading book institutions, the market risks are limited to foreign currency risk. This arises almost exclusively as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. The amount for foreign currency risk as of 31 December 2021 was EUR 591 million, which represents an increase of EUR 62.4 million.

We also apply the standardised approach to quantify operational risk. The amount for operational risk at year-end was EUR 433 million.

Given the small volume of derivatives held by the group, the risk arising from credit valuation adjustment (CVA) is insignificant. The standard method is used for calculation. The amount for CVA risk increased and, as of 31 December 2021, was EUR 15 million. This is due to the introduction of CRR II and thus to the adjusted calculation of counterparty default risk in accordance with the original risk method under Art. 282 CRR for derivative positions.

	31.12.2021		31.12.2020	
in '000 EUR	Risk-weighted assets	Minimum capital requirements	Risk-weighted assets	Minimum capital requirements
Credit risk	4,562,109	364,969	4,362,966	349,037
Market risk	590,744	47,259	528,343	42,267
Operational risk	433,221	34,658	431,892	34,551
Credit Valuation Adjustment risk	14,818	1,185	1,951	156
Total	**5,600,891**	**448,071**	**5,325,153**	**426,012**

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6% for the Tier 1 capital ratio and 8% for the total capital ratio. In addition, various capital buffers consisting of CET1 capital must be maintained: The capital conservation buffer introduced in stages has been 2.5% since 2019. An individual capital add-on pursuant to the Supervisory Review and Evaluation Process (SREP) was set for the ProCredit group based on total capital. This add-on was reduced in 2020 from 2.5% to 2.0% and again confirmed by the regulator during the financial year. The institution-specific countercyclical capital buffer amounted to 0.1% as of 31 December 2021.Overall, this results (taking into account the capital buffers) in a minimum capital requirement of 8.2% for the CET1 capital ratio, 10.1% for the T1 capital ratio and 12.6% for the total capital ratio of ProCredit group.

In the short-term, we do not expect any material changes in capital requirements. The already announced increases in countercyclical capital buffers in 2022 and 2023 for Bulgaria, Romania and Germany will have only a marginal impact on the group's capital requirements.

During the reporting period, the ProCredit group met all regulatory capital requirements at all times. The capital ratios of the ProCredit group are shown below:

	31.12.2021	31.12.2020
Common equity Tier 1 capital ratio	14.1%	13.3%
Tier 1 capital ratio	14.1%	13.3%
Total capital ratio	**15.3%**	**14.7%**

(33) Contingent liabilities

in '000 EUR	31.12.2021	31.12.2020
Credit commitments (revocable)	681,697	656,291
Payment guarantees	134,198	138,445
Performance guarantees	145,532	108,682
Credit commitments (irrevocable)	22,423	9,757
Letters of credit	2,727	3,926
Total	**986,577**	**917,102**

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

(34) Related party transactions

Legal entities or natural persons are considered to be related parties if they are in a relationship with ProCredit group and if these have the ability to directly or indirectly control or exercise significant influence in making financial or operational decisions. All transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third party counterparts. The group's related parties include key management personnel, close family members of key management personnel, ProCredit General Partner AG, Frankfurt am Main, as the direct parent company and ultimate controlling party, subsidiaries and entities which are controlled or significantly influenced by key management personnel or their close family members (Zeitinger Invest GmbH, Frankfurt am Main).

in '000 EUR	Management Board	Supervisory board	Family members of key personnel	ProCredit General Partner AG	Zeitinger Invest GmbH	31.12.2021
Income	0	2	0	1	7	**11**
Expenses	3	66	136	661	0	**867**
Assets	0	81	0	0	0	**81**
Liabilities	73	492	42	13	0	**621**

in '000 EUR	Management Board	Supervisory board	Family members of key personnel	ProCredit General Partner AG	Zeitinger Invest GmbH	31.12.2020
Income	0	1	0	1	7	**10**
Expenses	4	16	87	577	0	**683**
Assets	0	39	0	0	0	**39**
Liabilities	90	383	79	0	0	**552**

The expenses for ProCredit General Partner AG consist mainly of remuneration of the members of the Management Board. The liabilities largely comprise deposits.

Intra-group transactions between affiliated companies within the scope of consolidation are eliminated in full (see also notes 2) and 13)) and are also not shown as transactions with related parties. Transactions with affiliated companies outside the scope of consolidation (see note 2)) are as follows:

in '000 EUR	31.12.2021	31.12.2020
Income	37	57
Expenses	938	601
Assets	552	945
Liabilities	423	507

The expenses consist mainly of personnel expenses of ProCredit Reporting DOOEL, North Macedonia. The assets mainly comprise the receivables from PC Finance II B.V., The Netherlands, and investments in the companies.

(35) Events after the reporting period

At the end of February 2022, the Russian military launched a full-scale invasion of Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. An end to the conflict is not currently in sight. The ProCredit group stands behind its bank in Ukraine. In order to support the bank in the current situation, we think primarily in the long term, while also staying in close exchange with our bank's Management Board in order to be able to make decisions quickly in a very dynamic environment. We believe that we have an important function to perform as ProCredit in Ukraine and we trust that the international community as a whole will also act in a wise and prudent manner.

At the moment, our primary focus is on our employees in Ukraine and their families. In cooperation with employees of other ProCredit banks, we try to accommodate our Ukrainian colleagues and their families in our academies and training centres in Germany, North Macedonia and Serbia. Overall, we have several hundred beds to offer. Additional accommodations will be rented as needed. In addition, we aim to deliver urgently needed medicines to Ukraine.

At another level, our Ukrainian colleagues are trying to continue banking operations in the country as well as possible. The capital and financial position of ProCredit Bank Ukraine at the time of financial statement preparation was solid, also in stress scenarios. The bank's operationality is largely uninterrupted. Employees of ProCredit Bank Ukraine are currently working from various locations inside and outside Ukraine. In doing so, they have access to the bank's systems. In coordination with the Ukrainian central bank, we have granted our Ukrainian customers a 30-day moratorium. The databases essential for the banking business were secured by our group-internal software company, Quipu, on servers in Germany. Payment orders have thus far been processed in a timely manner. Card payments are also processed by Quipu outside Ukrainian territory. The bank's reporting system is also functional. As far as circumstances allow, we will maintain close contact with our borrowers and deposit customers via digital communication channels. It is above all the long-term relationships between our experienced staff and our customers that help us to respond to the current situation.

Due to the very dynamic overall situation in Ukraine, the impact of this non-adjusting event on our group cannot be estimated precisely at the present time. It can be assumed that the conflict will also lead to increased payment defaults and a reduction of collateral at ProCredit Bank Ukraine. ProCredit Bank Ukraine contributes around 13% to the group’s loan portfolio. The equity (net book value) of ProCredit Bank Ukraine according to IFRS amounts to EUR 129.9 million as of 31 December 2021. In addition, ProCredit Holding and ProCredit Bank Germany have outstanding receivables of EUR 45.1 million and guarantees, to be claimed in the case of war, of EUR 3.7 million with ProCredit Bank Ukraine. In view of the current situation, we have updated our stress tests to simulate the effect of expropriation and a full write-down of the aforementioned consolidated net carrying amounts, as well as analysing additional scenarios with significant adverse economic developments in other ProCredit banks, in particular those in the Eastern Europe segment. In all scenarios, the group’s financial position and regulatory capital situation is solid, without taking capital-strengthening measures into account. In the stress scenarios, the financial performance is negative only in the first year and develops positively in the years thereafter. With regard to the financial position, the stress scenarios indicate that there could be a shortfall that would have to be covered by additional funding measures (see also the “Liquidity and funding risk” section of the risk report and note 1 to the consolidated financial statements).

The ProCredit group's operations are spread across a total of 12 banks, with the majority of our assets not directly impacted by the events in Ukraine. ProCredit Holding has implemented risk management structures to ensure a sound capacity to assess and respond to group-relevant risks that may arise from the situation in Ukraine and from further sanctions. In view of the current situation, probabilities of default are expected to increase, particularly in the Eastern Europe segment. The sanctions against the Russian Federation have no significant direct impact on the ProCredit group. Moreover, our banks only have a limited number of clients who rely on trade with the Russian Federation.

In the current situation, a potential expansion of the military conflict with effects beyond the assumptions in these stress scenarios is a significant risk factor for our banks, especially for the ProCredit banks in the Eastern Europe segment, as well as for the financial position and financial performance of the group. In addition, a tightening or long-term continuation of sanctions against the Russian Federation could have a material impact on international markets and lead to, among other things, a substantial increase in inflation in the countries where we operate and in funding costs for the ProCredit group. Country risks could increase in the wake of political tensions, and the national currencies of the countries in which we operate, especially those not pegged to the euro, could depreciate.

Frankfurt am Main, 22 March 2022

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


Hubert Spechtenhauser

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated financial statements, we assert that the consolidated financial statements give a true and fair view of the financial position and financial performance of the group, and the consolidated 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, 22 March 2022

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	Hubert Spechtenhauser

INDEPENDENT AUDITOR'S REPORT

To ProCredit Holding AG & Co, KGaA, Frankfurt am Main

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of ProCredit Holding AG & Co. KGaA, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the management report of ProCredit Holding AG & Co. KGaA and the Group (combined management report) for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of those components of the combined management report mentioned in the "Other Information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion regarding the combined management report does not extend to the content of the components of the combined management report mentioned in the "Other Information".

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impact of the russian invasion of ukraine on the group's going concern assumption

Description of matter

Management is responsible for the preparation of the consolidated financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In the notes to the consolidated financial statements as of 31 December 2021, in section "1) Basis of accounting" and in section "35) Events after reporting period", the financial impact of the Russian invasion of Ukraine is reported, which is a non-adjusting event that does not have to be taken into account in the consolidated financial statements as of 31 December 2021.

Notwithstanding this, when preparing the consolidated financial statements, a non-adjusting event after the balance sheet date must also be included in the assessment of the appropriateness of the going concern assumption.

Management has determined that in a stress scenario in which JSC ProCredit Bank, Kiev/Ukraine, is expropriated and all assets attributable to Ukraine and all liabilities attributable to Ukraine are to be derecognized, the net consolidated carrying amounts to be derecognized totaling EUR 129.9 million as of 31 December 2021, will not consume the consolidated equity, which amounts to EUR 856.3 million in the consolidated financial statements as of 31 December 2021.

With regard to the liquidity situation of the group, assuming the occurrence of a material event of default of JSC ProCredit Bank, Kiev/Ukraine, the liquidity planning of ProCredit Holding AG & Co. KGaA has taken into consideration that special termination rights of creditors of ProCredit Holding AG & Co. KGaA will become effective and that the exercise of these rights will result in a liquidity shortfall at the level of ProCredit Holding AG & Co. KGaA that has to be covered by additional financing measures. Since, in the Company's opinion, no special termination right due to a material event of default has yet become effective, because measures have already been taken to mitigate the liquidity risk as descripted, in particular negotiations on new financing capacities, and because, as of today time, management does not have any indication that the necessary financing measures to mitigate the liquidity risk cannot be implemented, the legal representatives have prepared the consolidated financial statements on the going concern assumption.

In assessing the appropriateness of the going concern assumption, management had to make complex judgments, in particular with regard to the conditions for the special termination rights to take effect and other assumptions, in particular with regard to the feasibility of planned financing measures, due to the current constantly changing situation. In light of these complex judgements, we consider the assessment of the appropriateness of the going concern assumption by management as a key audit matter.

Information on the judgement of management is provided in the section "1) Basis of accounting" as well as in the section "35) Events after the reporting period" and in the section "Liquidity and funding risk" of the risk report in the combined management report.

Auditor’s response

In order to gain an understanding of the situation of JSC ProCredit Bank, Kiev/Ukraine, we first obtained an overview of the risk management and reporting structures implemented on the occasion of the events after the reporting period. Up to the date of completion of our audit, we reviewed the regular (working day) reporting of the Company to the German Federal Financial Supervisory Authority (BaFin) as well as the extraordinary reporting of management to the Supervisory Board on the development of the situation of JSC ProCredit Bank, Kiev/Ukraine, after 24 February 2022. In addition, we received explanations and risk-oriented evidence on the situation of JSC ProCredit Bank, Kiev/Ukraine. We also compared the evidence obtained with generally available external information on the war in Ukraine and measures affecting financial institutions.

We then assessed the consistency of the financial impacts identified under the different stress scenarios, in particular in the liquidity planning, and the methodology used. We also verified data used to the audited financial statements.

We have obtained a legal opinion from a law firm commissioned by management with regard to the question of whether, at the time our audit was completed, the conditions for a special termination right already existed, in particular for the debt securities of ProCredit Holding AG & Co. KGaA. We have assessed this legal opinion in consultation with our internal legal experts.

Finally, we inspected the recorded documents relating to meetings of management with the Supervisory Board and with the German Financial Supervisory Authority (BaFin) and, in particular, reviewed the planned financing measures recorded in the meeting documents. On this basis, we have assessed whether - in order to be able to react in a timely manner in the event that the special termination rights are exercised - precautionary financing measures have already been initiated, and whether these are suitable and sufficient to eliminate any liquidity shortfall.

2. Calculation of the model-based risk provision for non-defaulted loans and advances to customers

Description of matter

In the Company's consolidated financial statements, a gross amount of loans and advances to customers of KEUR 5,924,410 were recognised as at 31 December 2021. Of this amount, kEUR 5.573.524 relates to loans and advances that are classified as Level 1 in the risk provisioning model under IFRS 9 and for which loss allowances of kEUR 45.964 were recognized. The loss allowances for loans and advances of kEUR 215.148, which are classified as Level 2 in the IFRS 9 risk provisioning model, accounted for kEUR 18.152.

The calculation of the loss allowances for loans and advances to customers that have not defaulted is based on a Group-wide risk provisioning model for estimating the following valuation parameters: Probability of default (PD), loss given default (LGD) and expected exposure at the time of default. The estimation of the probability of default is of particular importance, as this is important under IFRS 9 both for the measurement of the amount of the loss allowances for loans and advances as well as for the application of the stage transfer requirements under IFRS 9. A stage transfer requires a significant change in the credit risk since initial recognition, which can be determined quantitatively on the basis of the probability of default derived from the Group-wide risk provision model, or which is identified on the basis of qualitative criteria to be taken into account.

The estimation of default probabilities used in the risk provisioning model is based on historical information as well as on forward-looking forecast information on various macroeconomic variables, such as inflation or unemployment, the relevance of which may vary in the individual countries in which the ProCredit group operates. As the estimation of the probability of default and the other valuation parameters as well as the application of the stage transfer requirements of IFRS 9 are subject to uncertainties and management's assumptions and judgements and due to the increased uncertainties resulting from the ongoing COVID 19 pandemic, this is a key audit matter.

The key policies for the accounting and measurement of loans and advances to customers with impaired credit according to IFRS 9 are explained in note "4) Financial instruments", "12) Loss allowance" and "19) Loans and advances to customer" in the notes to the consolidated financial statements. For information on impairment under IFRS 9 please refer to the section on " Risk provisioning" in the Risk Report in the combined management report.

Auditor's response

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We first comprehended the model methodically, taking into account the validation results of ProCredit, to test the appropriateness of the group-wide risk provisioning model used. In addition, we obtained an understanding of the processes and internal controls to ensure the proper determination of the data and information relevant for the probability of default and other valuation parameters. In doing so, we also tested, with the involvement of internal IT specialists, the effectiveness of the controls to ensure the correct and complete recording and processing of the underlying relevant data streams.

We assessed the procedures for country-specific selection, identification and validation of forward-looking forecast information. We compared the macroeconomic forecast information used by the ProCredit group with external sources. We also verified the results of sensitivity analyses regarding changes in the parameters used in the risk provisioning model as disclosed in the combined management report and considered them in our overall assessment. In performing these procedures, we involved internal specialists with particular expertise in the area of credit risk modeling.

In order to test whether the default probabilities determined by the Group-wide risk provisioning model were appropriately taken into account when applying the stage transfer requirements of IFRS 9, we obtained an understanding of the underlying processes and tested the appropriateness and effectiveness of the implemented internal controls at the level of the operating banks included in the consolidated financial statements. In addition, we performed evidence-based audit procedures at the level of the operating banks included in the consolidated financial statements with regard to the Group-wide application of the step transfer requirements for the conscious selection of loans and advances to customers based on risk considerations.

3. Identification and measurement of loans and advances to customers with impaired credit

Description of matter
In the Company's consolidated financial statements, a gross amount of loans and advances to customers of KEUR 5,924,410 were recognised as at 31 December 2021, of which KEUR 133,166 were classified as loans and advances to customers with impaired credit (Stage 3). To this end, the Company recognised loss allowances of KEUR 66,377.

The identification and measurement of loss allowances for loans and advances to customers with impaired credit is subject to judgment and uncertainty. This requires, among others, an assessment by management of the ability of the borrowers to meet the contractually agreed debt service (interest and principal), which include assumptions about the expected contractual cash flows and/or the expected cash flows from the use of loan collateral and about the expected cash from government assistance measures in individual cases. The risk for the financial statements lies in particular in the fact that assumptions made in identifying the loss allowances for loans and advances to customers with regard to the expected cash flows may be incorrect and that loss allowances are not recognized in the financial statements in an appropriate amount. In light of the complexity of the assessment and the additional uncertainty triggered by the ongoing COVID 19 pandemic, we consider the identification and measurement of loss allowances for loans and advances to customers, to be a key audit matter.

The key policies for the accounting and measurement of loans and advances to customers with impaired credit according to IFRS 9 are explained in note "4) Financial instruments", “12) Loss allowance” and “19) Loans and advances to customer” in the notes to the consolidated financial statements. For information on impairment under IFRS 9 please refer to the section on " Risk provisioning" in the Risk Report in the combined management report.

Auditor’s response
Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We obtained an understanding of the process for identifying loans and advances to customers with impaired credit and assessed the appropriateness of the process, including internal controls. In order to assess the appropriateness of the internal controls in relation to the identification of loans and advances to customers with impaired credit, we inspected the relevant organisational policies and conducted interviews. In addition, we tested the effectiveness of the controls that the company has established to identify exposures requiring loss allowances. In doing so, we also tested the effectiveness of the controls for ensuring the correct and complete recording and processing of the relevant data streams on which the identification of loss allowances for loans and advances to customers is based, with the involvement of internal IT specialists.

We used a conscious selection of individual exposures based on materiality and risk considerations to identify the need for specific credit loss allowances on loans and advances to customers. In particular, we assessed whether the assumptions made by management regarding the probability of default and the debt service at risk of default are appropriate. We assessed the economic circumstances of the borrowers. In addition, we discussed the assumptions made with those responsible for identifying the need for specific credit loss allowances on loans and advances to customers and assessed them in the light of actual defaults in the past.

We then tested the measurement of specific credit loss allowances at the level of the operating banks included in the consolidated financial statements. For this purpose, we traced the scenarios used to derive the expected cash flows and payment dates for a conscious selection of credit exposures, as well as the assigned probabilities of occurrence. In doing so, we also considered whether the necessary calculation parameters, including assumptions about country-specific future macroeconomic conditions, were appropriately derived from the Group's risk provisioning model. In our assessment, we also included, depending on the exposure strategy pursued, the expected cash flows from the use of loan collateral. Finally, we have traced the calculation of the expected cash flows for the individual credit exposure and the specific credit loss allowances recognized.

Other Information
Management respectively the Supervisory Board are responsible for the other information. The other information comprises

- the combined corporate governance statement contained in the combined management report
- the Group's separate non-financial report (Impact Report), which is referred to in the combined management report
- Human Resources Report in the combined management report
- Responsibility statements of the legal representatives and the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our audit opinion

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Group Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in accordance with Section 317 (3a) HGB on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the electronic rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „ProCreditHolding_KA_2021.zip“ (SHA256-Hashwert: e52234d40677f271c34b8c0b20da95b8026334459df236fdd47d2dd0b60de68a) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this rendering nor any other information contained in the above-mentioned electronic file.

In our opinion, the rendering of the consolidated financial statements and the combined group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this rendering nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2021, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

Basis for the opinion

We conducted our assurance work of the rendering of the consolidated financial statements and the combined group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (October 2021)). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

Responsibilities of Management and the Supervisory Board for the ESEF documents
The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the assurance work on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor at the annual general meeting on 27 May 2021. We were engaged by the Supervisory Board on 25 October 2021. We have been the group auditor of ProCredit Holding AG & Co. KGaA since financial year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or its controlled entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- review in accordance with Section 115 of the German Securities Trading Act [WpHG] of the condensed interim financial statements as at 30 June 2021
- review in accordance with Section 115 of the German Securities Trading Act [WpHG] of the condensed interim financial statements as at 30 September 2021
- issue of an assurance report (agreed-upon procedures) in connection with the determination of the supervisory fees of the European Central Bank (ECB)

Other matter – use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the management report converted to the ESEF format - including the versions to be published in the Bundesanzeiger [German Federal Gazette] - are merely electronic renderings of the audited consolidated financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Björn Grundwald

Frankfurt am Main, 23 March 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Faßhauer	Grunwald
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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.

Note on photos: All photos were taken in accordance with the COVID-19 regulations of the respective country, as effective at the time the photo was taken.

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