ProCredit HOLDING

Disclosure Report

2022

Contents

Disclosure Report

1 INTRODUCTION

The ProCredit financial holding group (ProCredit group or the group) comprises development-oriented commercial banks in South Eastern and Eastern Europe and in South America, and a bank in Germany. The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies and on direct banking activities for private clients.

Through our business activities we aim to make a contribution to economic, social and ecological development while providing a sustainable return on investment for our shareholders. 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.

We aim to be the "Hausbank" for our clients, and thus to be their first point of contact for financial matters. Our SME clients typically have financing needs ranging from EUR 50,000 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 in lending comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to deliver added value to our customers as well as making 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 addition to serving SMEs, we also pursue a direct banking strategy for private clients, particularly the growing middle class. As a general rule, we interact with our private customers exclusively via digital channels, offering them a full range of online services combined with personal customer care. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

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, renewable energies, and green investments in waste management or organic agriculture.

The superordinated company of the group is ProCredit Holding AG & Co. KGaA (ProCredit Holding), based in Frankfurt am Main, Germany. The ProCredit group is supervised by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or BaFin) and the Deutsche Bundesbank. ProCredit Holding is responsible for the strategic management, capital adequacy, reporting, risk management and proper business organisation of the group pursuant to Section 25a of the German Banking Act (KWG). The ProCredit Holding shares are traded on the Prime Standard segment of the Frankfurt Stock Exchange.

With this disclosure report, ProCredit Holding complies with the disclosure requirements for the ProCredit group as of 31 December 2022, particularly as set forth in the relevant version of Part Eight of Regulation

(EU) No. 575/2013 (Capital Requirements Regulation, CRR). Disclosures in this report are carried out at group level. The information is based on the audited financial statements of the individual ProCredit institutions and the audited consolidated financial statements of the ProCredit group as reported in the 2022 Annual Report. The disclosure report has been approved by the Management of ProCredit Holding.

The disclosed information is subject to the materiality principle set forth in Article 432 CRR. Legally protected or confidential information is generally excepted from disclosure. The disclosure report of the ProCredit group is compiled on the basis of completeness and on the basis of our internal policies, regulations and procedures that are set out in writing for the fulfilment of disclosure requirements. One fundamental aspect in this context is the regular review of the suitability of disclosure practices. This review also applies to the frequency of disclosure in accordance with Article 433 CRR. This report also contains disclosures on remuneration in accordance with Article 450 CRR. Article 441 CRR is not relevant for the ProCredit group, as it is not classified as being of global systemic importance. Pursuant to Section 35 of the Act on the Recovery and Resolution of Credit Institutions (*Sanierungs- und Abwicklungsgesetz* – SAG), each company in a financial group must disclose whether it is a party to an agreement on intra-group financial support. Within the ProCredit group there is no such agreement pursuant to section 22 SAG.

As a supplement to this 2022 disclosure report, information on the ProCredit group is available in ProCredit Holding's Annual Report as well as the Impact Report, both of which are published on the website. The information to be disclosed for the ProCredit group in relation to the EU taxonomy can be found in the Impact Report 2022. Information on country-specific disclosure pursuant to section 26a KWG is available in ProCredit Holding's Annual Report for 2022.

This report contains summed figures and percent calculations that may, due to rounding, contain minor deviations.

2 SCOPE OF CONSOLIDATION

This disclosure report is prepared on the basis of the companies in the ProCredit group which have been consolidated for regulatory purposes; in accordance with Section 10a KWG in conjunction with Article 18 CRR, this includes mainly institutions carrying out banking and other financial business. In contrast to the scope of consolidation for regulatory purposes, the companies consolidated under IFRS comprise all the companies over which the parent company can exercise a controlling influence.

The subsidiaries of ProCredit Holding and their regulatory treatment as well as their treatment in the consolidation under IFRS are listed in the following table as of 31 December 2022. There are no entities which are proportionally consolidated.

EU LI3: Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
ProCredit Holding AG & Co. KGaA, Germany	Full consolidation	x					Financial holding company
ProCredit Bank Sh.a., Albania	Full consolidation	x					Credit institution
ProCredit Bank d.d., Bosnia and Herzegovina	Full consolidation	x					Credit institution
ProCredit Bank (Bulgaria) EAD, Bulgaria	Full consolidation	x					Credit institution
ProCredit Bank AG, Germany	Full consolidation	x					Credit institution
Banco ProCredit S.A., Ecuador	Full consolidation	x					Credit institution
JSC ProCredit Bank, Georgia	Full consolidation	x					Credit institution
ProCredit Bank Sh.a., Kosovo	Full consolidation	x					Credit institution
ProCredit Bank A.D., Macedonia	Full consolidation	x					Credit institution
BC ProCredit Bank S.A., Moldova	Full consolidation	x					Credit institution
ProCredit Bank S.A., Romania	Full consolidation	x					Credit institution
ProCredit Bank a.d. Beograd, Serbia	Full consolidation	x					Credit institution
JSC ProCredit Bank, Ukraine	Full consolidation	x					Credit institution
Quipu GmbH, Germany	Full consolidation	x					Provider of ancillary services
ProCredit Reporting DOOEL, North Macedonia	No consolidation				x		Provider of ancillary services
ProCredit Academy GmbH, Germany	Full consolidation				x		Other
ProCredit Regional Academy Eastern Europe, North Macedonia	Full consolidation				x		Other
Pro Energy L.L.C., Kosovo	No consolidation				x		Other

EU LI1: Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
31.12.2022 in EUR m		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset class according to the balance sheet in published financial statements								
1	Cash and cash equivalents	172	172	172	-	-	69	-
2	Balances at central banks	1,768	1,768	1,768	-	-	668	-
3	Loans and advances to banks	280	280	280	-	-	175	-
4	Derivative financial assets	13	13	-	13	-	97	-
5	Investment securities	480	480	480	-	-	385	-
6	Loans and advances to customers	5,893	5,901	5,901	-	-	2,738	-
7	Property, plant and equipment and investment property	134	124	124	-	-	87	-
8	Intangible assets	18	18	-	-	-	-	18
9	Current tax assets	4	4	4	-	-	3	-
10	Deferred tax assets	11	11	2	-	-	2	7
11	Other assets	54	57	57	-	-	45	-
12	**Total assets**	8,826	8,828	8,789	13	-	4,269	25
Breakdown by liability class according to the balance sheet in published financial statements								
13	Liabilities to banks	1,319	1,319	-	-	-	344	-
14	Derivative financial liabilities	1	1	-	-	-	30	-
15	Liabilities to customers	6,290	6,290	-	-	-	3,316	-
16	Debt securities	192	192	-	-	-	-	-
17	Other liabilities	40	41	-	-	-	14	-
18	Provisions	18	18	-	-	-	11	-
19	Current tax liabilities	2	2	-	-	-	2	-
20	Deferred tax liabilities	2	2	-	-	-	2	-
21	Subordinated debt	94	94	-	-	-	30	-
22	Equity	869	871	-	-	-	-	-
23	**Total liabilities**	8,826	8,828	-	-	-	3,749	-

EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

31.12.2022 in EUR m		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Asset carrying value amount under the scope of prudential consolidation (as per template EU LI1)	8,828	8,789	-	13	4,269
2	Liability carrying value amount under the scope of prudential consolidation (as per template EU LI1)	8,828	-	-	-	3,749
3	Total net amount under the scope of prudential consolidation	-	8,789	-	13	519
4	Off-balance-sheet amounts	1,016	1,016	-	-	
5	Differences in valuations	-	-	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	1,016	-	-	-	
8	Differences due to use of credit risk mitigation techniques (CRMs)	-	-	-	-	
9	Differences due to credit conversion factors	249	-	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences	-	-	-	-	
12	Exposure amounts considered for regulatory purposes	9,120	9,120	-	12	598

EU LIA: Explanation of differences between accounting and regulatory exposure amounts

Row a - Differences between columns (a) and (b) in EU LI1

In contrast to the published financial statements, only group companies from the financial sector are included in the regulatory scope of consolidation. Within the regulatory scope of consolidation, no companies are taken into account that do not fall within the scope of the CRR. Within the ProCredit group, this concerns the ProCredit academies in Germany and North Macedonia. See also EU LIB row b.

Row b - Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2

As the ProCredit academies in Germany and North Macedonia are not included within the regulatory scope of consolidation, receivables from academies and investments in academies are treated as receivables from and investments in third parties.

EU LIB: Other qualitative information on the scope of application

Row a - Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group

At year-end, there were no known material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among ProCredit Holding and its subsidiaries, in accordance with Article 436 (f) CRR. This also applies to Ukraine, despite the war. Under the martial law in effect since February 2022, the National Bank of Ukraine has imposed restrictions which also apply to international payment transactions. However, the timely settlement of ProCredit Bank Ukraine cross-border liabilities has not been affected. Dividend payments could be subject to certain restrictions in some countries where the ProCredit group operates, insofar as the regulatory authorities retain the right to approve of the dividend payout and may impose time constraints.

Row b - Subsidiaries not included in the consolidation with own funds less than required

For the ProCredit group there are few distinctions between the scope of consolidation for regulatory purposes and the scope of consolidation applied for group accounting purposes. The ProCredit academies in Germany and North Macedonia are not included in the scope of consolidation for regulatory purposes, as they do not provide any financial services or ancillary services. The ProCredit group established the academies to provide training for management staff from the ProCredit banks. Meanwhile, all training courses are offered at the ProCredit Academy in Germany. Since 31 December 2021, the two academies have been recognised using the equity method in accordance with Article 18 (7) CRR and reported in the investment items in accordance with Art. 133 CRR.

ProCredit Reporting DOOEL, located in North Macedonia, and Pro Energy L.L.C. in Kosovo are neither considered in the scope of consolidation for regulatory purposes nor in the consolidation under IFRS. Neither reach the size criteria set forth in Article 19 (1) CRR. ProCredit Reporting DOOEL provides reporting and controlling services exclusively for ProCredit Holding and the ProCredit bank in Germany. Pro Energy L.L.C. will be active in the production, trade and distribution of renewable energy in the future.[1]

Row c - Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

The ProCredit group makes no use of the option to derogate from the application of prudential requirements on an individual basis pursuant to Article 7 CRR. The group also does not apply the individual consolidation method laid down in Article 9 CRR.

Row d - Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

The aggregate amount by which the own funds are higher due to subsidiaries not included in the consolidation is EUR 1.1 million.

[1] Furthermore, LLC Quipu GmbH in Ukraine and Quipu Sh.P.K. in Kosovo, both subsidiaries of Quipu GmbH, Germany, are not included in the regulatory scope of consolidation. The size criteria set forth in Article 19 (1) CRR are not met. The two subsidiaries provide IT consulting and software development services in the respective country.

3 RISK MANAGEMENT

EU OVA: Institution risk management approach

Row a - Disclosure of concise risk statement approved by the management body

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. This risk culture is an integral part of how we work and is reflected in the group's Code of Conduct. The activities and risks of ProCredit Holding are deeply intertwined with the development of the group. The principles of our business activity, as listed below, provide the foundation for our risk management.[2] 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. This also includes an individual assessment of ESG (Environmental, Social and Governance) aspects for all business 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[3], interest rate risk, operational risk and liquidity risk[4] 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.[5]

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, a high level of 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

[2] For further information on our business model, please refer to the introduction to the Disclosure Report as well as the Annual Report.
[3] Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk.
[4] This refers to both short-term and long-term liquidity risk (funding risk).
[5] This includes the risks arising from money laundering, terrorist financing and other acts punishable by law, as well as business risk and model risk.

critically and voicing their opinions openly are an important factor for managing and reducing risk, specifically operational risk and fraud risk.

Our risk management system includes a compliance management system and an internal control system. Key features include: management of risks and opportunities in relation to the achievement of our business objectives, proper and reliable accounting, and compliance with the relevant legal requirements and regulations which are applicable for the ProCredit group. Responsibility for the implementation, execution, further development and review of the risk management system lies with the Management.

The risk management processes of the ProCredit group have been designed in a suitable manner considering the nature, scale, complexity and riskiness of the business activities as well as the business strategy and the risk strategy of the group. The applicable regulations, Minimum Requirements for Risk Management (MaRisk), and relevant publications of national and international regulatory authorities are taken into account at all times during this process. The risk management principles and the risk strategy of the ProCredit group have not changed compared to the previous year.

The group-wide processes for risk management take account of all material risks defined in the risk inventory; these processes were found to be appropriate and approved by the Management of ProCredit Holding, and are subject to ongoing further development. As the business strategy of the ProCredit group focuses on SMEs, the credit risk associated with serving this client group constitutes the material item in the group's risk profile.

A comprehensive set of early warning indicators (reporting triggers) and limits is used to measure, manage and limit risks at the group level and at the level of each individual bank. The limit system is the operational counterpart of the principles established in the risk policies, and it represents the risk tolerance level (risk appetite) defined by the Management. In addition to the limits for specific types of risk, e.g. limits for borrowers, limits for all material risks are also set in the framework of calculating the adequacy of capitalisation. Ongoing monitoring is performed in order to identify potential concentrations within risk categories or between risk types; if necessary, decisions are taken on measures to reduce any risk concentrations.

At the end of February 2022, the Russian military launched a war of aggression against Ukraine. The war in Ukraine and its consequences represent the most significant risk event for the ProCredit group in 2022. The loss of life and damage to cities and critical infrastructure is already very high. The safety of our employees and the continuity of banking operations for our customers have had, and continue to have, top priority in this situation. Both ProCredit Bank Ukraine and ProCredit Holding have taken numerous measures to manage and mitigate risks as well as possible in such difficult circumstances. ProCredit Bank Ukraine was fully operational throughout the year. Lending has been severely restricted and essentially only takes place with corresponding guarantee programmes. The focus is currently on the repayment and realisation of loans. In particular, the quality of the loan portfolio and the liquidity position of ProCredit Bank Ukraine have been, and continue to be, closely monitored. Given the immense uncertainty surrounding the development of the war, this situation and its consequences will remain the focus of risk management in 2023.

Rising energy prices, bottlenecks in supply chains and increasing inflation in the course of 2022 caused further uncertainty in all of the countries where we operate. Moreover, the beginning of the year in particular was still impacted by the COVID-19 pandemic. So far, the influence of these macroeconomic developments on the quality of the loan portfolio has been limited. Nevertheless, these factors will also determine the focus of our risk management activities in 2023. We will continue to closely monitor the situation in our countries of operation in order to assess the impact and, if necessary, take measures in a timely manner.

The group complied with internal limits as well as all applicable regulatory requirements at all times during the 2022 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. Key risk indicators, which provide a comprehensive overview of the risk profile of the group, are presented in the individual sections of the disclosure report on the material risks and in the explanations regarding capital adequacy.

Management approval for this risk statement is undertaken as part of the approval of the disclosure report.

Row b - Information on the risk governance structure

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. Ms Sandrine Massiani bears particular responsibility for risk management. She also heads the Risk Control Function in accordance with MaRisk.[6] The Compliance function and Internal Audit report directly to the Management. There were no changes in the leadership of these two functions during the 2022 financial year.

Risk management at group level is supported conceptually and implemented operationally by various risk management teams, with support from finance teams. The risk management teams of ProCredit Holding, Group Credit Risk Management, Group Financial Risk Management, Group Operational Risk Management, Fraud Prevention and Compliance & Group and PCH AML and Group & PCH Risk Control are operationally responsible for all aspects of the respective risks, including capital adequacy in the economic perspective. This includes, among other things, the preparing decision documents for the Management on the design of risk management approaches, calculating indicators at group level, and risk reporting. These teams report to Ms Sandrine Massiani, one of the managers of ProCredit Holding who bears responsibility for the back-office area.

Among the Finance teams that support risk management at group level is, in particular, Supervisory Reporting & Capital Planning. This team reports to Mr Gabriel Schor, one of two managers with responsibility for the front-office area.[7] The team is responsible, among other things, for calculating the level of capital in the normative perspective.

The following committees in particular advise and support the Management in the performance of the risk management function. In addition to direct reporting channels to the respective member of Management, the aforementioned teams report to the Management via these committees. At the same time, this ensures a close exchange between the various back-office teams, as well as between the front and back-office areas.

- 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.

[6] From 1 March 2022 up to and including 9 November 2022, Mr Hubert Spechtenhauser was responsible for the Risk Control function in accordance with MaRisk.

[7] Since 1 January 2023, the team reports to Mr Christian Dagrosa, manager responsible for the front-office area.

- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.

In addition, the following committees are relevant in connection with risk management:

- 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.

The ProCredit Group Risk Management Handbook provides group-wide standards on the processes to be applied in connection with identifying, assessing, treating, monitoring and communicating risks. The requirements set out in the handbook relate to the management of all material risks to which the banks and the group as a whole are exposed. The policies and standards aim to appropriately reflect the diversity of the group, in addition to complying with legal requirements. The group policies are approved by the Management of ProCredit Holding and are updated annually or ad hoc, as necessary. Generally, the banks' supervisory boards approve the corresponding bank policies that are derived from these group documents.

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 Code of Conduct is published on the ProCredit Holding website. 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. The Supervisory Board receives an Annual Group Compliance Risk Management Report. Any conduct which is inconsistent with the established rules, whether at ProCredit Holding or in a subsidiary, should be reported to an e-mail address established for the group. This can also be performed anonymously.

Processes and procedures have been implemented at all ProCredit institutions to ensure adequate internal control. This system is based on the principles of segregation of duties, dual control and the separation of front and back office for all risk-relevant operations up to the management level; this ensures that risk management and risk control are performed independently of front-office functions. The group's core values include the Know-Your-Customer (KYC) approach and ethical behaviour, as set out in the Code of Conduct which all employees commit to uphold each year. Internal controls are supported by IT solutions.

Given the increasing digitalisation of front and back-office processes and the regulations on mobile working, all ProCredit banks pay particular attention to the adequacy of controls. The first line of defence is carried out by the person responsible for the process. They are supported in their controls by the risk management functions, the second line of defence.

Group Audit, as the third line of defence, is an independent functional area within ProCredit Holding. It provides support in, among other things, 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 pf ProCredit Bank Germany) has an internal audit department. The internal audit function of ProCredit Bank Germany has been outsourced to ProCredit Holding. 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. Internal Audit reports regularly to the Supervisory Board.

The Management at each ProCredit bank bears responsibility for risk management within their institution. All ProCredit banks have a risk management department, a risk management committee, an ALCO, a compliance committee, an Internal Audit Committee, an Environmental Steering Committee, and specialised committees that address individual risks. In addition, banks are free to establish further committees. The risk profile of the individual institutions is monitored and managed with support from these committees.

Strong risk awareness on the part of all employees is a core element of our 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.

For explanations on the approved limits for risks to which the ProCredit group is exposed, please refer to the following sections

Row c - Declaration approved by the management body on the adequacy of risk management arrangements
See EU OVA row a - Disclosure of concise risk statement approved by the management body.

Row d - Disclosure of the scope and nature of risk disclosure and/or measurement systems
At the individual bank level, risk positions are regularly analysed, discussed intensively 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, particularly by the Group Risk Management Committee, through a review of these reports and of additional information generated by individual banks and at group level. The Management is thus kept regularly and comprehensively informed within the framework of the Group Risk Management Committee. The internal audit and compliance functions also report regularly to the Management Board and the Supervisory Board.

Furthermore, 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 such crisis through its own efforts.

Row e - Disclosure of information on key features of risk disclosure and measurement systems

The risk reports of the ProCredit group contain information on the material risks: Credit risk from business with customers, counterparty risk (including issuer risk), country risk, liquidity risk, foreign currency risk, interest rate risk, operational risk, recovery indicators, and ICAAP in the normative and economic perspectives. See also information on row d. The risk reporting and measurement systems are reviewed and updated at least annually.

For details on the level of capital and the risk measurement systems for the main risks, please refer to sections 5 to 10.

Row f - Strategies and processes to manage risks for each separate category of risk

An informed and transparent approach to risk management is a central component of our socially responsible business model. In accordance with our simple, transparent and sustainable business strategy, our risk strategy is a conservative one. 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, as well as to achieve steady results.

While the business strategy lists the objectives of the group for all material business activities and regions of operation and presents measures to be taken to achieve them, the group risk strategy addresses the material risks arising from the implementation of the business strategy and defines the objectives and measures of risk management. The risk strategy is broken down into strategies for all material risks in the group. Both the risk strategy and business strategy are updated each year and approved by the Management of ProCredit Holding following thorough discussions with the Supervisory Board.

For each section on individual risks, the strategy includes both a section on the targets achieved (or not achieved, as the case may be) in the previous year and the targets for the current financial year. As the indicators specified in the risk strategy are part of risk reporting, achievement of the corresponding targets is thus monitored on an ongoing basis.

For details on the strategies and processes for the main risks, please refer to sections 6 to 10.

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 sustainability aspects (ESG risks) also informs this process.

In managing risks, the ProCredit group takes account of legal regulations, MaRisk, relevant publications by national and international regulatory authorities, and 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.
- Stress tests are performed for material risks at least quarterly; stress tests are carried out for each individual risk category as well as across all risk categories.[8]
- 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.

These key elements of risk management in the ProCredit group are based on the regulatory requirements, on the substantial knowledge we have acquired over the past 20 years in our markets, and on a precise understanding of both our clients and the risks we assume.

Row g - Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants

The material risks for the ProCredit group are credit risk, market risks (foreign currency risk and interest rate risk), liquidity risk (short term and long term), operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk. ESG risks are environmental, social or corporate governance events or conditions whose occurrence may have an actual or potential negative impact on financial position and financial performance as well as on reputation. We deliberately do not give separate treatment to ESG risks, as it would hardly be possible to isolate such risks.

Managing ESG risks is an integral part of our business strategy. ESG risks can have a material impact on the identified risks, 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, i.e. the impact that ESG risks have on our clients and the corresponding business models and thus on their ability to survive.

[8] Stress tests are an important and integral part of the ProCredit group's risk management. Historical and hypothetical risk events/scenarios are calculated for various risk factors, including portfolios and regions. For further explanations on stress tests in the economic perspective across different types of risk, please refer to section 5.7; for stress tests on interest rate risk, see section 7; and for stress tests on liquidity risk, see section 8.

For information on the structures to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants, particularly for credit risk, market risk, liquidity risk (short and long term) and operational risk, we refer you to the following sections.

4 MANAGEMENT BODY

ProCredit Holding AG & Co. KGaA, the superordinated company of the ProCredit group, has the legal form of a partnership limited by shares. ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG. The Management Board of the general partner is responsible for managing ProCredit Holding in accordance with the requirements established in the law, in the Articles of Association and in the internal rules of procedure for ProCredit General Partner AG, as defined by its Supervisory Board.

Key decisions of the group are approved by the supervisory board of the ProCredit General Partner AG. The members of the Supervisory Board of the general partner, ProCredit General Partner AG, are the same as for the Supervisory Board of ProCredit Holding AG & Co. KGaA. As a general rule, the Supervisory Board of ProCredit General Partner AG meets immediately before the meeting of the Supervisory Board of ProCredit Holding AG & Co. KGaA

EU OVB: Disclosure on governance arrangements

Row a - The number of directorships held by members of the management body

As a general rule, the members of the Management of ProCredit Holding do not hold supervisory or management positions outside of the group.[9]

In the course of 2022, there were several changes in the composition of the Management of ProCredit Holding. Since 1 March 2022, Mr Hubert Spechtenhauser has been the fourth member of the Management Board of the general partner of ProCredit Holding, and since 09 November 2022 Chair of the Management Board. Dr Gabriel Schor departed from the Management Board, as planned by mutual agreement, when his contract expired on 31 December 2022. The ProCredit group would like to express its gratitude to Dr Gabriel Schor and wishes him all the best in the future. As of 1 January 2023, Mr Christian Dagrosa was appointed as a new member of the Management Board.

The composition of the Supervisory Board also changed during the financial year. On 7 March 2022, the chairmanship of the Supervisory Board passed from Dr Claus-Peter Zeitinger to Mr Rainer Ottenstein. As of 31 May 2022, Dr Claus-Peter Zeitinger resigned from the Supervisory Board and Ms Helen Alexander was appointed as a new member of the Supervisory Board.

The management body of ProCredit Holding at the end of 2022 comprised the four members of the Management and the six members of the Supervisory Board. The tables below indicate the number of positions held by the Management[10] and Supervisory Board, including their positions at ProCredit Holding.[11]

[9] Ms Sandrine Massiani also fulfilled, until 1 July 2022, management member tasks of a group-external company, albeit only mandatory, non-time-consuming duties.

[10] Ms Sandrine Massiani, in addition to her position as manager of ProCredit Holding, has been the manager of the ProCredit Academy since 1 October 2022. As of 9 September 2022, she is no longer interim manager of ProCredit Bank AG, and as of 21 February 2023, she resigned from her position as manager of ProCredit Reporting DOOEL, based in North Macedonia. Accordingly, as of 22 February 2023, she holds two management functions within the group.

[11] The positions at ProCredit Holding AG & Co. KGaA and ProCredit General Partner AG are presented together in the tables.

Number of management or supervisory positions held by members of the Management

31.12.2022	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Hubert Spechtenhauser (Chairman)	1	3	–
Dr Gian Marco Felice	1	9	–
Sandrine Massiani	3	4	–
Dr Gabriel Schor	1	3	–

Number of management or supervisory positions held by members of the Supervisory Board

31.12.2022	Management positions outside of the group	Supervisory positions within the group	Supervisory positions outside of the group
Rainer Ottenstein (Chairman)	-	7	-
Dr H.P.M. (Ben) Knapen (Deputy Chairman)	-	2	1
Helen Alexander	-	1	-
Marianne Loner	-	1	2
Jovanka Joleska Popovska	-	4	-
Dr Jan Martin Witte	-	1	-

Row b - Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills, and expertise

The managers are carefully selected by the Supervisory Board of the general partner, ProCredit General Partner AG. Managers of ProCredit Holding must be professionally and personally suitable and reliable, adhering to the requirements set forth in Section 25c KWG. The managers have both theoretical and practical experience in the business areas which are relevant for the ProCredit group and in all bank management functions, and they possess management experience. Information about the professional experience of the members of the Management is presented on the ProCredit Holding website.

The members of the Supervisory Board are appointed by the Annual General Meeting, with consideration given to the balanced and comprehensive knowledge, skills and experience of all Supervisory Board members and taking account for the requirements established in Section 25d KWG. The aim is to establish a reliable Supervisory Board, thus ensuring that the Management is subject to qualified controls and receives qualified advice from the Supervisory Board. The Supervisory Board is constituted in such a way that all of its members together possess the knowledge, skills and professional experience necessary for the proper performance of its duties. For each aspect of the Supervisory Board's function, at least one member possesses the relevant experience, thereby ensuring that the knowledge and experience of the Supervisory Board as a whole is complete. Information about the professional experience of the members of the Supervisory Board is presented on the ProCredit Holding website.

Furthermore, 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.

Row c - Diversity policy for selecting members of the management body

In the process for selecting the members of the Management and of the Supervisory Board, the aim is to ensure an appropriate degree of diversity. As a result, both bodies comprise individuals representing diverse nationalities, professional and educational (university) backgrounds. The Supervisory Board established its goal of including at least one woman as a member of the Supervisory Board in the event that the Management has one or fewer women among its members. At the end of the 2022 financial year, the Supervisory Board had three female members and the Management Board had one female member. Furthermore, the Management has established a 25% gender quota for the first two organisational levels below the Management. Moreover, the general rule for the maximum permissible age of Supervisory Board members is set at 75. Both of these requirements have also been met.

Row d - Information whether or not the institution has set up a separate risk committee and the frequency of the meetings

The members of the Supervisory Board devote sufficient time to their duties. The Supervisory Board has established committees pursuant to section 25d KWG, including a separate risk committee, the Risk and Audit Committee, a Nomination Committee and a Remuneration Control Committee. [12]

In the financial year 2022, 18 meetings of the Supervisory Board of ProCredit General Partner AG and 11 meetings of the Supervisory Board of ProCredit Holding AG & Co. KGaA were held. Seven meetings of the Risk and Audit Committee and five meetings of the Nomination Committee of ProCredit Holding AG & Co. KGaA were held. At the level of the Supervisory Board of ProCredit General Partner AG, four meetings of the Nomination Committee and five meetings of the Remuneration Control Committee were also held.

Row e - Description of the information flow on risk to the management body

The Management is provided with regular daily, monthly and quarterly risk reports in a timely manner after the respective reporting date. Furthermore, escalation mechanisms and ad-hoc reporting are implemented in the event of new risks, non-compliance with existing limits or, for known risks, in case of a significant increase in the probability of occurrence or the loss amount.

The Management of ProCredit Holding works closely together with the Supervisory Board to achieve the goals of the company. The Management reports to the Supervisory Board in a regular, timely and complete manner concerning all matters which are of particular significance for the group (including for individual ProCredit banks). This includes all relevant issues in regard to planning, business development, the risk situation, risk management and compliance. Information which is of material importance from a risk point of view is provided without delay to the Supervisory Board, independent of the regular quarterly reports on the risk situation. The Management determines the strategic orientation of the company in consultation with the Supervisory Board and discusses with the Supervisory Board at regular intervals regarding the implementation status of the strategy. If necessary, deviations of the course of business from established plans and targets are explained and reasons are provided. The Supervisory Board must be informed of any changes in the management of risk control function, in the internal audit function or in the compliance officer position.

[12] Formally, the Risk and Audit Committee is a committee of the Supervisory Board of ProCredit Holding AG & Co. KGaA, while the Remuneration Control Committee is a committee of the Supervisory Board of ProCredit General Partner AG.

5 CAPITAL ADEQUACY

5.1 Capital management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may incur greater risks than they are able to bear. Our capital management framework has the following objectives:

- Compliance with regulatory and supervisory 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

Capital adequacy is monitored using different indicators for which early warning indicators and limits have been established.

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. Regulations for the calculation of capital adequacy in most jurisdictions where the ProCredit group operates are focused on the recommendations of the Basel Committee on Banking Supervision. BaFin ordered a regular audit of ProCredit's business operations in accordance with section 44 (1) sentence 2 KWG, with a focus on internal capital adequacy. The examination was conducted by the Bundesbank during the months of May and June 2022. The audit resulted in findings. The remediation of the findings will lead to adjustments of individual processes and methodologies in 2023.

In the framework of monitoring the risk profile and capital adequacy in the normative perspective at group level, we observe in particular the capital ratios, the leverage ratio and utilisation of the large exposure limits. The Group Risk Management Committee is informed monthly about the development of capitalisation and also receives indicator forecasts for the subsequent four quarters. On the basis of this information, early measures can be taken, if necessary, to manage risks.

Compliance with bank-level supervisory requirements is monitored for each ProCredit institution on the basis of the respective national requirements, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation. The indicators for each individual ProCredit bank 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.

5.2 Structure of own funds

Own funds are calculated on the basis of CRR and KWG. A detailed presentation of the composition of own funds of the ProCredit group as of 31 December 2022 is provided in the table below.

EU CC1: Composition of regulatory own funds

31.12.2022 in EUR m		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation*
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	441	No. L 23
	davon: gezeichnetes Kapital (Aktien)	294	No. L 23
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	497	No. L 24
3	Accumulated other comprehensive income (and other reserves)	-84	No. L 25
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	No. L 24
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**854**	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	0	
8	Intangible assets (net of related tax liability) (negative amount)	-24	No. A 8
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-7	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or	-	

31.12.2022 in EUR m		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation*
	losses (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
EU-27a	Other regulatory adjusments	-3	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-34**	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	**820**	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
EU-42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	Sum of rows 37 to 42
44	Additional Tier 1 (AT1) capital	-	Row 36 minus row 43
45	Tier 1 capital (T1 = CET1 + AT1)	**820**	Sum of rows 29 and 44
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	48	No. L 21
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	**48**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and	-	

31.12.2022 in EUR m		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation*
	subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjusments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	**-**	Sum of rows 52 to 56
58	Tier 2 (T2) capital	**48**	Row 51 minus row 57
59	Total capital (TC = T1 + T2)	**868**	Sum of rows 45 and 58
60	Total risk exposure amount	**6,087**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.4752%	
62	Tier 1 (as a percentage of total risk exposure amount)	13.4752%	
63	Total capital (as a percentage of total risk exposure amount)	14.2670%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8.2885%	
65	of which: capital conservation buffer requirement	2.5000%	
66	of which: countercyclical buffer requirement	0.1635%	
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.1250%	
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	**4.2670%**	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	

31.12.2022 in EUR m		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation*
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

**Cross-reference to the corresponding rows in the template EU CC2. The initial A or L before the number indicates a reference to assets (A) or liabilities (L).*

Own funds comprises Tier 1 capital (Common Equity Tier 1 (CET1) capital plus Additional Tier 1 (AT1) capital) and Tier 2 (T2) capital.

As of 31 December 2022, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 820 million. The CET1 capital of the ProCredit group is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, deferred tax assets which are conditional on future profitability and do not result from temporary differences, and additional valuation adjustments for fair-valued positions.

Compared to the previous year, the Common Equity Tier 1 of the ProCredit group increased by EUR 28 million. This is due to the recognition of profits for the fourth quarter of 2021. Against the background of the ongoing political and economic uncertainty resulting from the war in Ukraine, the Common Equity Tier 1 capital of the ProCredit group does not include any interim profits for the 2022 financial year. The full impact of IFRS 9 has been recognised in the CET1 capital of the group since the first application of IFRS 9. The respective transitional arrangements are not applied.

The ProCredit group issued no AT1 instruments. Therefore, as of 31 December 2022 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 48 million is recognised as Tier 2 capital. This item consists of subordinated liabilities acquired since 2014 which, in the event of insolvency or liquidation, are not repaid until all non-subordinated creditors have been satisfied. Tier 2 capital decreased by EUR 16 million compared with the previous year, mainly due to the diminished capacity to recognise existing subordinated debt. No new subordinated debt instruments were issued in 2022.

Information on the key characteristics of instruments of regulatory own funds of the ProCredit group and instruments of eligible liabilities can be found in the EU CCA table in the annex.

5.3 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The following table present the reconciliation of the consolidated balance sheet according to IFRS and the balance sheet for regulatory purposes. This includes a full reconciliation of CET1, AT1 and T2 items, as well as filters and deductions applied to own funds, and the balance sheet contained in the audited consolidated financial statements.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

31.12.2022 in EUR m		a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end	c Reference*
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash	**172**	172	
2	Central bank balances	**1,768**	1,768	
3	Loans and advances to banks	**280**	280	
4	Derivative financial assets	**13**	13	
5	Investment securities	**480**	480	
6	Loans and advances to customers	**5,893**	5,901	
7	Property, plant and equipment	**134**	124	
8	Intangible assets	**18**	18	No. 8
9	Current tax assets	**4**	4	
10	Deferred tax assets	**11**	11	
11	Other assets	**54**	57	
12	**Total assets**	**8,826**	8,828	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
13	Liabilities to banks	**1,319**	1,319	
14	Derivative financial liabilities	**1**	1	
15	Liabilities to customers	**6,290**	6,290	
16	Debt securities	**192**	192	
17	Other liabilities	**40**	41	
18	Provisions	**18**	18	
19	Current tax liabilities	**2**	2	
20	Deferred tax liabilities	**2**	2	
21	Subordinated debt	**94**	94	No. 46
22	**Total liabilities**	**7,957**	7,957	
Shareholders' Equity				
1	Subscribed capital and capital reserve	**441**	441	No. 1
2	Retained earnings	**513**	514	No. 2, No. EU-5a
3	Translation reserve	**-82**	-82	No. 3
4	Revaluation reserve	**-3**	-3	
5	**Total shareholders' equity**	**869**	871	

**Cross-reference to the corresponding rows in the template EU CC1*

5.4 Adequacy of own funds

This section presents the group's regulatory capital requirements and capital ratios.

EU OV1: Overview of total risk exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
in EUR m		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	5,014	4,555	401
2	Of which the standardised approach	5,014	4,555	401
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk - CCR	17	22	1
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	14	15	1
9	Of which other CCR	2	7	0
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/ deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	598	591	48
21	Of which the standardised approach	598	591	48
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	458	433	37
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	458	433	37
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	5	4	0
29	**Total**	**6,087**	**5,601**	**487**

For determining the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes. During the 2022 financial year, risk-weighted assets increased significantly, due in general to the downgrade of Ukraine's sovereign rating in February 2022 and to portfolio growth.

As the ProCredit group consists exclusively of non-trading book institutions, which moreover do not engage in transactions involving commodities, foreign currency risk is the only market risk to be considered. The respective amount to be recognised at group level is determined using the aggregation method. Foreign currency risk at group level arises primarily as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. The effects of exchange rate fluctuations on the capital of individual institutions or of the group as a whole are partially offset by corresponding changes in risk-weighted assets.

The ProCredit group applies the standardised approach to quantify operational risk. Compared to the regulatory minimum capital requirements for operational risk, which amount to EUR 37 million as of 31 December 2022, the average annual net loss according to data recorded in the Risk Event Database for the last three years amounted to about EUR 1.5 million.

Given the small volume of derivatives held by the group, the risk arising from Credit Valuation Adjustment (CVA) is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk. The amount for CVA risk as of 31 December 2022 Was EUR 14 million. The calculation of counterparty default risk is performed in accordance with the original exposure method under Art. 282 CRR for derivative positions.

The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the CET1 capital ratio, only those capital components qualifying as CET1 capital are taken into account; for the calculation of the Tier 1 capital ratio, CET1 and AT1 capital are considered; for the calculation of the total capital ratio all regulatory capital components are considered.

The group's regulatory capital ratios and the most important other key metrics are shown in the table below.

EU KM1: Key metrics template

		a	c	e
in EUR m		31.12.2022	30.06.2022	31.12.2021
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	820	847	792
2	Tier 1 capital	820	847	792
3	Total capital	868	905	856
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	6,087	6,162	5,601
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	13.4752%	13.7447%	14.1404%
6	Tier 1 ratio (%)	13.4752%	13.7447%	14.1404%
7	Total capital ratio (%)	14.2670%	14.6796%	15.2907%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.0000%	2.0000%	2.0000%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.1250%	1.1250%	1.1250%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.5000%	1.5000%	1.5000%
EU 7d	Total SREP own funds requirements (%)	10.0000%	10.0000%	10.0000%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.1635%	0.0674%	0.0702%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.6635%	2.5674%	2.5702%
EU 11a	Overall capital requirements (%)	12.6635%	12.5674%	12.5702%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.2670%	4.6796%	5.2907%
Leverage ratio				
13	Leverage ratio total exposure measure	9,174	8,735	8,506
14	Leverage ratio	8.9412%	9.6960%	9.3107%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive	-	-	-

	leverage (%)			
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirements (%)	-	-	-
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,268	1,034	1,071
EU 16a	Cash outflows - Total weighted value	1,192	1,071	992
EU 16b	Cash inflows - Total weighted value	373	361	316
16	Total net cash outflows (adjusted value)	819	710	676
17	Liquidity coverage ratio (%)	154.8676%	145.6034%	158.3598%
	Net Stable Funding Ratio			
18	Total available stable funding	6,870	6,525	6,417
19	Total required stable funding	4,690	4,840	4,528
20	NSFR ratio (%)	146.4672%	134.8114%	141.7397%

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the total capital ratio. 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 confirmed again by supervisory authorities in 2022. The capital conservation buffer is currently 2.5%. The institution-specific countercyclical capital buffer amounted to 0.2% as of 31 December 2022. This buffer will be addressed in detail in the following section. Overall, this results in a minimum capital requirement of 8.3% for the CET1 capital ratio, 10.2% for the T1 capital ratio and 12.7% for the total capital ratio, taking into account the capital buffers.

With a Common Equity Tier 1 capital ratio of 13.5%, a Tier 1 capital ratio of 13.5% and a total capital ratio of 14.3% as of 31 December 2022, the ProCredit group's ratios clearly exceed the current regulatory requirements.

5.5 Countercyclical capital buffer

The countercyclical buffer rate ranges from 0% to 2.5% and is set individually for each country by the responsible authority in the respective country, with consideration given to any country-specific recommendations of the macroprudential authorities. The individual countercyclical buffer for an institution is calculated as the weighted average of the capital buffers across all jurisdictions. The weighting is based on the geographical distribution of all credit exposures to the private sector.

The Bulgarian National Bank raised the countercyclical capital buffer from 0.5% to 1.0% as of October 2022. At the same time, the National Bank of Romania also introduced a countercyclical capital buffer of 0.5%. As the responsible supervisory authority, BaFin kept the countercyclical capital buffer for Germany at 0% for the reporting period. For all other countries relevant for ProCredit, a 0% countercyclical capital buffer was applicable or no buffer was defined for 2022. The buffer requirement for the ProCredit group as of 31 December 2022 was EUR 10 million; therefore, the countercyclical capital buffer of 0.2% currently plays only a minor role.

The other already announced increases in countercyclical capital buffer requirements in 2023 for Bulgaria, Romania and Germany will have a marginal impact on the group's capital requirements. As a result, the

ProCredit group's countercyclical capital buffer requirements will further increase slightly at the end of the 2023 financial year and will be around 0.4%.

The following table presents, as of 31 December 2022, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer and the institution-specific rate for the requirement.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk			Total exposure value							
31.12.2022 in EUR m		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading-book exposures for SA	Value of trading-book exposures for internal models	Securitisation exposures - Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit risk exposures - Market risk	Relevant credit risk exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (in %)	Countercyclical buffer rate (in %)
010	Breakdown by country:													
	Bulgaria	1,110	-	-	-	-	1,110	49	-	-	49	647	14.0107%	1.0000%
	Serbia	1,000	-	-	-	-	1,000	52	-	-	52	671	14.7875%	-
	Kosovo	696	-	-	-	-	696	40	-	-	40	512	11.2342%	-
	Ecuador	543	-	-	-	-	543	31	-	-	31	402	8.9181%	-
	Ukraine	536	-	-	-	-	536	39	-	-	39	504	11.1520%	-
	North Macedonia	524	-	-	-	-	524	25	-	-	25	332	7.2067%	-
	Germany	446	-	-	-	-	446	16	-	-	16	39	4.5103%	-
	Georgia	428	-	-	-	-	428	23	-	-	23	307	6.5192%	-
	Greece	364	-	-	-	-	364	23	-	-	23	290	6.5670%	-
	Romania	358	-	-	-	-	358	16	-	-	16	206	4.6538%	0.5000%
	Bosnia and Herzegovina	298	-	-	-	-	298	14	-	-	14	186	4.0623%	-
	Albania	256	-	-	-	-	256	13	-	-	13	167	3.6885%	-
	Moldova	182	-	-	-	-	182	8	-	-	8	107	2.3872%	-
	United States of America	21	-	-	-	-	21	1	-	-	1	4	0.1615%	-
	Belgium	3	-	-	-	-	3	0	-	-	0	1	0.0226%	-
	Cook Islands	2	-	-	-	-	2	0	-	-	0	2	0.0492%	-
	Great Britain and Northern Ireland	2	-	-	-	-	2	0	-	-	0	0	0.0096%	-
	Italy	1	-	-	-	-	1	0	-	-	0	1	0.0166%	-
	Russia	1	-	-	-	-	1	0	-	-	0	1	0.0165%	-
	Other	2	-	-	-	-	2	0	-	-	0	1	0.0265%	-
020	**Total**	**6,772**	**-**	**-**	**-**	**-**	**6,772**	**353**	**-**	**-**	**353**	**4,381**	**100.0000%**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer

31.12.2022 in EUR m		a
1	Total risk exposure amount	6,087
2	Institution-specific countercyclical capital buffer rate	0.1635%
3	Institution-specific countercyclical buffer requirement	10

5.6 Leverage ratio

EU LRA: Disclosure of LR qualitative information

Row a - Description of the processes used to manage the risk of excessive leverage

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 ratio represents a non-risk-based model to address the growing risk of excessive leverage in the banking sector. The requirements for determining the leverage ratio are set out in Part 7 of CRR. A mandatory minimum ratio of 3% was introduced in June 2021 with CRR II.

The leverage ratio is calculated on a monthly basis. The internally selected early warning threshold is currently 6%. As of year-end 2022 the ProCredit group reported a comfortable leverage ratio of 8.9%.

Row b - Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Compared to the previous year, leverage ratio declined from 9.3% to 8.9%. The total risk exposure amount for the ProCredit group increased in the course of 2022 by EUR 668 million. This development was primarily due to significant growth in deposits with central banks and to growth in the loan portfolio during the 2022 financial year. The increase in T1 capital by EUR 28 million had a positive effect, with the result that the leverage ratio showed a moderate decrease. This rise in T1 capital is mainly attributable to the recognition of profits for the fourth quarter of 2021.

EU LR2: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
in EUR m		31.12.2022	31.12.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	8,878	8,224
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are organised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-31	-21
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	8,847	8,203
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (i.e. net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	12	16
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	12	16
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFTs assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,016	987
20	(Adjustments for conversion to credit equivalent amounts)	702	700
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance-sheet exposures	315	287
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited with triparty agents)	-	-
EU-22h	(Excluded CSD-related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD-related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-

in EUR m		CRR leverage ratio exposures a 31.12.2022	b 31.12.2021
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	820	792
24	Total exposure measure	9,174	8,506
Leverage ratio			
25	Leverage ratio (%)	8.9412%	9.3107%
EU-25	Leverage ratio (excluding the impact of the exemption of public-sector investments and promotional loans) (%)	8.9412%	9.3107%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.9412%	9.3107%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.0000%	3.0000%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,174	8,506
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,174	8,506
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.9412%	9.3107%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.9412%	9.3107%

EU LR1: Summary reconciliation of accounting assets and leverage ratio exposures

31.12.2022 in EUR m		a Applicable amount
1	Total assets as per published financial statements	8,826
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	2
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	12
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	315
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	19
13	**Total exposure measure**	**9,174**

EU LR3: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

31.12.2022 in EUR m		a CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**8,878**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	8,878
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2,282
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	58
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	3,286
EU-10	Corporate	2,624
EU-11	Exposures in default	128
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	501

5.7 Capitalisation in the economic perspective

EU OVC: ICAAP information

Row a - Approach to assessing the adequacy of internal capital

For information on the principles of capital management, please refer to section 5.1. 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. The countries in which we do business have a relatively volatile history. Therefore, our datasets include various periods of stress. Capitalisation in the economic perspective was adequate at all times during the course of 2022.

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 (Value-at-Risk, VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
Funding risk	Qualified expert assessment
Model risk	Qualified expert assessment

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. As of 31 December 2022, we have made several adjustments to the calculation. The methodologically inconsistent treatment of business risk in the economic perspective has been corrected, and we have also made an adjustment in the calculation of funding risk. During the year, we improved the calculation for the value of automatic options in the interest rate risk model.

The definition of the group's risk taking potential was also adjusted as of 31 December 2022; among other things, subordinated debt of ProCredit Holding (EUR 88 million as of end-December 2022) is no longer taken into account, in accordance with regulatory requirements. The risk taking potential of the group amounted to EUR 790.7 million at the end of December 2022 (2021: EUR 922.4 million). The Management set the Resources Available to Cover Risk (RAtCR) at an amount of EUR 790.0 million (2021: EUR 826.0 million). This reflects the maximum acceptable risk amount for the ProCredit group. 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 75.2% of its RAtCR (2021: 73.1%) to cover its risk profile.

Capitalisation in the economic perspective

	Limit utilisation in EUR m
Credit risk	351
Interest rate risk	76
Foreign currency risk	76
Operational risk	21
Funding risk	27
Model risk	43
Total 2022	**596**
Total limit usage 2022 in %	**75.2%**
Total limit usage 2021 in %	73.1%

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 have analysed 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.

6 CREDIT RISK

The ProCredit group defines 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.

6.1 Customer credit risk

EU CRA: General qualitative information about credit risk

Row a - How the business model translates into the components of the institution's credit risk profile.

The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies and on direct banking activities for private clients. This allows a clear focus of the operating business and thus ensures that the credit exposures of the ProCredit banks are with clients who have the desired profile, so that risks can be managed effectively. In our main business, i.e. serving SMEs, we apply an individual approach to client assessment. This includes the recording and assessment of the risk profile, a thorough evaluation of the financial structure and the income-generating activities, and finally the possibility of mitigating risks through collateral or guarantees. As with all material risks of the ProCredit group, customer credit risk is managed by means of a uniform group-wide strategy. See also section 3, EU OVA row a.

Row b - The criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

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 banks in 13 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 as well as assessing ESG aspects
- 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
- Strictly avoiding overindebtedness among credit clients
- Building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- Strictly monitoring the repayment of credit exposures
- Enterprise-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, consideration of ESG aspects) 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 very small, 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, which includes all exposures to small and medium enterprises.

A careful creditworthiness assessment is a necessary form of credit risk management for us. Our credit decisions are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. We maintain regular contact with our clients, including regular on-site visits to ensure that we give adequate consideration to their specific features and needs.

Given our environmental awareness, we pro-actively analyse ESG-related issues. Transition risk is inherently reduced by the strict application of our Exclusion List (prohibiting the financing of coal production, among other activities) and by our business policy orientation.

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 mortgages.

As a rule, the valuation of collateral is based on assessments conducted by external, independent experts. In order to ensure that impairment is identified at an early stage and that appropriate measures are initiated, a plausibility check of the collateral value is performed when there are indicators of impairment and at least annually. External assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff. Based on our collateralisation requirements, securing loans with mortgages 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 risk of concentration via collateral is considered to be low.

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, we have early warning indicators based on quantitative and qualitative risk features; these indicators are implemented by the banks and monitored at portfolio level. These are in part client-specific and include: declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, arrears, and changes in the structure of the business. In addition, we identify potential risks for customers with common risk factors, such as those arising from specific economic sectors or geographical regions. Such risk factors can also lead to limits on exposures to certain groups of customers. If we cannot rule out an increase in the credit risk of a customer, they are added to a watch list and monitored more carefully; this acts as a preliminary stage of intensified management. Regular recording and analysis of these early warning indicators helps to manage the portfolio, identify 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.

On the basis of asset quality indicators, the loan portfolio is divided into categories: performing, underperforming and defaulted. This categorisation is based on a risk classification system that takes account for repayment arrears as well as other risk characteristics, including the initiation of bankruptcy or legal proceedings, 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 indicators and the associated internal processes are defined in accordance with the requirements of the European Banking Authority.

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. A strategy is developed that is suitable for the customer's situation with the goal of either restructuring or winding down the exposure. These officers are supported by the legal department of the respective bank. In the event of collateral realisation, items are 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.

Credit risk at the portfolio level is assessed regularly. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, coverage level and concentration risk. Developments are monitored and reported regularly, i.e. at least monthly, based on a system of risk indicators with early warning thresholds and limits. At group level, a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also quantified and reported (at least quarterly). The risk models used are subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

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. Compared to the previous year, the direct negative impacts in connection with the COVID-19 pandemic have decreased significantly. Overall, we assess the impact of the COVID-19 pandemic on our loan portfolio in the 2022 financial year to be minor. Assessing the impact of the war in Ukraine and the resulting macroeconomic uncertainty in all markets in which the ProCredit group is active is currently a particular priority in this context.

On the one hand, this relates in particular to ProCredit Bank Ukraine and the treatment of the acutely affected portfolio, with a focus on managing problem loans in the course of the ongoing martial law. In order to have a better overview and facilitate our response, the loan portfolio was sub-divided into three geographical zones; these are continuously reassessed based on their risk with respect to the war. Exposures to customers whose business activities are exclusively in occupied territories or in close proximity to military activities are considered defaulted. These exposures account for about 10% of ProCredit Bank Ukraine’s total loan portfolio. The impact on our customers in the other zones is continuously monitored, particularly with regard to their repayment capacity. The frequency and intensity of such monitoring is linked to the respective zone. If necessary, clients are downgraded and/or exposures are restructured. Overall, this has led to a significant increase in the bank's loss allowances. In the first half of the year, a large part of Ukraine's loan portfolio was under a moratorium, which expired in August. Throughout 2022 we made adjustments to the risk classification of all our Ukrainian exposures. Due to the significant slowdown in lending this year and the sharp depreciation of the local currency, the loan portfolio has contracted considerably since the beginning of the year.

The war has had an impact on many other economies, as sanctions and naval blockades have also led to shortages in food and energy supplies. The other banks in our group have thus conducted a detailed analysis of their loan portfolios in order to assess any impacts on their business activities caused by the war in Ukraine or the sanctions against Russia and Belarus. For the most part, these customers were able to adjust their business relationships accordingly and mitigate potential risks. Neither the sanctions nor the indirect effects of the war have resulted in a significant change in riskiness or an adjustment to loss allowances for our clients outside of Ukraine.

In addition, we analysed loans to customers from economic sectors that we consider to be at risk. In doing so, we analysed and assessed second-round effects on customers from sectors that could be exposed to potential impacts from supply chain disruptions, economic slowdowns, inflation, and energy availability. A particularly crucial aspect of the survey results was the potential impact of rising energy prices on our loan portfolio; here, we identified customers from energy-intensive industries in combination with deteriorating financials. 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.

The risk of concentrations 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 12 banks likewise makes a significant impact in terms of diversification. In addition, the ProCredit banks limit the risk of concentrations from single exposures in their portfolios by means of the following requirements: Large credit exposures (those exceeding 10% of regulatory Tier 1 capital of the respective ProCredit bank) require the approval of the bank's Supervisory Board and the Group Risk Management Committee. No individual large credit exposure may exceed 25% of regulatory (Tier 1) capital of a bank, and the sum of all large credit exposures of a bank may not exceed 150% of its regulatory capital.

Row c - Structure and organisation of the credit risk management and control function
At group level, the following organisational units in particular are entrusted with customer credit risk:

- The Management of ProCredit Holding approves the group credit risk management policies and defines the scope of activities and responsibilities of the Group Credit Risk Management team as well as an appropriate organisational structure.
- The tasks of the Group Risk Management Committee with regard to customer credit risk include: Approving group standards and other group documents governing credit risk management, setting appropriate credit risk exposure limits, regularly reviewing the credit risk report and ensuring that significant credit risks are identified, assessed, treated, monitored and communicated, taking appropriate action based on a review of key credit risk metrics (with respect to the lending business of specific banks or the group's credit strategy), approving the implementation of new credit facilities, approving exposures equal to or exceeding 10% of a bank's regulatory capital, deciding on requests for exceptions to the policies and standards.
- The Group and PCH Model Committee discusses the credit risk quantification models (including the Expected Credit Loss (ECL) model for the calculation of loss allowances) as well as the validations.
- The Group Credit Risk Management team has the following responsibilities, among others: Issuing a second risk opinion for individual credit exposures that exceed approval limits of individual banks, reviewing submissions from banks and issuing opinions and/or approving general and individual exceptions to the principles and standards, assessing the development of the credit portfolio, developing a methodology for quantifying credit risk and determining the level of loss allowances at group level, drafting and revising policies and other group documents governing credit risk management and monitoring their implementation at the banks.

At the bank level, the bodies involved in credit risk management are, in particular, the Supervisory Board, the Management Board, the Risk Management Committee and the Credit Risk Department. These have similar tasks and responsibilities to the aforementioned organisational units at group level, with a specific focus on the respective ProCredit bank, although their activities are fundamentally more operational. In particular, the credit risk departments and the supporting back-office departments perform the following functions: Credit risk assessment, portfolio analysis, loan recovery, credit control, legal process support, collateral valuation and sale. The lending process is supported by various committees such as the Business (and Credit) Committee and the Arrears Committee.

The assessment of individual customers is basically standardised, but differs in intensity depending on risk relevance and customer category. Decisions on exposures that are not classified as risk-relevant (up to an amount of EUR 250,000) can generally be made without the involvement of the back office. Beyond this amount, the involvement of the back office in assessment and decision is mandatory.

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 credit control function established in banks is tasked with assessing: compliance with lending procedures, potential indicators of fraud in lending, the quality of risk assessment for Very Small loans, Small loans and loans to private customers.

Row d - The relationships between credit risk management, risk control, compliance and internal audit functions.

The Group Credit Risk Management team is responsible for customer credit risk management in the ProCredit group; see also the previous explanations in row (c). This includes responsibility for ensuring that policies and risk processes at group level comply with all relevant regulatory and supervisory requirements. In addition, Group Credit Risk Management monitors the implementation of group policies and standards in the banks, controls the quality of risk assessment by issuing second opinions for individual exposures, and performs regular ex-post controls of relevant exposures and processes. The team is itself audited by ProCredit Holding's Internal Audit function; in addition, Group Credit Risk Management monitors the audit results of the banks' Internal Audit functions in order to support the implementation of agreed actions.

Similarly, credit risk departments at the bank level are responsible for managing credit risk processes as well as compliance with group requirements and national regulations. As part of the risk management function, banks establish control mechanisms for the lending process.

6.2 Counterparty risk, including issuer risk

EU CRA: General qualitative information about credit risk

Row a - How the business model translates into the components of the institution's credit risk profile.

The ProCredit group focuses on banking services for Small and Medium Enterprises (SMEs) in transition economies and on direct banking activities for private clients. Counterparty risk in the ProCredit group therefore mainly arises from keeping highly liquid assets for the purpose of managing liquidity. As with all material risks of the ProCredit group, it is managed by means of a uniform group-wide strategy. See also section 3, EU OVA row a.

Row b - The criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

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 interest rate swaps and 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[13] or securities issued by multilaterals with a high international rating. The impact of market price changes on the group is limited.

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for customer 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. The typical maximum maturity of our term deposits is three months, but usually shorter; longer maturities are subject to approval. Approval is likewise required before any investments in securities, except for central bank papers in the domestic currency of the respective country with a remaining maturity of up to three months. 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 (supervisory and regulatory requirements) are not considered to be equivalent to CRR.

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 of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

Counterparty/issuer risk and its management has not changed significantly compared to the end of the previous year, with one exception. The risk has increased for Ukrainian counterparties/issuers due to the war in Ukraine. Russia's invasion of Ukraine led to a downgrade of the country by all major rating agencies. The group's counterparty and issuer risk in Ukraine consists solely of exposures towards the National Bank of Ukraine, primarily in national currency. We consider it unlikely that they will be affected by a potential sovereign debt default. Nonetheless, in establishing loss allowances in accordance with IFRS 9 requirements, we have assigned most of balances with the National Bank of Ukraine to Stage 2.

At the end of 2022, the group had EUR 0.7 million in balances with banks located in Russia. Due to the sanctions currently in place, the ProCredit banks do not have access to these funds; therefore, we have established loss allowances for the total amount of these balances.

Due to the careful selection of the counterparties, none of the other exposures was past due nor showed any signs of impairment as of 31 December 2022 (they are thus assigned to Stage 1 (performing)).

Row c - Structure and organisation of the credit risk management and control function
The structure and organisation of counterparty risk (including issuer risk) is similar to that of customer credit risk (therefore, see also 6.1). At group level, the following organisational units in particular are entrusted with risk: the Management Board of ProCredit Holding, the Group Risk Management Committee, the Group and PCH Model Committee, and the Group Financial Risk Management team.

[13] Member country in the Organisation for Economic Cooperation and Development

At the bank level, the bodies involved are, in particular, the Supervisory Board, the Management Board, the Risk Management Committee and the Risk Management Department. These have similar tasks and responsibilities to the aforementioned organisational units at group level, with a specific focus on the respective ProCredit bank, although their activities are fundamentally more operational.

The management of counterparty risk is the responsibility of the individual banks. An individual limit is set for all counterparties prior to a transaction. All limit decisions are taken by a risk committee or ALCO. Limits exceeding the specified competence thresholds require additional approval by the Group Risk Management Committee following analysis and recommendation by the Group Financial Risk Management team.

Row d - The relationships between credit risk management, risk control, compliance and internal audit functions.

The Group Financial Risk Management team is responsible for counterparty risk management in the ProCredit group (see also the previous explanations in row c). This includes responsibility for ensuring that policies and risk processes at group level comply with all relevant regulatory and supervisory requirements. Similarly, risk management departments at the bank level are responsible for managing processes as well as compliance with group requirements and national regulations. In addition, Group Financial Risk Management monitors the implementation of group policies and standards in the banks. The team is itself audited by ProCredit Holding's Internal Audit function; in addition, Group Credit Risk Management monitors the audit results of the banks' Internal Audit functions in order to support the implementation of agreed actions.

The following tables show exposures by regulatory exposure class and risk weights as well as the composition of collateral arising in connection with counterparty default risk.

EU CCR3: Standardised approach – CCR risk positions by regulatory exposure class and risk weights

31.12.2022 in EUR m		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	0	-	-	-	-	-	-	-	-	-	-	0
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	11	-	-	-	-	-	-	11
7	Corporates	-	-	-	-	-	-	-	-	0	-	-	0
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	0	-	0
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	0	-	-	-	11	-	-	-	0	0	-	12

EU CCR5: Composition of collateral for CCR exposures

31.12.2022 in EUR m		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	-	-	8	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	-	-	-	8	-	-	-	-

6.3 Country risk

EU CRA: General qualitative information about credit risk

Row a - How the business model translates into the components of the institution's credit risk profile.

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. The country risk of the ProCredit group arises from the cross-border business of ProCredit Holding and the ProCredit Bank in Germany, as only these companies conduct cross-border business with other banks of the group or with clients abroad. The other ProCredit banks 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 ProCredit Holding. As with all material risks of the ProCredit group, country risk is managed by means of a uniform group-wide strategy. See section 3, EU OVA row a, and the next section.

The war in Ukraine and the associated level of political and macroeconomic uncertainty represent substantial country risk. Ukraine's rating was downgraded by all major ratings agencies. Fitch has set Ukraine's long-term issuer default rating (IDR) at 'CC'[14] ('B' at end-2021) and downgraded the country ceiling, which corresponds to the risk of conversion or transfer restrictions, to 'B-' ('B' at end-2021).

The group's cross-border exposures to Ukraine mainly comprises transactions/exposures between ProCredit Holding and ProCredit Bank Ukraine. Under the martial law in effect since February 2022, the National Bank of Ukraine has imposed restrictions which also apply to international payment transactions. However, the timely settlement of ProCredit Bank Ukraine cross-border liabilities has not been affected.

Ratings agencies maintained the sovereign ratings for our other countries of operation in 2022. At year-end 2022, two countries where we operate (Romania and North Macedonia) still had a 'negative' outlook and two (Bulgaria and Greece) had a "positive" outlook from Fitch (if no Fitch rating, then Moody's or S&P). The outlook for the other countries in which we operate remained "stable" in each case.

[14] On 12 August, Fitch temporarily downgraded Ukraine's issuer default rating from C to "RD". This was due to the pending approval for restructuring of debt owed to holders of Eurobonds. Following the approval, Fitch upgraded the rating again.

Row b - The criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

We set country limits 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 ProCredit countries of operation are monitored regularly. Among other things, internal indicators, external ratings and country-specific information are used for this purpose. Additionally, 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.

Row c - Structure and organisation of the credit risk management and control function

In particular, the following organisational units are entrusted with country risk management at group level: the Supervisory Board of ProCredit Holding, the Management of ProCredit Holding, Group ALCO, the Group Risk Management Committee, Group and PCH Model Risk Committee and the Group Financial Risk Management team.

The Supervisory Board of ProCredit Holding approves the country limits annually. These are divided by Group ALCO in particular between ProCredit Holding and ProCredit Bank in Germany. The Management of ProCredit Holding is entitled to reduce the limits or stop further cross-border transactions at any time. Risk is monitored by the Group Risk Management Committee and Group ALCO using numerous indicators, such as limit utilisation, the structure of cross-border business, external ratings and country-specific information. In addition, the Group and PCH Model Committee is responsible for reviewing the appropriateness of the risk quantification model (as well as corresponding validation activities). The risk is managed in particular by Group Financial Risk Management and the risk management department of the ProCredit Bank in Germany.

Row d - The relationships between credit risk management, risk control, compliance and internal audit functions.

The Group Financial Risk Management team is responsible for country risk management in the ProCredit group; see also the previous explanations. This includes responsibility for ensuring that policies and risk processes at group level comply with all relevant regulatory and supervisory requirements. In addition, Group Financial Risk Management monitors the implementation of group policies in the banks. The team is itself audited by ProCredit Holding's Internal Audit function; in addition, Group Credit Risk Management monitors the audit results of the banks' Internal Audit functions in order to support the implementation of agreed actions.

6.4 Loss allowances and credit quality

EU CRB: Additional disclosure related to the credit quality of assets

Row a - The scope and definitions of "past-due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definitions past due and default for accounting and regulatory purposes as specified by the EBA guidelines on the application of the definition of default in accordance with Article 178 CRR.

Exposures are considered past due when they are more than 90 days overdue and the amount overdue is considered significant. Significance is determined using an absolute threshold and a relative threshold for the size of the exposure in accordance with the regulatory technical standards (Delegated Regulation (EU) 2018/171). If both significance thresholds are exceeded, the counting of days past due begins.

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 (CRR II, Art. 178). This default definition is applied to all exposures which are part of the loan portfolio of the group. The group considers an exposure to be impaired if at least one of the defined default criteria is met, such that the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed. If a credit exposure is deemed to be impaired, it is transferred to Stage 3 of the Expected Credit Loss (ECL) model accordingly.

Row b - The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
All exposures that are more than 90 days past due are considered to be in default or impaired.

Row c - Description of methods used for determining general and specific credit risk adjustments.
The ProCredit group establishes appropriate risk provisions for credit risk. Loss allowances for the customer portfolio and counterparty portfolio are established in line with the defined group standards, which are based on IFRS 9.[15]

For the purpose of distinguishing between general and specific credit risk adjustments, the adjustments that are not attributable to a specific risk exposure or specific debtor are considered to be general credit risk adjustments. All allowances established at group level in accordance with IFRS are classified as specific credit risk adjustments.

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.

Loans and advances to customers are 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 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.

[15] Cross-border transactions generally take place only 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 2022.

Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk (SICR). 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 exists if the difference between these two PDs exceeds an internally defined threshold. 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. Forborne exposures are 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.

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 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.

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.

Changes in assumptions about the model, through discretionary decisions or collective adjustments (overlays), 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. The establishment of loss allowances in the 2022 financial year was also influenced by the war in Ukraine and the related negative consequences for the global economy. In anticipation of continued increased uncertainty, also in the longer term, adjustments have been made to the fundamental macroeconomic factors and to the scenarios used to determine the ECL model parameters for all banks in the group. Specific adjustments were made for the bank in Ukraine to reflect the significantly increased credit risk in the country.

Row d - The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

The ProCredit group uses an institution-specific definition for the restructuring of an existing exposure. Any changes in the contractual conditions for customers with financial difficulties are considered restructuring (forbearance).

This definition is consistent with the definition of a forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014. The ProCredit group uses qualitative and quantitative factors to determine when the exposure is classified as defaulted or impaired.

EU CR1: Performing and non-performing exposures and related provision

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
31.12.2022 in EUR m			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	1,808	1,777	31	–	–	–	-2	-1	-1	–	–	–		190	–
010	Loans and advances	6,189	5,724	465	200	0	197	-92	-53	-39	-124	0	-123	-4	4,650	70
020	Central banks	180	162	18	–	–	–	-1	0	-1	–	–	–	–	–	–
030	General governments	1	1	–	0	–	0	0	0	–	0	–	0	–	1	–
040	Credit institutions	64	64	–	–	–	–	0	0	–	–	–	–	–	–	–
050	Other financial corporations	26	26	0	–	–	–	0	0	0	–	–	–	–	6	–
060	Non-financial corporations	5,397	4,957	440	194	–	191	-81	-43	-38	-121	–	-120	-4	4,263	68
070	Of which: SMEs	5,013	4,590	423	188	–	187	-73	-38	-34	-117	–	-117	0	4,085	66
080	Households	521	514	8	6	0	5	-10	-10	0	-3	0	-3	0	382	2
090	Debt Securities	460	460	–	–	–	–	–	0	0	–	–	–	–	–	–
100	Central banks	146	146	–	–	–	–	–	0	0	–	–	–	–	–	–
110	General governments	293	293	–	–	–	–	–	0	0	–	–	–	–	–	–
120	Credit institutions	12	12	–	–	–	–	–	0	0	–	–	–	–	–	–
130	Other financial corporations	10	10	–	–	–	–	–	0	0	–	–	–	–	–	–
140	Non-financial corporations	0	0	–	–	–	–	–	0	0	–	–	–	–	–	–
150	Off-balance sheet exposures	1,015	960	53	2	0	1	4	3	1	1	0	1		–	–
160	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170	General governments	0	0	–	–	–	–	0	0	–	–	–	–		–	–
180	Credit institutions	1	–	–	–	–	–	–	–	–	–	–	–		–	–
190	Other financial corporations	4	4	0	–	–	–	0	0	0	–	–	–		–	–
200	Non-financial corporations	985	933	52	2	0	1	3	2	1	1	0	1		–	–
210	Households	25	23	2	0	0	0	0	0	0	0	0	0		–	–
220	Total	9,472	8,922	549	202	0	198	-96	-56	-40	-125	0	-123	–	4,840	70

EU CR1-A: Maturity of exposures

31.12.2022 in EUR m		a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	1,335	741	2,130	1,966	-	6,172
2	Debt securities	-	320	140	-	-	460
3	**Total**	**1,335**	**1,061**	**2,270**	**1,966**	**-**	**6,632**

EU CQ1: Credit quality of forborne exposures

31.12.2022 in EUR m		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	112	85	85	85	-15	-48	129	35
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	109	83	83	83	-14	-47	125	34
070	Households	3	3	3	3	0	-1	3	1
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1	0	0	0	0	0	0	0
100	**Total**	**113**	**86**	**85**	**85**	**-15**	**-48**	**129**	**35**

EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
31.12.2022 in EUR m			Not past due or past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,808	1,808	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	6,189	6,177	12	200	80	58	18	28	13	1	2	200
020	Central banks	180	180	-	-	-	-	-	-	-	-	-	-
030	General governments	1	1	-	0	-		-	-	-	-	-	0
040	Credit institutions	64	64	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	26	26	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	5,397	5,386	12	194	77	58	17	27	13	1	2	194
070	Of which SMEs	5,013	5,002	11	188	72	58	17	27	12	1	2	188
080	Households	521	521	0	6	3	0	1	1	0	0	0	6
090	Debt Securities	460	460	-	-	-	-	-	-	-	-	-	-
100	Central banks	146	146	-	-	-	-	-	-	-	-	-	-
110	General governments	293	293	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	12	12	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	10	10	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet exposures	1,015			2								1
160	Central banks	-			-								-
170	General governments	0			-								-
180	Credit institutions	1			-								-
190	Other financial corporations	4			-								-
200	Non-financial corporations	985			2								1
210	Households	25			0								0
220	Total	9,472	8,445	12	202	80	58	18	28	13	1	2	201

EU CQ4: Quality of non-performing exposures by geography

31.12.2022 in EUR m		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	**On balance sheet exposures**	**6,849**	**200**	**200**	**6,849**	**-217**		**–**
020	Bulgaria	1,113	11	11	1,113	-16		–
030	Serbia	1,011	24	24	1,011	-17		–
040	Kosovo	754	14	14	754	-19		–
050	Ukraine	684	69	69	684	-91		–
060	North Macedonia	586	8	8	586	-8		–
070	Other countries	2,701	73	73	2,701	-65		–
080	**Off balance sheet exposures**	**1,016**	**2**	**1**			**4**	
090	Bulgaria	273	0	0			1	
100	Serbia	186	1	1			1	
110	Kosovo	128	0	0			1	
120	North Macedonia	93	0	0			0	
130	Ukraine	62	0	0			1	
140	Other countries	275	0	0			1	
150	**Total**	**7,866**	**202**	**201**	**6,849**	**-217**	**4**	**–**

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

31.12.2022 in EUR m		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	1,016	63	63	1,016	-67	-
020	Mining and quarrying	20	0	0	20	0	-
030	Manufacturing	1,261	51	51	1,261	-46	-
040	Electricity, gas, steam and air conditioning supply	324	3	3	324	-9	-
050	Water supply	27	0	0	27	0	-
060	Construction	388	5	5	388	-6	-
070	Wholesale and retail trade	1,575	38	38	1,575	-40	-
080	Transport and storage	263	11	11	263	-9	-
090	Accommodation and food service activities	192	6	6	192	-7	-
100	Information and communication	66	6	6	66	-4	-
110	Real estate activities	-	-	-	-	-	-
120	Financial and insurance actvities	146	1	1	146	-4	-
130	Professional, scientific and technical activities	76	3	3	76	-3	-
140	Administrative and support service activities	79	2	2	79	-2	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	51	1	1	51	-1	-
170	Human health services and social work activities	66	2	2	66	-3	-
180	Arts, entertainment and recreation	7	0	0	7	0	-
190	Other services	35	1	1	35	-1	-
200	**Total**	**5,592**	**194**	**194**	**5,592**	**-202**	**-**

EU CQ7: Collateral obtained by taking possession and execution processes

31.12.2022 in EUR m		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	-	-
020	Other than PP&E	8	-5
030	Residential immovable property	2	-1
040	Commercial Immovable property	6	-3
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	-	-
070	Other collateral	0	0
080	**Total**	**8**	**-5**

6.5 Default risk arising from derivative positions

EU CCRA: Qualitative disclosure related to CCR

Row a - Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties.

The currently existing derivatives of the ProCredit group are treated as OTC products and the calculation of the capital requirements for counterparty default risk is based on the standardised approach. There is no reduction in capital requirements due to intermediation of central counterparties. See also row b.

Rows b/d -Description of policies related to guarantees and other credit risk mitigants, other risk management objectives, and relevant policies related to CCR.

In the ProCredit group, derivatives are utilised to a very limited extent. They are only used to hedge foreign currency and interest rate risk, to obtain liquidity or on behalf of clients; they may not be engaged in for the purposes of proprietary or speculative trading. The following derivatives are relevant for the ProCredit group:

- interest rate currency swaps, FX swaps and FX forwards
- interest rate swaps

For derivative exposures, the same risk classification, limit-setting and monitoring processes apply as for counterparty risk.

In 2022, the ProCredit group held no derivatives on shares, credit or commodities, or other derivatives.

Row c - Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CCR.

Due to the low volume of derivatives in the ProCredit group, possible correlations between counterparty/issuer risk and market risks are negligible.

Row e - The amount of collateral the institution would have to provide if its credit rating was downgraded

Requirements pursuant to Article 439 (d) CRR to provide additional collateral in connection with rating downgrades are currently not applicable for ProCredit Holding.

EU CCR1: Analysis of CCR exposure by approach

The exposure value of derivative transactions corresponds to the credit equivalent amount and is calculated using the original exposure method in accordance with Art. 282 CRR. The ProCredit group applies the original exposure method, as the absolute and relative thresholds according to Art. 273a CRR (less than EUR 100 million and less than 5% of total assets) for on-balance sheet and off-balance sheet derivative transactions are not met. The following tables show the exposure value and the capital requirements for CVA risk according to the method used.

31.12.2022 in EUR m		a Replace-ment cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for compu-ting regula-tory expo-sure value	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU1	EU - Original Exposure Method (for derivatives)	2	7		1.4	12	12	12	2
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivati-ves)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	1.4	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive me-thod (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**12**	**12**	**12**	**2**

EU CCR2: Transactions subject to own funds requirements for CVA risk

31.12.2022 in EUR m		a Exposure value	b RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	12	14
EU4	Transactions subject to the Alternative approach (Based on the Original Ex-posure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**12**	**14**

EU CCR6: Credit derivatives exposures

31.12.2022 in EUR m		a Protection bought	b Protection sold
Notionals			
1	Single-name credit default swaps	-	-
2	Index credit default swaps	-	-
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	**Total notionals**	-	-
Fair values			
7	Positive fair value (asset)	-	-
8	Negative fair value (liability)	-	-

6.6 Use of external ratings and credit risk mitigation techniques in the credit risk standardised approach

EU CRD: Qualitative disclosure requirements related to standardised approach

Rows a/b - Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period, as well as the exposure classes for which each ECAI or ECA is used.

The ProCredit group exclusively uses the standardised approach to determine its exposure to credit risk. The group has nominated the rating agency Fitch Ratings for the exposure classes "central governments or central banks", "institutions", and "institutions and corporates with a short-term credit assessment". Since our customers are usually not rated, the ProCredit group does not use ratings for the exposure class "corporates".

For exposures where an external credit assessment is available, risk weighting is determined on the basis of that external rating. For unrated exposures, risk weighting is determined on the basis of a derived credit assessment, provided the conditions set forth in Article 139 and 140 CRR are met. In all other cases, the exposure is treated as unrated.

Row c - A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book.

The transfer of the credit ratings of an issue to the receivable is based on a system-supported derivation system that complies with the requirements under Article 139 CRR. In principle, each receivable is assigned an issue rating or - if this is not available - an issuer rating. If no rating can be assigned, the receivable is treated as an unrated exposure. The risk weight to be applied to the respective exposure is determined using the credit quality steps specified in CRR.

Row d - The association of the external rating of each nominated ECAI or ECA (as referred to in row a) with the risk weights that corresponding with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA).

The allocation of external ratings to credit quality steps is based on the standard association published by the European Banking Authority (EBA).

EU CR4: Standardised approach – Credit risk exposure and CRM effects

31.12.2022 in EUR m		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	2,242	–	2,118	–	597	28.2030%
2	Regional government or local authorities	36	–	36	–	–	–
3	Public sector entities	4	–	4	–	–	–
4	Multilateral development banks	–	–	728	–	–	–
5	International organisations	–	–	–	–	–	–
6	Institutions*	58	1	58	1	13	22.8590%
7	Corporates	2,624	252	2,315	75	2,072	86.7358%
8	Retail	3,286	764	2,998	173	1,955	61.6661%
9	Secured by mortgages on immovable property	–	–	–	–	–	–
10	Exposures in default	124	–	116	–	147	126.3900%
11	Exposures associated with particularly high risk	–	–	–	–	–	–
12	Covered bonds	–	–	–	–	–	–
13	Institutions and corporates with a short-term credit assessment	140	–	140	–	56	39.7531%
14	Collective investment undertakings	–	–	–	–	–	–
15	Equity	10	–	10	–	10	100.0000%
16	Other items	337	–	337	–	165	49.0364%
17	**TOTAL**	**8,860**	**1,016**	**8,860**	**249**	**5,016**	**55.0714%**

**According to Article 107 (3) CRR, exposures to banks in third countries are to be treated as exposures to an institution only if the third country applies prudential and supervisory requirements to that entity that are at least equivalent to those applied in the EU. Exposures to banks in third countries which do not meet the criteria set out above are reported under the exposure classes "corporates" and "institutions and corporates with a short-term credit assessment*

EU CCR5: Composition of collateral for CCR exposures

31.12.2022 in EUR m		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1,572	–	–	–	13	–		–	–	417	115	2	–	–	–	2,119	1,748
2	Regional government or local authorities	36	–	–	–	–	–	–	–	–	–	–	–	–	–	–	36	36
3	Public sector entities	4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	4
4	Multilateral development banks	728	–	–	–	–	–	–	–	–	–	–	–	–	–	–	728	728
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	3	–	–	–	67	–	–	–	–		–	–	–	–	–	70	67
7	Corporates	–	–	–	–	–	–	–	–	–	2,130	259	–	–	–	–	2,389	2,389
8	Retail	–	–	–	–	–	–	–	–	3,171	–	–	–	–	–	–	3,171	3,171
9	Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Exposures in default	–	–	–	–	–	–	–	–	–	55	61	–	–	–	–	116	116
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Institutions and corporates with a short-term credit assessment	–	–	–	–	115	–	2	–	–	6	17	–	–	–	–	140	84
14	Unit or shares in collective investment undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Equity	–	–	–	–	–	–	–	–	–	10	–	–	–	–	–	10	10
16	Other items	172	–	–	–	–	–	–	–	–	165	–	–	–	–	–	337	337
17	**TOTAL**	**2,514**	**–**	**–**	**–**	**194**	**–**	**3**	**–**	**3,171**	**2,783**	**453**	**2**	**–**	**–**	**–**	**9,120**	**8,691**

EU CRC: Qualitative disclosure requirements related to CRM techniques

Row a- A description of the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.

The ProCredit group does not make use of on-balance sheet and off-balance sheet netting agreements. Since October 2022, ProCredit Bank AG, Germany, has used the netting agreements for selected German counterparties from the derivative transactions that are taken into account at group level.

Row b - The core features of policies and processes for eligible collateral evaluation and management.

The guarantees used by the group are exclusively eligible protection providers in accordance with Article 201 CRR (see also EU CRC, row d). The recognition, review and regular valuation of collateral are the responsibility of the back office. The valuations of collateral are reviewed and updated on a regular basis.

The implemented risk management processes specify the regular, complete credit risk assessment of the collateralised exposures, including the review of the legal effectiveness and the legal enforceability of the collateral taken.

Row c - A description of the main types of collateral taken by the institution to mitigate credit risk.

When determining the capital requirement for credit risk according to the standardised approach, credit risk mitigation techniques are only applied to a limited extent. Risk amounts arising from credit risk are reduced in part through the recognition of guarantees from the European Investment Fund (EIF) and cash collaterals. Moreover, guarantees from the Multilateral Investment Guarantee Agency (MIGA) are recognised for our mandatory minimum reserves held with central banks outside of the EU.

Exposures towards central governments or central banks in non-EU countries, in countries whose supervisory system is not materially equivalent to that of EU countries, or in countries with a rating below the "lower-medium grade" (i.e. below BBB- in the case of Fitch Ratings) are given a risk weighting of at least 100% regardless of the underlying currency, as stipulated in CRR.

The mandatory minimum reserves are inevitable exposures driven by the group's business strategy, which is based on financing loans in transition economies mainly through deposits. The ProCredit group has therefore chosen to insure this exposure against the risk of default and expropriation. As of 31 December 2022, EUR 185 million of the EUR 459 million in total mandatory reserves were covered by MIGA guarantees.

Secured exposure amounts totalled EUR 790 million as of 31 December 2022. We do not currently include immovable property collateral or guarantees in the risk-weighted asset calculation.

Row d - For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.

The guarantors are exclusively the European Investment Fund and the Multilateral Investment Guarantee Agency. Both guarantors are multilateral development banks in accordance with Article 117 (2) CRR, and their exposures are assigned a risk weight of 0%.

Credit derivatives are not used by the ProCredit group as part of the collateralisation recognised by the supervisory authorities.

Row e - Information about market or credit risk concentrations within the credit mitigation taken.

Guarantees from the EIF and MIGA are mainly used for credit risk mitigation. Therefore, the ProCredit group has a certain credit risk concentration with these counterparties. This does not give rise to any risks, due to the first-class creditworthiness of the counterparties.

EU CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

31.12.2022 in EUR m		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	3,257	4,720	3,877	844	-
2	Debt securities	1,882	190	-	190	
3	Total	5,140	4,910	3,877	1,034	-
4	Of which non-performing exposures	6	70	62	8	-
EU-5	Of which defaulted	130	70			

7 MARKET RISKS

7.1 Foreign currency risk and interest rate risk

In the following section, we will address foreign currency risk in particular. For further information on interest rate risk, please refer to the subsequent disclosures in EU IRRBBA rows a, b and c.

Row a - Description of the institution's strategies and processes to manage market risk

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. We manage market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with our 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 and interest rate risk in the ProCredit group are, as with all material risks, managed by means of a uniform group-wide strategy.

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 thus lead to a decline in regulatory capital ratios. This is the case when the volume of its assets and liabilities denominated in foreign currency does not match and the exchange rates move unfavourably. To mitigate this risk, we aim to keep a high share of assets in the domestic currency of the respective banks. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set, monitored and controlled at bank level. ProCredit banks do not assume foreign currency risk for speculative purposes. Foreign currency derivatives are used exclusively for hedging or liquidity purposes.

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. 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. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in EUR terms. This risk is mitigated by the fact that the equity investments are denominated in different currencies. Currency positions are identified, monitored and controlled on a monthly basis.

Row b - A description of the structure and organisation of the market risk management function

At group level, the following organisational units in particular are entrusted with market risk: the Management Board of ProCredit Holding, the Group Risk Management Committee, the Group ALCO, the Group and PCH Model Committee, and the Group Financial Risk Management team. This team also performs the risk control function.

At the bank level, the bodies involved are, in particular, the Supervisory Board, the Management Board, the Risk Management Committee, the ALCO and the Risk Management Department. These have similar tasks and responsibilities to the aforementioned organisational units at group level, with a specific focus on the respective ProCredit bank, although their activities are fundamentally more operational.

Row c - Scope and nature of risk disclosure and measurement systems
The monthly risk report shows the open currency positions of each ProCredit bank and includes a bank-specific currency risk indicator as a value-at-risk calculation. At group level, the open currency positions of the group, changes in the translation reserve, and a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also reported (at least quarterly). Likewise, the monthly risk reports include the banks' interest rate structure for the balance sheet as well as a bank-specific interest rate risk indicator. At group level, a value-at-risk analysis of the economic perspective, additional regulatory indicators, as well as sensitivities and stress scenarios are also reported (at least quarterly).

The risk models used are subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

EU IRRBBA: Qualitative information on interest rate risks of non-trading book activities

Row a - Description of how the IRRBB[16] is defined for purposes of risk control and measurement
The interest rate risk of the ProCredit group refers to the current and future risk of a negative impact on the economic value of equity or on the net interest income of the ProCredit group. This takes into account, where applicable, changes in market value resulting from changes in market interest rates on interest rate-sensitive exposures. Interest rate risk comprises three components in particular: gap risk, basis risk and option risk. Gap risk arises from differences between the repricing maturities of interest rate-sensitive exposures in the banking book, which result from their maturity structure. Basis risk arises from the effect of relative changes in market interest rates on positions with similar maturities that are priced using different interest rate indices. Option risk arises from option derivatives or from the optional elements embedded in the interest rate-sensitive positions where the group or the customer can change the amount or timing of the cash flows. All ProCredit banks are non-trading book institutions.

Row b - A description of the overall IRRBB management and mitigation strategies
Interest rate risk in the ProCredit group is, as with all material risks, managed by means of a uniform group-wide strategy. All ProCredit banks strive to maintain as balanced a balance sheet structure as possible in terms of repricing maturities of assets and liabilities. In addition, where possible, the reference interest rates on the asset side should match those on the liability side. The differences between repricing maturities for assets and liabilities should be kept 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). Interest rate derivatives are used exclusively for hedging purposes.

In addition, the impact of any potential transaction greater than 5% of the corresponding bank's own funds on interest rate risk is analysed in advance to avoid concentrations.

We have defined risk indicators based on both the economic value impact (EVI) and P&L-oriented perspectives, and have applied corresponding limits and early warning indicators.

The risk models used are subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or

[16] Interest rate risk in the banking book

adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary. In addition, all processes relevant to interest rate risk (i.e., identification, measurement, monitoring and control) are regularly reviewed by Internal Audit.

Line c - Periodicity of the calculation of IRRBB measures, and a description of the specific risk measures used to gauge our sensitivity to IRRBB

The measurement, monitoring, limiting and management of interest rate risk is based on both the economic value impact (EVI) and P&L-oriented perspectives. The risk is measured on a regular basis, at least quarterly.

To calculate the P&L effect, regularly updated assumptions on planned business developments are used, as well as the change in the fair value of financial instruments measured at fair value.

Limits are set in relation to regulatory capital for the economic value impact and accounted for within the scope of the bank's or group's capital adequacy calculation in the economic approach. Limits are set in relation to the forecast net interest income for the P&L effect.

At the bank level, as part of the uniform methodology implemented throughout the group, both indicators are determined on the basis of a +/- parallel shift of the yield curves, with only the scenario leading to a loss being included in the indicator for each currency.

At group level, the indicators are calculated using VaR models with a holding period of one year with a confidence level of 99.9% (EVI) or 99.0% (P&L effect). In addition, specific stress tests and sensitivities for the EVI are performed at least quarterly.

Row d - A description of the interest rate shock and stress scenarios used to estimate changes in the economic value and in net interest income (if applicable)

At bank level, the magnitude of the interest rate shock is essentially determined on the basis of a historical analysis of the corresponding yield curves. Parallel shifts in the yield curves are assumed for both indicators. In addition, further scenarios are calculated for the EVI, assuming non-parallel shifts in the yield curves as well.

At group level, VaR is determined using hypothetical interest rate shock scenarios based on an analysis of the historical daily development of the reference curves over the last ten (EVI) or seven (P&L effect) years. The stress tests performed include a sensitivity analysis (parallel and non-parallel shifts in the reference curves), a historical scenario on the global financial crisis, scenario analyses (i.a. assumptions on correlations between interest rate environments in the countries in which we operate), and case-related or ad-hoc scenarios.

Row e - A description of the key modelling and parametric assumptions different from those used for disclosure of Template EU IRRBB1 (if applicable)

For risk measurement according to internal methodology, modelled country-specific risk-free interest rate curves per currency are used to discount cash flows, except for the euro and the US dollar, for which a multi-curve approach is used that better reflects the interest rate environment in the countries where we operate. In addition, an interest rate floor of zero is used for all country-specific curves that have not previously exhibited negative interest rates.

At group level, the calculation of economic value impact also assumes a complete loss of the value of the automatic options (floors) as of the calculation date. This value is determined using the Bachelier model, which also takes into account the possible impact of a negative interest rate environment.

Row f - A high-level description of how we hedge IRRBB, as well as the associated accounting treatment (if applicable)

Hedging of interest rate risk in the ProCredit group is carried out, where possible, by means of interest rate derivatives, whereby fixed interest rates are swapped for variable ones. At present, only individual or several credit transactions with the same repayment schedules are hedged. Hedge accounting is applied in accordance with the requirements of IFRS 9 "Financial Instruments". In hedging relationships without hedge accounting, the derivative is measured at fair value, but not the hedged item. For hedging relationships with hedge accounting, both the derivative and the hedged item are measured at fair value or hedge fair value, as a result of which the fair value changes offset each other.

Row g - A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable)

The calculation of the regulatory interest rate scenarios is performed in accordance with the requirements of BaFin Circular 06/2019 (BA) - Interest Rate Risks in the Banking Book and EBA Guidelines EBA/GL/2018/02. Accordingly, the assets and liabilities are distributed across time buckets according to the contractual terms, thereby aggregating individual contracts into homogeneous groups. Margins are included. The average repricing maturity of interest-bearing sight deposits and savings accounts with an unspecified contractual fixed interest rate is determined using the moving average method. No modeling of early loan repayments or early termination of customer deposits is assumed. For scenarios in which a downward shift is assumed, the maturity-specific interest rate floors prescribed in Circular 06/2019 (BA) are taken into account. In addition, when determining the early warning indicators, for the currencies that are not listed in Table 1 of Circular 06/2019 (BA), the shock ceilings specified in section 3.1 of said circular are used.

Row h - Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures

Based on the scenarios presented in the EU IRRBB1 template, the maximum loss of economic value results in scenario 1. Compared to the previous year, the maximum loss decreased by approximately EUR 10 million,[17] which is mainly due to a lower value of automatic options (floors), as a consequence of increased market interest rates in the countries where we operate.

The change in net interest income shows a loss in scenario 2 that is EUR 25 million higher than in the previous year. The increase in market interest rates implicitly led to higher shocks in the parallel downward shock scenario, resulting in higher losses. In addition, the strong growth in liquid assets in 2022, which were mainly placed at central banks in the very short term, contributes to an additional modelled loss. However, the reported loss does not take into account a possible compensation effect from one of the largest funding sources, the non-interest-bearing current accounts of our customers, which are currently excluded from the quantification.

Row i - Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)

Net interest income is defined as the difference between interest income on interest-bearing assets and interest expense on interest-bearing liabilities. To determine the changes shown in Template EU IRRBB1, net interest income is calculated under a baseline scenario (the expected net interest income) and under the regulatory interest rate shock scenarios, from which the net interest income of the baseline scenario is subtracted. Net interest income is determined for a future period of 12 months from the reporting date. In accordance with EBA/GL/2018/02, a stable balance sheet ("constant balance sheet") is assumed, with reinvestment margins corresponding to those on the reporting date. The change in net interest income is

[17] Following the introduction of the improved quantification method for the automatic options (floors) in 2022, the 2021 values for the change in the economic value of equity were recalculated and therefore differ from the 2021 Disclosure Report.

supplemented for the P&L effect by the change in the fair value of financial instruments recognised at fair value.

Row (1) (2) - Disclosure of the average and longest repricing maturity assigned to non-maturity deposits
Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific historical analyses. Here, the repricing maturity per currency is limited to a maximum of every four years. At year-end 2022, the weighted average of these was 11.3 months. Non-interest-bearing sight deposits and savings accounts are not included.

EU IRRBB1: Interest rate risks of non-trading book activities

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios in EUR m		Current period	Last period	Current period	Last period
1	Parallel up	-22	-32	46	35
2	Parallel down	17	22	-40	-15
3	Steepener	-14	-5	-	-
4	Flattener	1	-9	-	-
5	Short rates up	-11	-24	-	-
6	Short rates down	-7	14	-	-

7.2 Market risk under the standardised approach

In the area of market risks, the foreign currency risks (Art. 351 et seq. CRR), commodity risks (Art. 355 et seq. CRR) and trading book risks - net equity positions and net interest rate positions (Art. 326 et seq. CRR) - are taken into account in accordance with the CRR.

All institutions of the ProCredit group are classified as non-trading book institutions. In addition, the ProCredit group does not incur any commodity risks, so that with regard to market risk positions, only the capital requirement for foreign currency risk has to be determined.

EU MR1: Market risk under the standardised approach

		a
		RWEAs
Outright products		
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	598
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**598**

8 LIQUIDITY RISKS

8.1 Liquidity and funding risk

EU LIQA: Liquidity risk management in accordance with Article 451a (4) CRR

Row a - Strategies and processes in the management of liquidity risk, including policies on diversification in the sources and tenor of planned funding

Liquidity and funding risk addresses the short- and long-term ability of the ProCredit banks and the ProCredit group to meet financial obligations in a complete and timely manner, even in stress situations. As with all material risks of the ProCredit group, liquidity risk is managed by means of a uniform group-wide strategy.

Liquidity risk management within the group comprises two perspectives, that of each ProCredit bank and that of the consolidated group. Liquidity risk for the group arises primarily at the level of the individual subsidiary banks and is managed there. The transfer of liquidity within the group is partially limited, as in some countries where we operate there are regulatory restrictions on exposures to affiliated companies. Moreover, most of the national currencies are not freely tradable abroad. Therefore, most liquidity risk indicators should be viewed from a bank perspective. When assessing the liquidity risk of the group, each ProCredit bank is evaluated separately.

Considering our conservative investment policy, our liquidity buffer is composed exclusively of assets with the highest liquidity and credit quality. This liquidity is predominantly kept in accounts with daily access at central banks and in highly liquid securities.

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at higher costs. 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, with whom we establish strong relationships. These are supplemented by loans from international financial institutions (IFIs).

See also section 3, EU OVA row a as well as the following entries.

Row b - Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

At group level, the following organisational units are entrusted with liquidity risk: the Management Board of ProCredit Holding, the Group Risk Management Committee, the Group ALCO, the Group and PCH Model Committee, and the Group Financial Risk Management team.

All policies and models are subject to approval by the Management of ProCredit Holding, the Group Risk Management Committee or the Group and PCH Model Committee. The Group Risk Management Committee monitors liquidity risk at group and individual institution level using early warning indicators, liquidity risk indicators, and stress test results, and determines necessary measures. The Group ALCO is responsible for key decisions relating to the group's liquidity management. Liquidity movements within the group are coordinated by Group ALCO in order to utilise liquidity as efficiently as possible. Group Financial Risk Management is responsible for providing, complying with and revising the standards, guidelines and quantification models for liquidity risk management as well as for monitoring the liquidity situation and reporting at group level.

At the bank level, the bodies involved are, in particular, the Supervisory Board, the Management Board, the Risk Management Committee, the ALCO and the Risk Management Department. These have similar tasks and responsibilities to the aforementioned organisational units at group level, with a specific focus on the respective ProCredit bank, although their activities are fundamentally more operational. They are responsible for the ongoing monitoring of the liquidity risk situation of the individual institutions, compliance with both group-internal and national regulatory requirements, and liquidity reporting, including daily reporting to ProCredit Holding. 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, the ALCO and the risk management committee, as well as monthly by Group ALCO and the Group Risk Management Committee.

Row c - A description of the degree of centralisation of liquidity management and interaction between the group's units.

In addition to the respective national regulatory requirements, liquidity risk management is based on a uniform group-wide approach; see also the comments on EU LIQA rows a and b.

Within the respective regulatory limits, the ProCredit institutions hold their liquidity in euros and US dollars at the ProCredit Bank in Germany. The latter centrally manages the liquidity flows within the group in these currencies. Between all other ProCredit banks, liquidity flows are very limited. ProCredit Holding and the ProCredit Bank in Germany provide short-term and long-term loans (mainly in euros or US dollars) to the ProCredit banks.

At group level, short-term liquidity risk is measured particularly with the LCR. 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 significant portion of the banks' liquidity buffer is not included in LCR consolidation. The weighted averages over four quarters of the 2022 financial year are shown in Table EU LIQ1.

Liquidity is also managed by means of group stress tests which take account for the liquidity position of the individual banks. However, the majority of liquidity risk indicators are monitored at the individual institution level and are not consolidated.

Row d - Scope and nature of liquidity risk reporting and measurement systems

We assess short-term liquidity risk in the ProCredit banks for each material currency 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 ProCredit banks. LCR indicates whether we 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.

At group level, short-term liquidity risk is measured particularly by means of LCR. The liquidity transfer restrictions within the group are taken into account (see also row c).

The models used to calculate the internal indicators and stress tests are subject to annual independent validation. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding.

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).

At group level, funding risk is also quantified and reported (at least quarterly) using an expert model within the framework of the economic perspective. The export model used is subject to annual independent validation, using qualitative and quantitative analyses, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

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. In addition, funding via the interbank market is limited by two indicators (share of interbank liabilities and overnight liabilities in total liabilities).

Liquidity risk is monitored through a daily liquidity overview, a weekly ALCO report, and monthly and quarterly reporting to the Group Risk Management Committee.

Each ProCredit bank prepares a daily liquidity overview, which provides an overview of short-term liquidity inflows and outflows, as well as core liquidity risk indicators, and makes this overview available to ProCredit Holding. Group Financial Risk Management monitors the indicators on a daily basis and submits a weekly summary to the Group ALCO. In addition, ProCredit Holding monitors its own liquidity reserve, the (planned) inflows and outflows of liquidity, and reports weekly to Group ALCO.

On a monthly basis, all institutions prepare comprehensive risk reports that contain further quantitative and qualitative information in addition to the indicators monitored on a daily basis. This includes, for example, liquidity positions, stress test results, national regulatory indicators and assessments of the liquidity situation. In addition, the overall liquidity risk situation of each bank is assessed with a system comprising all key indicators. Monthly reporting to the Group Risk Management Committee is carried out by Group Financial Risk Management on the basis of reports from the individual institutions, the calculation of group-internal indicators, and possible additional analyses and recommendations on liquidity risk management.

An overview of the liquidity situation of the banks and the group is also provided to the Supervisory Board of ProCredit Holding on a quarterly basis.

Row e - Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

Liquidity risk for the group arises primarily at the level of the individual subsidiary banks. As a result, most liquidity indicators have a bank perspective and risk is accordingly managed predominantly by banks. We assess and monitor short-term liquidity risk in each significant currency in the ProCredit banks using numerous indicators and stress tests. In addition, indicators and stress tests are also monitored at consolidated group level. Each indicator is assigned both an early warning threshold and a limit. Several core indicators of the banks are monitored on a daily basis by the respective risk departments of the banks as well as by the Group Financial Risk Management Team. This should ensure that any liquidity bottlenecks or deterioration in the liquidity situation are identified at an early stage and appropriate measures can be implemented if necessary.

Row f - An outline of the contingency funding plans

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 a 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.

Row g - An explanation of how stress testing is used

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.

Additionally, two group stress tests are carried out to determine the adequacy of ProCredit Holding's liquidity reserve.

Rows h/i - A concise liquidity risk statement approved by the management body and a declaration on the adequacy of liquidity risk management arrangements of the institution

The ProCredit group and all ProCredit banks had enough liquidity available at all times in 2022 to meet all financial obligations in a timely manner. At the end of the year, all banks complied with the limits set for all liquidity risk ratios. During the year, efficient measures were implemented promptly by a few ProCredit banks to overcome temporary limit breaches.

Developments in the liquidity situation were monitored and assessed in 2022 on the basis of daily and monthly liquidity risk reporting, regular communication between ProCredit Holding and the subsidiary banks, and monitoring of regulatory measures and market trends.

Despite the comfortable liquidity position overall, developments at group and bank level will continue to be closely monitored. Due in particular to the war in Ukraine, the liquidity situation of the ProCredit Bank in Ukraine and other ProCredit banks in the region are monitored and analysed on a daily basis in order to identify and be able to address potential problems in a timely manner. ProCredit Bank Ukraine's liquidity increased, especially in the second half of the year; at year-end, it was significantly above the previous year’s level and also higher than in the days immediately before the outbreak of the war. This was mainly due to an increase in customer deposits and repayments of customer loans. Compared with previous years, new loan business also decreased significantly in 2022 due to the war.

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 a strong increase in deposits as well as new funding agreements with banks. Both the banks and the group had sufficient liquidity available at all times in 2022 to meet all financial obligations in a timely manner.

As of 31 December 2022, the LCR was 155 % (2021: 158 %) and NSFR was 146 % at group level, and thus appropriately above the regulatory requirement of 100% and our internally defined early warning threshold. This indicates a comfortable liquidity situation and funding structure for the group as of year-end 2022.

See also EU OVA row a in section 3.

EU LIQ1: Quantitative information of LCR

		a	b	c	d	e	f	g	h
in EUR m		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**31.12.2022**	**30.09.2022**	**30.06.2022**	**31.03.2022**	**31.12.2022**	**30.09.2022**	**30.06.2022**	**31.03.2022**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1,088	1,028	985	943
CASH – OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	3,891	3,811	3,725	3,621	317	307	297	289
3	Stable deposits	1,076	1,060	1,043	1,019	54	53	52	52
4	Less stable deposits	2,248	2,180	2,095	1,972	263	254	245	237
5	Unsecured wholesale funding	1,404	1,332	1,268	1,223	647	611	579	547
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	1,392	1,322	1,259	1,213	635	601	572	545
8	Unsecured debt	11	10	6	3	11	10	6	2
9	Secured wholesale funding					–	–	–	–
10	Additional requirements	32	85	252	412	19	20	30	40
11	Outflows related to derivative exposures and other collateral requirements	18	16	15	16	18	16	15	15
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	14	69	237	396	1	5	15	25
14	Other contractual funding obligations	82	80	77	76	59	56	52	51
15	Other contingent funding obligations	941	880	712	545	55	52	42	31
16	**TOTAL CASH OUTFLOWS**					1,096	1,046	1,000	958
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	30	27	24	24	–	–	–	–
18	Inflows from fully performing exposures	454	443	440	419	353	345	343	335
19	Other cash inflows	24	18	13	9	24	18	13	10
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	TOTAL CASH INFLOWS	508	488	476	452	377	363	356	344
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows subject to 90% cap	–	–	–	–	–	–	–	–
EU-20c	Inflows subject to 75% cap	508	488	476	452	377	363	356	344
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					1,088	1,028	985	943
22	TOTAL NET CASH OUTFLOWS					720	683	644	614
23	LIQUIDITY COVERAGE RATIO					151.1260%	150.3949%	152.8536%	153.5778%

EU LIQB: Qualitative information on LCR, which complements template EU LIQ1

Rows a/b - Explanation of the main drivers of LCR results and the evolution of the contribution of inputs to the LCR’s calculation over time, and explanations on the changes in the LCR over time

The group's LCR ranged from 139% (as of August 2022) to 157% (as of October 2022) during the financial year. In the second half of the year, the liquidity buffer and the assumed cash outflows increased, mainly due to a strong increase in customer deposits in all banks and new funding agreements with international financial institutions.

Row c - Explanations on the actual concentration of funding sources

As of end-December 2022, the largest funding source was deposits with EUR 6,289.5 million. Of these, approximately 70% are classified as retail deposits according to LCR definitions. Liabilities to banks are the second-largest source of funding, accounting for EUR 1,318.6 million.

This reflects the high level of diversification among liabilities. Accordingly, potential concentration risks are at a low and acceptable level.

Row d - High-level description of the composition of the institution's liquidity buffer

Considering our investment policy, our liquidity buffer is composed exclusively of assets with the highest liquidity and credit quality, i.e. Stage 1 assets. This liquidity (with the exception of minimum reserves) is predominantly kept in accounts with daily access at central banks and in highly liquid securities. For each significant currency, a separate calculation is performed to determine if the LCR liquidity buffer maintained is sufficient to cover the net cash outflows.

Inflows result mainly from the repayment of credit exposures and from keeping part of the liquidity reserves in accounts with banks outside of the group.

Row e - Derivatives exposures and potential collateral calls

The ProCredit group has a very limited volume of derivatives, such that outflows and potential collateral calls are not significant.

Row f - Currency mismatch in the LCR

In almost all countries in which we operate, banking transactions are conducted in a national currency as well as in euros and U.S. dollars. As the group's liquidity risk arises primarily at the level of the individual subsidiary banks, the currency mismatch of the liquidity buffer is managed primarily at bank level. In addition, regulatory restrictions and the non-free tradability of national currencies limit the transferability of liquidity within the group.

Row g - Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

A significant portion of the banks' liquidity buffer is not taken into account in the consolidation of the LCR due to liquidity transfer restrictions. This is based mainly on national regulatory requirements in the countries where we operate. Therefore, for the majority of ProCredit banks, the LCR at individual institution level is significantly higher than the consolidated LCR at group level.

With the introduction of CRR II, the structural liquidity ratio (net stable funding ratio - NSFR) was introduced as of June 2021. The following tables show four sets of data for the 2022 financial year.

EU LIQ2: Net Stable Funding Ratio as of 31.12.2022

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**854**	**–**	**–**	**48**	**902**
2	Own funds	854	–	–	48	902
3	Other capital instruments		–	–	–	–
4	**Retail deposits**		**3,784**	**188**	**125**	**3,756**
5	Stable deposits		1,131	–	–	1,075
6	Less stable deposits		2,652	188	125	2,681
7	**Wholesale funding:**		**2,059**	**284**	**1,203**	**2,169**
8	Operational deposits		–	–	–	–
9	Other wholesale funding		2,059	284	1,203	2,169
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities:**	**0**	**88**	**15**	**35**	**42**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		88	15	35	42
14	**Total available stable funding (ASF)**					**6,870**
Required stable funding (RSF) Items		0				
15	**Total high-quality liquid assets (HQLA)**					**–**
EU-15a	**Assets encumbered for more than 12m in cover pool**		**–**	**–**	**–**	**–**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities:**		**1,558**	**1,222 0**	**3,427**	**4,224**
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		213	5 0	9	33
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,236	1,139 0	2,949	4,152
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
22	Performing residential mortgages, of which:		82	75 0	442	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		27	3 0	27	40
25	**Interdependent assets**		**–**	**–**	**–**	**–**
26	**Other assets:**		**717**	**20 0**	**250**	**414**
27	Physical traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				0	
29	NSFR derivative assets				9	
30	NSFR derivative liabilities before deduction of variation margin posted				1	
31	All other assets not included in the above categories		708	20	250	405
32	**Off-balance sheet items**		**1,016**	**0**	**0**	**52**
33	Total RSF					4,690
34	Net Stable Funding Ratio (%)					146.4672%

EU LIQ2: Net Stable Funding Ratio as of 30.09.2022

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**870**	**–**	**–**	**54**	**925**
2	Own funds	870	–	–	54	925
3	Other capital instruments		–	–	–	–
4	**Retail deposits**		**3,682**	**179**	**118**	**3,648**
5	Stable deposits		1,099	0	0	1,044
6	Less stable deposits		2,584	179	118	2,604
7	**Wholesale funding:**		2,028	255	1,221	2,105
8	Operational deposits		–	–	–	–
9	Other wholesale funding		2,028	255	1,221	2,105
10	**Interdependent liabilities**		**–**	**–**	**–**	**–**
11	**Other liabilities:**	**1**	**87**	**7**	**30**	**34**
12	NSFR derivative liabilities	1				
13	All other liabilities and capital instruments not included in the above categories		87	7	30	34
14	**Total available stable funding (ASF)**					**6,712**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**–**
EU-15a	**Assets encumbered for more than 12m in cover pool**		**–**	**–**	**–**	**–**
16	**Deposits held at other financial institutions for operational purposes**		**–**	**–**	**–**	**–**
17	**Performing loans and securities:**		**1,648**	**1,218**	**3,539**	**4,362**
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		215	8	8	34
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,313	1,131	3,064	4,286
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
22	Performing residential mortgages, of which:		86	78	440	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		35	2	26	42
25	**Interdependent assets**		–	–	–	–
26	**Other assets:**		**764**	**20**	**289**	**445**
27	Physical traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				0	0
29	NSFR derivative assets				8	8
30	NSFR derivative liabilities before deduction of variation margin posted				1	0
31	All other assets not included in the above categories		755	20	289	437
32	**Off-balance sheet items**		**942**	**0**	**0**	**49**
33	**Total RSF**		–	–	–	4,856
34	**Net Stable Funding Ratio (%)**		**–**	**–**	**–**	**138.2289%**

EU LIQ2: Net Stable Funding Ratio as of 30.06.2022

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	869	–	–	58	927
2	Own funds	869	–	–	58	927
3	Other capital instruments		–	–	–	–
4	**Retail deposits**		3,603	168	114	3,561
5	Stable deposits		1,073	–	–	1,019
6	Less stable deposits		2,530	168	114	2,542
7	**Wholesale funding:**		1,901	261	1,174	2,001
8	Operational deposits		–	–	–	–
9	Other wholesale funding		1,901	261	1,174	2,001
10	**Interdependent liabilities**		–	–	–	–
11	**Other liabilities:**	2	78	9	32	36
12	NSFR derivative liabilities	2				
13	All other liabilities and capital instruments not included in the above categories		78	9	32	36
14	**Total available stable funding (ASF)**					6,525
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					0
EU-15a	**Assets encumbered for more than 12m in cover pool**		–	–	–	–
16	**Deposits held at other financial institutions for operational purposes**		–	–	–	–
17	**Performing loans and securities:**		1,673	1,119	3,630	4,400
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		215	6	9	33
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,344	1,036	3,165	4,324
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
22	Performing residential mortgages, of which:		86	72	427	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		28	5	28	42
25	**Interdependent assets**		–	–	–	–
26	**Other assets:**		654	12	264	392
27	Physical traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				0	0
29	NSFR derivative assets				6	6
30	NSFR derivative liabilities before deduction of variation margin posted				0	0
31	All other assets not included in the above categories		648	12	264	386
32	**Off-balance sheet items**		941	0	0	48
33	Total RSF					4,840
34	Net Stable Funding Ratio (%)					134.8114%

EU LIQ2: Net Stable Funding Ratio as of 31.03.2022

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**808**	**–**	**–**	**61**	**868**
2	Own funds	808	–	–	61	868
3	Other capital instruments		–	–	–	–
4	**Retail deposits**		**3,464**	**190**	**106**	**3,446**
5	Stable deposits		1,048	–	–	995
6	Less stable deposits		2,416	190	106	2,451
7	**Wholesale funding:**		1,746	361	1,184	2,031
8	Operational deposits		–	–	–	–
9	Other wholesale funding		1,746	361	1,184	2,031
10	**Interdependent liabilities**		0	0	0	0
11	**Other liabilities:**	0	**63**	**8**	**30**	**34**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		63	8	30	34
14	**Total available stable funding (ASF)**					**6,379**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**		–	–	–	**0**
EU-15a	**Assets encumbered for more than 12m in cover pool**		–	–	–	–
16	**Deposits held at other financial institutions for operational purposes**		–	–	–	–
17	**Performing loans and securities:**		**1,518**	**1,207**	**3,424**	**4,194**
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		–	–	–	–
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		208	4	9	31
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,214	1,121	2,988	4,123
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
22	Performing residential mortgages, of which:		79	71	399	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		–	–	–	–
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		17	11	29	40
25	**Interdependent assets**		–	–	–	–
26	**Other assets:**		**633**	**11**	**232**	**357**
27	Physical traded commodities				–	–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				0	0
29	NSFR derivative assets				4	4
30	NSFR derivative liabilities before deduction of variation margin posted				1	0
31	All other assets not included in the above categories		628	11	232	352
32	**Off-balance sheet items**		**937**	**0**	**0**	**48**
33	Total RSF					4,600
34	Net Stable Funding Ratio (%)					138.6876%

8.2 Encumbered and unencumbered assets

EU AE 4: Accompanying narrative information

Row a - General narrative information on asset encumbrance

Assets are deemed to be encumbered when they have been pledged or 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 (e.g. pledges for funding purposes).

Row b - Narrative information on the impact of the business model on asset encumbrance and the importance of the encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.

The ProCredit banks have a limited amount of encumbered assets, as they largely fund their activities through deposits. The encumbered assets 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. The maturities of these pledges are in line with the related liabilities. As of 31 December 2022, the encumbered assets of the ProCredit group amounted to EUR 62 million, which is equivalent to 0.7% of total assets.

In accordance with the technical standards, the amounts presented in the tables below were calculated on the basis of median values for the quarterly data in 2022.

EU AE1: Encumbered and unencumbered assets

31.12.2022 in EUR m		Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	**64**	**-**			**8,454**	**244**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	-	-	-	-	365	244	365	244
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	260	244	260	244
080	of which: issued by financial corporations	-	-	-	-	15	-	15	-
090	of which: issued by non-financial corporations	-	-	-	-	3	-	3	-
120	Other assets	64	-			8,089	-		

The collateral received are shown in the following table.

EU AE2: Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
31.12.2022 in EUR m		010	030	040	060
130	**Collateral received by the reporting institution**	**–**	**–**	**26**	**26**
140	Loans on demand	–	–	–	–
150	Equity instruments	–	–	–	–
160	Debt securities	–	–	26	26
170	of which: covered bonds	–	–	–	–
180	of which: securitisations	–	–	–	–
190	of which: issued by general governments	–	–	26	26
200	of which: issued by financial corporations	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–
230	Other collateral received	–	–	–	–
240	**Own debt securities issued other than own covered bonds or securitisations**	**–**	**–**	**–**	**–**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**–**	**–**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**64**	**–**		

The sources of encumbrance are presented in the following table.

EU AE3: Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
31.12.2022 in EUR m		010	030
010	**Carrying amount of selected financial liabilities**	**63**	**57**

9 OPERATIONAL RISK

EU ORA: Qualitative information on operational risk[18]

Row a - Disclosure of the risk management objectives and policies

In line with 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. As with all material risks of the ProCredit group, operational risk is managed by means of a uniform group-wide strategy.

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 table below provides an overview of the gross and net losses due to operational loss events in the 2020-2022 financial years (data for 2022 as of 6 February 2023; data for 2021 and 2020 as of 31 January 2022).

Gross and net losses due to operational risk events

in EUR m	2022	2021	2020
Gross loss	**0.9**	2.9	1.5
Current net loss	**0.8**	2.2	1.3
Number of loss events	**205**	202	220

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 at the level of ProCredit Holding 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 or significantly changed products, processes, financial instruments, IT systems or organisational units, and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation. This also applies to activities in new markets and via new distribution channels.

At group level, a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also quantified and reported (at least quarterly). The risk model used is subject to annual independent validation,

[18] Rows c and d of the template are not relevant for the ProCredit group, as only the standardised approach is used.

using techniques such as benchmarking, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

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 should ensure 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.

The war in Ukraine represents an additional risk from an operational risk perspective. Thanks to the measures taken to protect our employees and ensure business continuity, we were able to continuously maintain our business activities and ensure the availability of IT systems without any loss of performance.

Row b - Disclosure of the approaches for the assessment of minimum own funds requirements
The ProCredit group applies the standardised approach to quantify operational risk. There is no provision for using a mixture of approaches or switching to the basic indicator approach. The ProCredit group also ensures that the requirements of Article 312 (1) CRR in conjunction with Article 320 CRR and Articles 74 and 85 CRD are met.

When determining the capital requirements and the recognition amount, the gross indicator (gross income) is to be determined analogously to the basic indicator in accordance with Article 317 (2) et seq. of the CRR. The three-year average of gross income is to be used for this purpose. The three-year average of the relevant indicator shall be determined on the basis of the last three annual values at the end of the financial year.

EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities		2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	270	272	301	37	458
3	Subject to TSA:	270	272	301		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

10 OTHER MATERIAL RISKS

Other risks assessed as material include business risk, model risk and risks relating to money laundering, terrorist financing and other acts punishable by law.

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 GmbH, 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.

Information about risks relating to money laundering, terrorist financing and other acts punishable by law are contained in the 2022 Annual Report.

11 REMUNERATION

11.1 Principles of remuneration

The overall aims of the group's staff management approach are to establish long-term relationships between our staff and the ProCredit institutions and to promote responsible behaviour among staff, in line with our business philosophy. ProCredit Holding sets the framework for the remuneration structure of the companies in the ProCredit group and organises a regular exchange of experience on these topics. Each ProCredit institution is responsible for the implementation of the standards.

The ProCredit group's remuneration system is in line with our sustainable business and risk strategy (and especially our risk culture) and does not encourage excessive risk taking by our employees. The remuneration structure of the ProCredit group has the following objectives:

- To attract and retain staff and managers who possess the requisite social and technical skills and have the willingness to engage
- To encourage staff to assume responsibility, to manage operations in accordance with the objectives and strategies of the group, and to work together as a team
- To support the development and maintenance of long-term relationships between employees and the group companies
- To ensure that the remuneration is perceived to be transparent and fair in order to encourage staff to perform their duties in line with the risk profile of the ProCredit group

The remuneration approach in the ProCredit group aims to provide a long-term perspective to our staff and managers. A transparent salary structure with fixed salaries is a key aspect in this context; as a general rule, salaries are not dependent on performance. Variable remuneration is limited and under no circumstances contractually guaranteed. For most of the staff, the remuneration reflects market averages. For managers, however, the remuneration we offer is generally not comparable with that of our competitors. This is primarily due to the variable remuneration elements which are paid to managers at other institutions.

In line with our group policy against discrimination of any kind, gender plays no role in our promotion or salary decisions. There is no difference in salary between men and women in comparable positions.

In addition to a fair salary, we offer all ProCredit staff members comprehensive training and rewarding professional opportunities. The potential to participate in our professional development programmes represent a significant benefit for our staff. Participation in general and specialised training measures, conducted largely within the ProCredit group, is thus perceived to be an important part of professional development. Each ProCredit institution invests significant amounts in training, and the expenditures for training measures are a substantial part of the group's overall operating expenses. Other important factors which build long-term relationships between our staff and ProCredit institutions are the interesting jobs we offer, flat hierarchies, transparent promotion opportunities since our management staff predominantly come from within the group, independent responsibilities for duties as well as a stimulating and professional working environment and work in diverse teams.

EU REMA: Remuneration policy[19]

Row a - Information relating to the bodies that oversee remuneration.

The salary structure applicable throughout the group is reviewed and approved yearly by the Management of ProCredit Holding20 and presented to the Supervisory Board of ProCredit Holding. The Supervisory Board of ProCredit General Partner AG established a Remuneration Control Committee in accordance with regulatory requirements. This body supports the Supervisory Board in the appropriate structuring of the remuneration systems for the members of the Management of ProCredit Holding and for the employees of ProCredit Holding. The committee met five times in the 2022 financial year. ProCredit does not employ external consultants in connection with its remuneration policy and monitoring. However, in 2022 Egon Zehnder was commissioned to conduct a comparative study of the compensation practices of supervisory board, committee and management board members in comparable institutions in Eastern Europe.

The remuneration structure and particularly the salary scheme in each institution is communicated to staff in a transparent manner. The management boards of the ProCredit banks report annually to the respective supervisory boards on the remuneration structure. The salary scheme in each bank and any variable remuneration elements are approved by the Management or the Supervisory Board of the bank, following discussions with ProCredit Holding. However, the Management/Management Board is permitted to delegate this responsibility to a Human Resources Committee. The Human Resources Committee is the bank body responsible for taking decisions regarding the professional development of staff members and reviewing the bank's remuneration practices. The committee meets at least quarterly. A review of the allocation of staff within the ProCredit institutions to one of the salary steps is also carried out annually on the basis of extensive staff evaluations and feedback discussions carried out by the HR committee.

Among the employees within the ProCredit group whose activities have a significant impact on the risk profile are in particular, the management/management board members in ProCredit institutions, the supervisory board, and the management level directly below them as well as staff with management responsibilities. As a general rule, branch managers and the heads of the following units are classified as staff whose professional activities have an impact on the risk profile: Business, Private Clients, organisational functions such as Finance, HR, IT, Back Office and the independent control functions such as Risk Management and Internal Audit. We consider around 14% of all staff to be risk takers.

Row b - Information relating to the design and structure of the remuneration system for identified staff.

The design and structure of the remuneration system is identical for all employees, regardless of their status as identified risk takers. The remuneration policy of the ProCredit group is defined and reviewed annually by the Management of ProCredit Holding. It is also presented annually to the Supervisory Board of ProCredit Holding. There were no significant changes to the remuneration system for the 2022 financial year compared with the previous year.

The ProCredit salary scheme applies to all ProCredit banks. The purpose of this salary structure is to ensure that positions with comparable responsibility within the group are also compensated according to the same principles. This salary scheme defines which professional development programmes an employee must have successfully completed in order to be appointed to the various positions.

When defining the remuneration for their staff and managers, the ProCredit institutions apply the group's standardised salary structure, which has fixed salary levels. The banks define the exact salary amounts in each

[19] Rows i and j are not relevant for ProCredit.

[20] ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG.

step according to their market conditions, assigning their staff to one of the salary steps. This is carried out on the basis of the individual's position, the responsibilities they hold and their performance.

The remuneration of employees in the ProCredit group mainly consists of a fixed salary. The framework of the remuneration systems in the ProCredit group presented above also apply to staff whose professional activities have a material impact on the risk profile of the group. One of the central principles of remuneration within the ProCredit group is that variable remuneration elements be limited; in no cases are they to be contractually granted. Because we use a fixed monthly salary with no retained compensation components for the future, we also do not use ex ante or ex post risk adjustments in our compensation. We believe that fixed salaries are the right approach to achieve sustainable growth. Our employees appreciate the transparency and long-term prospects provided by our group-wide approach to remuneration.

Salaries (as well as their annual review) are proposed by the respective responsible department heads based on the salary scheme. They are approved by the HR Committee, which includes representatives from the business, risk and management levels, or by the full Management Board. This also ensures that employees in internal control functions are remunerated independently of the business areas they control.

Severance payments are generally determined in accordance with local legal requirements and take into account the length of service of employees.

Rows c/d/e/f/g/h - On variable remuneration components not contractually guaranteed

Variable remuneration components are not contractually guaranteed. They can be granted when a member of staff has performed exceptionally well during the course of a financial year. Such performance can be evident in a number of ways: i.a. particularly high motivation of staff, above-average successes in staff training, above-average results in terms of new client acquisition, the preparation of exceptionally convincing (form and content) reports and memoranda, especially strong participation in committees. In principle, these are linked to the performance of individual employees and do not depend on the company's results. Decisions on such variable remuneration elements are taken by the Management Board / Human Resources Committee or by the Supervisory Board of the respective ProCredit institution, on the basis of development over multi-year periods and in coordination with ProCredit Holding.

The variable remuneration granted is limited to monetary compensation. Furthermore, variable remuneration components may be used for the purchase of participations in ProCredit Staff Invest, an employee investment company; in such cases, the respective ProCredit institution can subsidise the purchase of ProCredit Staff Invest participations. These shares have a minimum holding period of five years. A ratio of these types of remuneration was not determined due to the low volume.

As variable remuneration elements are of limited significance in the remuneration structure described above, our remuneration system provides no incentives to assume particular risks. We believe that the best hedge against risk-seeking behaviour now and in the future is to focus on fixed remuneration without contractually defined variable components.

In accordance with the Remuneration Regulation for Institutions (Institutsvergütungsverordnung), a cap of 25% of fixed remuneration has been set for variable remuneration that is not contractually guaranteed. Individual exceptions to this rule may be approved by the Management of ProCredit Holding.

In principle, there is no withholding of remuneration payments within ProCredit. There is no subsequent adjustment of variable remuneration components and there is no obligation for identified employees to participate in the company's capital, which is why no measures have been defined for this purpose.

Variable remuneration components for members of the management are, just as for all employees in the ProCredit group, only used to a limited degree and are not contractually set. In 2022, variable remuneration for all employees corresponded to 1% of the total salary paid.

ProCredit institutions also support their staff members by contributing towards the costs of private health insurance in the event that the state-sponsored health insurance system does not provide sufficient or appropriate coverage. Several ProCredit institutions also make employer contributions to private retirement provisions or life insurance.

11.2 Remuneration 2022

EU REM1: Remuneration awarded for the financial year

31.12.2022 in EUR m			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	28	42	-	390
2		Total fixed remuneration	0	4	-	18
3		Of which: cash-based	0	4	-	17
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	0	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	0	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	-	0	-	1
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	-	6	-	41
10		Total variable remuneration	0	0	-	0
11		Of which: cash-based	0	0	-	0
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		0	4	-	18

EU REM2: Special payments to staff whose professional activities have a material impact on the institution's risk profile (identified staff)

31.12.2022 in EUR m		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	0	-
2	Guaranteed variable remuneration awards - Total amount	-	-	0	-
3	Of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	0	-
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	1	0	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	0	0	-
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	-	1	0	3
7	Severance payments awarded during the financial year - Total amount	-	0	0	0
8	Of which paid during the financial year	-	0	0	0
9	Of which deferred	-	-	0	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	0	-
11	Of which highest payment that has been awarded to a single person	-	0	0	0

EU REM3: Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
31.12.2022 in EUR m		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Deferred and retained remuneration									
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	-	-	-	-	-	-	-	-
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	-	-	-	-	-	-	-	-

EU REM4: Remuneration of 1 million EUR or more per year

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	–
2	1 500 000 to below 2 000 000	–
3	2 000 000 to below 2 500 000	–
4	2 500 000 to below 3 000 000	–
5	3 000 000 to below 3 500 000	–
6	3 500 000 to below 4 000 000	–
7	4 000 000 to below 4 500 000	–
8	4 500 000 to below 5 000 000	–
9	5 000 000 to below 6 000 000	–
10	6 000 000 to below 7 000 000	–
11	7 000 000 to below 8 000 000	–
x	To be extended as appropriate, if further payment bands are needed.	

EU REM5: Information on remuneration if staff whose professional activities have a material impact on the institution's risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
31.12.2022 in EUR m		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										460
2	Of which: members of the MB	28	42	70							
3	Of which: other senior management				–	16	–	14	10	3	
4	Of which: other identified staff	0	0	0	–	124	–	138	60	26	
5	Total remuneration of identified staff	0	4	4	–	5	–	7	4	2	
6	Of which: variable remuneration	0	0	0	–	0	–	0	0	0	
7	Of which: fixed remuneration	0	4	4	–	5	–	7	4	2	

Total remuneration 2022

31.12.2022 in EUR m	Amount	Number of employees
Total	61	3,374
Of which total fixed remuneration	60	3,685
Of which total variable remuneration	1	400

Annex I
EU CCA – MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN DE0006223407 / WKN 622340	N/A	N/A
2a	Public or private placement	Public	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 294.5 million	EUR 1.1 million	EUR 3.7 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 294.5 million	(Issuing currency) USD 2.3 million / (Reporting currency) EUR 2.1 million	(Issuing currency) USD 8.0 million / (Reporting currency) EUR 7.5 million
EU-9a	Issue price	Various	100%	100%
EU-9b	Redemption price	N/A	100%	100%
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	30.06.2015	30.06.2015
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	30.06.2025	30.06.2025
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_2.25m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_8m_30062015_.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	DE000A11QHV9
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated bearer note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 0.5 million	EUR 2.7 million	EUR 3.3 million
9	Nominal amount of instrument	(Issuing currency) USD 1.0 million / (Reporting currency) EUR 0.9 million	(Issuing currency) USD 5.8 million / (Reporting currency) EUR 5.4 million	(Issuing and reporting currency) EUR 12.5 million
EU-9a	Issue price	100%	100%	93%
EU-9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30.06.2015	30.06.2015	30.04.2014
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.06.2025	30.06.2025	30.04.2024
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_1m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_5.75m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A11QHV9_.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	DE000A169M74	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated bearer note (Art. 63 CRR)	Subordinated loan (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 1.9 million	EUR 8.7 million	EUR 3.3 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 7.5 million	(Issuing and reporting currency) EUR 13.0 million	(Issuing and reporting currency) EUR 5.0 million
EU-9a	Issue price	93%	94%	94%
EU-9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	11.04.2014	06.05.2016	27.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	11.04.2024	06.05.2026	27.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	6.50%	6.00%	6.00%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A169M74.pdf	N/A

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	DE000A2AAVP8	N/A	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bearer note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 10.2 million	EUR 3.7 million	EUR 0.5 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 15.0 million	(Issuing currency) USD 6.0 million / (Reporting currency) EUR 5.6 million	(Issuing currency) USD 0.8 million / (Reporting currency) EUR 0.7 million
EU-9a	Issue price	100%	100%	100%
EU-9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	25.05.2016	29.04.2016	29.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	25.05.2026	29.04.2026	29.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	25.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 25.05.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Euribor + 6.00%	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A2AAVP8.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_6m_29042016a.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_0.75m_29042016.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for	N/A	N/A	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 3.7 million	EUR 1.4 million	EUR 3.4million
9	Nominal amount of instrument	(Issuing currency) USD 6.0 million / (Reporting currency) EUR 5.6 million	(Issuing currency) USD 2.3 million / (Reporting currency) EUR 2.1 million	(Issuing and reporting currency) EUR 5.0 million
EU-9a	Issue price	100%	100%	100%
EU-9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.04.2016	29.04.2016	31.05.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29.04.2026	29.04.2026	31.05.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	31.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 31.05.2021 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6-month Euribor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_6m_29042016b.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_2.25m_29042016.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/EUR_5m_31052016.pdf

Annex II
OVERVIEW OF QUANTITATIVE AND QUALITATIVE REQUIREMENTS

Name of disclosure form or template	ProCredit group relevance		Explanation of non-relevance
	Semi-annually	Annually	
EU KM1 - Key metrics template	x	x	
EU OV1 - Overview of total risk exposure amounts		x	
EU INS1 - Insurance participations			The ProCredit group does not hold any insurance participations
EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio			The ProCredit group does not constitute a financial conglomerate
EU OVC - ICAAP information		x	
EU CC1 - Composition of regulatory own funds		x	
EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements		x	
EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments		x	
EU CCB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer		x	
EU CCB2 - Amount of institution-specific countercyclical capital buffer		x	
EU LR1 - Summary reconciliation of accounting assets and leverage ratio exposures		x	
EU LR2 - Leverage ratio common disclosure		x	
EU LR3 - Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		x	
EU LRA - Disclosure of LR qualitative information		x	
EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories		x	
EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements		x	
EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)		x	
EU LIA - Explanation of differences between accounting and regulatory exposure amounts		x	
EU LIB - Other qualitative information on the scope of application		x	
EU PV1 - Prudent valuation adjustments (PVA)			Relevant for those institutions applying the core approach; ProCredit group applies the simplified approach
EU OVA - Institution risk management approach		x	
EU OVB - Disclosure on governance arrangements		x	
EU CCRA - Qualitative disclosure related to CCR		x	
EU CCR1 - Analysis of CCR exposure by approach		x	
EU CCR2 - Transactions subject to own funds requirements for CVA risk		x	
EU CCR3 - Standardised approach - CCR risk positions by regulatory exposure class and risk weights		x	
EU CCR4 - IRB approach - CCR exposures by exposure class and PD scale			ProCredit group applies standardised approaches only
EU CCR5 - Composition of collateral for CCR exposures		x	
EU CCR6 - Credit derivatives exposures		x	
EU CCR7 - RWEA flow statements of CCR exposures under the IMM			ProCredit group applies standardised approaches only
EU CCR8 - Exposures to CCPs			Currently, no activities are concluded via CCPs
EU CRA - General qualitative information about credit risk		x	

Name of disclosure form or template	ProCredit group relevance		Explanation of non-relevance
	Semi-annually	Annually	
EU CRB - Additional disclosure related to the credit quality of assets		x	
EU CR1 - Performing and non-performing exposures and related provisions		x	
EU CR1-A - Maturity of exposures		x	
EU CR2 - Changes in the stock of non-performing loans and advances			Is only relevant if NPL > 5%
EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries			Is only relevant if NPL > 5%
EU CQ1 - Credit quality of forborne exposures		x	
EU CQ2 - Quality of forbearance			Is only relevant if NPL > 5%
EU CQ3 - Credit quality of performing and non-performing exposures by past due days		x	
EU CQ4 - Quality of non-performing exposures by geography		x	
EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry		x	
EU CQ6 - Collateral valuation - loans and advances			Is only relevant if NPL > 5%
EU CQ7 - Collateral obtained by taking possession and execution processes		x	
EU CQ8 - Collateral obtained by taking possession and execution processes - vintage breakdown			Is only relevant if NPL > 5%
EU CRC - Qualitative disclosure requirements related to CRM techniques		x	
EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques		x	
EU CRD - Qualitative disclosure requirements related to standardised approach		x	
EU CR4 - Standardised approach - Credit risk exposure and CRM effects		x	
EU CR5 - Standardised approach		x	
EU CRE - Qualitative disclosure requirements related to IRB approach			ProCredit group applies standardised approaches only
EU CR6 - IRB approach - Credit risk exposures by exposure class and PD range			ProCredit group applies standardised approaches only
EU CR6-A - Scope of the use of IRB and SA approaches			ProCredit group applies standardised approaches only
EU CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques			ProCredit group applies standardised approaches only
EU CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques			ProCredit group applies standardised approaches only
EU CR8 - RWEA flow statements of credit risk under the IRB approach			ProCredit group applies standardised approaches only
EU CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale)			ProCredit group applies standardised approaches only
EU CR9.1 - IRB approach - Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)			ProCredit group applies standardised approaches only
EU CR10 - Specialised lending and equity exposures under the simple risk-weighted approach			No specialised lending at the moment
EU SECA - Qualitative disclosure requirements related to securitisation exposures			The ProCredit group is not involved in securitisations.
EU SEC1 - Securitisation exposures in the non-trading book			The ProCredit group is not involved in securitisations
EU SEC2 - Securitisation exposures in the trading book			The ProCredit group is not involved in securitisations
EU SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor			The ProCredit group is not involved in securitisations
EU SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor			The ProCredit group is not involved in securitisations
EU SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjust-			The ProCredit group is not involved in securitisations

Name of disclosure form or template	ProCredit group relevance		Explanation of non-relevance
	Semi-annually	Annually	
ments			
EU MRA - Qualitative disclosure requirements related to market risk		x	
EU MR1 - Market risk under the standardised approach		x	
EU IRRBB1: Interest rate risks of non-trading book activities		x	
EU MRB - Qualitative disclosure requirements for institutions using the internal Market Risk Models			ProCredit group applies standardised approaches only
EU MR2-A - Market risk under the internal Model Approach (IMA)			ProCredit group applies standardised approaches only
EU MR2-B - RWEA flow statements of market risk exposures under the IMA			ProCredit group applies standardised approaches only
EU MR3 - IMA values for trading portfolios			ProCredit group applies standardised approaches only
EU MR4 - Comparison of VaR estimates with gains/losses			ProCredit group applies standardised approaches only
EU LIQA - Liquidity risk management		x	
EU LIQ1 - Quantitative information of LCR		x	
EU LIQB - Qualitative information on LCR, which complements template EU LIQ1		x	
EU LIQ2 - Net Stable Funding Ratio		x	
EU AE1 - Encumbered and unencumbered assets		x	
EU AE2 - Collateral received and own debt securities issued		x	
EU AE3 - Sources of encumbrance		x	
EU AE4 - Accompanying narrative information		x	
EU ORA - Qualitative information on operational risk		x	
EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts		x	
EU REMA - Remuneration policy		x	
EU REM1 - Remuneration awarded for the financial year		x	
EU REM2 - Special payments to staff whose professional activities have a material impact on the institution's risk profile (identified staff)		x	
EU REM3 - Deferred remuneration		x	
EU REM4 - Remuneration of 1 million EUR or more per year		x	
EU REM5 - Information on remuneration if staff whose professional activities have a material impact on the institution's risk profile (identified staff)		x	

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