



COMBINED MANAGEMENT REPORT  
AND ANNUAL FINANCIAL STATEMENTS

**2022**

ProCredit Holding AG & Co. KGaA



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# Combined Management Report

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

## FUNDAMENTAL INFORMATION ABOUT THE GROUP

### Our Strategy

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

Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. Our business strategy is based on long-term relationships with our clients and staff as well as a conservative approach to risk. The group does not engage in speculative lines of business.

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 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.

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. An integral part of the business strategy is our aim to have the smallest possible impact on the environment and to pro-actively bring about a shift in thinking, with greater focus on sustainability. Environmental awareness, consideration of the impact of our actions on the environment and understanding climate change impacts have always been highly relevant to the ProCredit group and its clients. We coordinate our actions using a comprehensive environmental management system and we aim to promote sustainable development in all forms. Our environmental management system includes aspects such as: internal measures to reduce the environmental footprint of the individual ProCredit institutions, as well as the corresponding monitoring, strict application of our Exclusion List and systematic assessment of sustainability aspects as part of the credit risk assessment of all clients. We believe that our banks can make an important contribution by promoting sustainable economic development in our countries of operation

through green investment projects, particularly in the areas of energy efficiency and renewable energies, and through green investments in waste management or organic agriculture.

Our target clients for lending business are 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 this way, we want to ensure that our customers can adequately service their loans and also build up reserves for potentially more difficult times. We attach great importance to open and transparent business relationships and we maintain regular contact with our clients. We believe that our clients also make an important contribution to the formal sector, and thus to social and economic development in their markets, not only through their actions and but also by paying taxes and maintaining fair working conditions. At the same time, we make clear demands on our customers with regard to ethical business practices and the responsible treatment of their environment. Consideration of our clients' social and environmental risks is firmly integrated into our credit decision processes. We also place great emphasis on the prevention of money laundering, terrorist financing and other illegal activities.

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

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

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

### **Organisation of the ProCredit group**

The ProCredit group is largely comprised of 12 banks and it employed 3,437 members of staff at year-end. ProCredit Holding is the parent company and also the superordinated entity of the group. ProCredit Holding owns 100% of the shares of all subsidiaries. It is responsible for the strategic guidance of the group, for maintaining an adequate level of equity for the group and for ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking

regulations, and particularly the requirements defined in section 25a of the German Banking Act ("KWG"), are met. At a consolidated level, group supervision is performed by the German financial supervisory authorities (BaFin and Bundesbank).

As the personally liable general partner, ProCredit General Partner AG, Frankfurt am Main, is responsible for the management of ProCredit Holding. The Supervisory Board of ProCredit General Partner AG appoints and monitors the Management Board of ProCredit General Partner AG. We thus refer to the "Management" of ProCredit Holding, which is fundamentally equivalent to the Management Board of ProCredit General Partner AG. At the next Annual General Meeting in June 2023, the shareholders are to decide on the conversion of ProCredit Holding from a partnership limited by shares (KGaA) into a stock corporation (AG). This conversion would result in the dissolution of ProCredit General Partner AG. Adopting the more internationally recognised and market-friendly structure of a stock corporation is intended to further strengthen the group's capital market presence.

The Management, members of the Supervisory Board and selected management-level staff of the ProCredit group sit on the supervisory boards of the ProCredit banks, alongside independent board members. ProCredit Holding sets policy guidelines and standards for risk management and other important areas of banking operations in order to ensure that appropriate uniform organisational structures and processes are in place in the ProCredit banks. These guidelines are complemented by the regular exchange of best practices within the ProCredit group. Furthermore, ProCredit Holding provides support in shaping human resources policies and in developing and delivering the curricula in our ProCredit academies.

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

The ProCredit group divides its business operations into regional segments:

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

## Our shareholders

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

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

## Internal management system

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

An important component of our management system is the exchange between the Management of ProCredit Holding and the management boards at the respective ProCredit banks. Meetings with all of the banks on a regular basis promote the active exchange of information within the group.

The ProCredit group uses an integrated system of indicators to monitor and manage the implementation and further development of the group's business and risk strategy. For this, in the 2022 financial year we applied the following key performance indicators:

- The growth of the loan portfolio<sup>2</sup> is a key indicator of the success of new business and also provides reference points for our future earning capacity.
- The cost-income ratio<sup>3</sup> is a relative indicator that provides insight into our efficient use of resources.
- Return on equity (RoE)<sup>4</sup> is the most important indicator in terms of profitability. We place a strong emphasis on maintaining a sustainable RoE in conjunction with an appropriate risk profile.
- We regard the Common Equity Tier 1 capital ratio (CET 1)<sup>5</sup> as a key indicator for compliance with regulatory and internal capital requirements. It also serves as a benchmark for our solvency and as a basis for strategy decisions.

<sup>1</sup> Based on the published voting rights notifications or voluntary disclosures of the shareholders named. This breakdown was calculated by comparing the number of voting rights most recently reported by the shareholders against the total number of voting rights (currently 58,898,492).

<sup>2</sup> Our loan portfolio as of the balance sheet date of the current period relative to our loan portfolio as of 31 December of the previous year. Our loan portfolio corresponds to loans and advances to customers before loss allowances.

<sup>3</sup> Personnel and administrative expenses relative to operating income.

<sup>4</sup> Profit attributable to ProCredit shareholders, divided by the average equity held by the ProCredit shareholders.

We also consider the following key figures as additional indicators:

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

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5 Ratio of our CET1 capital to risk-weighted assets.

6 Our loan portfolio relative to deposits as of the balance sheet date.

7 Our net interest income relative to the average total assets in the reporting period.

8 Loss allowance expenditures for a period relative to the average loan portfolio.

9 Defaulted loans relative to the loan portfolio at the respective balance sheet date.

10 Loss allowances for defaulted loans relative to defaulted loans as of the balance sheet date.

## HUMAN RESOURCES REPORT<sup>11</sup>

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

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

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

### Staff recruitment and integration of new employees

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

Our recruitment process is both rigorous and transparent for applicants. After passing through the steps of a standard selection procedure, such as a written application, mathematics and logic tests and interviews, successful candidates are invited to our international onboarding programme. This six-month process gives us an impression of the social, communication and analytical skills of the applicant. Candidates also have the opportunity to gain a deep understanding of both the business strategy of the ProCredit group and our ethical principles.

The programme comprises two modules over a total period of six months: a theoretical block that is carried out partly online and partly at our regional training centre, and a practical block that takes place at the respective banks. These two training stages cover all aspects that we believe are a part of responsible banking, and they give new staff an opportunity to learn directly from management and experienced colleagues about how ProCredit contributes to transparent and sustainable financial sector development.

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



## Training

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

We place great importance on training our middle management. In order to ensure high-quality training, the group has developed training programmes with tailored curricula. These include the one-year ProCredit Banker Academy as well as the three-year ProCredit Management Academy. Alongside training on the principles of banking and courses on communication and leadership skills, the curricula also have units dedicated to philosophy, anthropology, history, climate change and political economics. To date, more than 570 employees have graduated from or are currently attending the academies; this includes all management staff from the banks.

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

## Our remuneration approach

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

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

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

## REPORT ON THE ECONOMIC POSITION OF THE GROUP

### Course of business operations

Our business performance in the past financial year was strongly influenced by the effects of the war in Ukraine. Overall, we consider the business performance to be positive, considering the circumstances. Our loan portfolio increased by EUR 183 million or 3.1%. More than half of this growth came from green loans, particularly financing related to renewable energies. Deposits developed very positively, however, rising by EUR 747 million or 13.5%. The profit of the period stood at EUR 16.5 million, representing a return on equity of 1.9%. The financial position and financial performance of the group are solid.

in EUR m			
<b>Statement of Financial Position</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Loan portfolio	6,107.7	5,924.4	183.3
Deposits	6,289.5	5,542.3	747.3
<b>Statement of Profit or Loss</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Net interest income	264.6	222.0	42.6
Net fee and commission income	54.7	50.9	3.9
Operating income	339.8	281.9	58.0
Personnel and administrative expenses	217.4	180.9	36.6
Loss allowance	104.6	6.5	98.1
<i>without contribution of PCB Ukraine</i>	<i>17.9</i>	<i>6.2</i>	<i>11.7</i>
Profit of the period	16.5	79.6	-63.1
<i>without contribution of PCB Ukraine</i>	<i>68.3</i>	<i>55.9</i>	<i>12.3</i>
<b>Key performance indicators</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Change in loan portfolio	3.1%	12.8%	-9.7 pp
<i>without contribution of PCB Ukraine</i>	<i>6.9%</i>	<i>10.6%</i>	<i>-3.6 pp</i>
Cost-income ratio	64.0%	64.2%	-0.2 pp
Return on equity	1.9%	9.7%	-7.8 pp
<i>without profit contribution of PCB Ukraine</i>	<i>7.8%</i>	<i>6.9%</i>	<i>0.8 pp</i>
	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Common Equity Tier 1 capital ratio	13.5%	14.1%	-0.7 pp
<b>Additional indicators</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Deposits to loan portfolio	103.0%	93.5%	9.43 pp
Net interest margin	3.1%	2.9%	0.2 pp
Cost of risk	174 bp	12 bp	162 bp
<i>without contribution of PCB Ukraine</i>	<i>33 bp</i>	<i>13 bp</i>	<i>21 bp</i>
Share of defaulted loans	3.3%	2.3%	1.0 pp
<i>without contribution of PCB Ukraine</i>	<i>2.4%</i>	<i>2.4%</i>	<i>-0.1 pp</i>
Stage 3 loans coverage ratio	61.8%	49.6%	12.2 pp
<i>without contribution of PCB Ukraine</i>	<i>50.0%</i>	<i>48.4%</i>	<i>1.6 pp</i>
Green loan portfolio	1,231.1	1,128.1	102.9

We were able to increase the loan portfolio by a total amount of EUR 183.3 million or 3.1%. Adjusted for exchange rate effects, growth was around 4%. Our portfolio in Ukraine declined by EUR 174.2 million or 23%. Excluding this negative contribution, the group's portfolio growth would have been EUR 358 million or 6.9%. Our profit of the period of EUR 16.5 million is significantly lower than in the previous year, mainly due to the higher cost of risk for our Ukrainian portfolio. Excluding the negative profit contribution from PCB Ukraine, the return on equity would have been 7.8%, and thus 0.8 percentage points above the figure for the

previous period. At 64.0%, our cost-income ratio improved only slightly, likewise due to one-time costs related to the war in Ukraine.

During the reporting period, we achieved our long-standing goal of establishing a green loan portfolio that accounts for more than 20% of our overall portfolio. Green loan growth of EUR 102.9 million or 9.1% brought the share of green loans in the total portfolio to 20.2% at year-end 2022.

Deposits in our banks increased strongly, growing by EUR 747.3 million or 13.5% during the financial year. The ratio of deposits to the loan portfolio thus improved, rising 9.4 percentage points to 103.0%. This development in deposits is primarily attributable to larger deposits by our business clients, but deposits from our private clients also developed very positively. As planned, the increase in deposits was achieved primarily through additional sight deposits and savings accounts, which will have a positive impact on our net interest margin in the future.

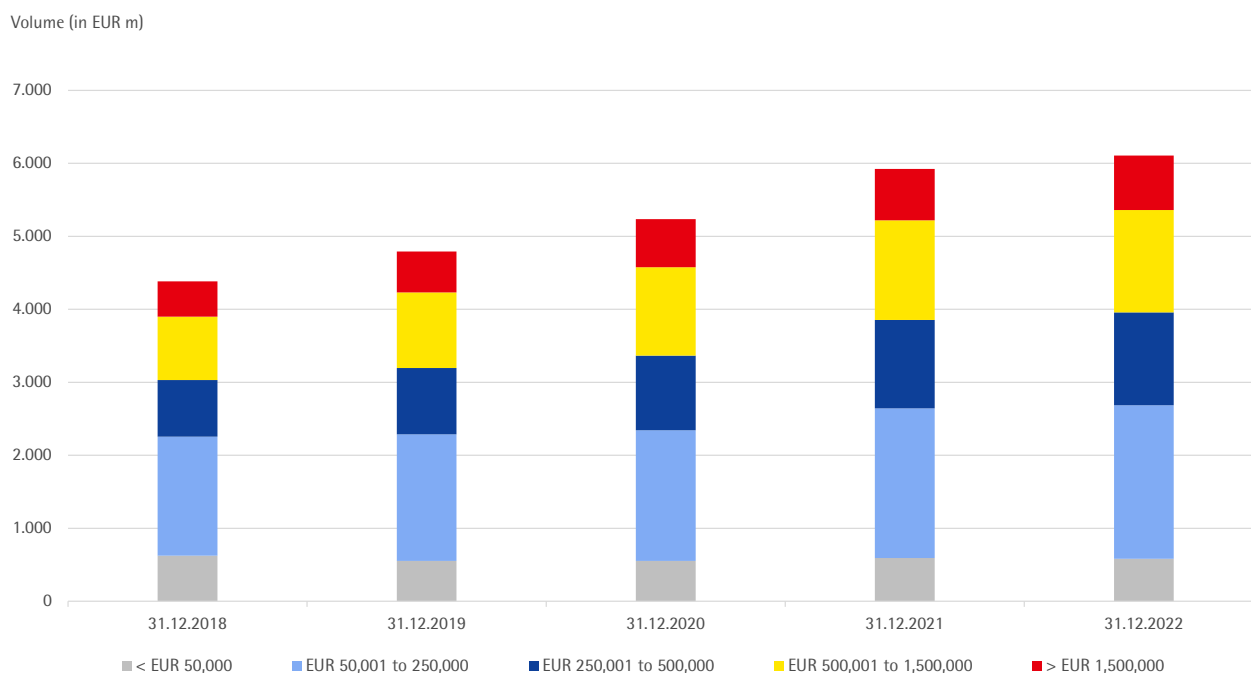
The group's capital base was stable in the financial year. The fully loaded CET 1 capital ratio declined by 0.7 pp to 13.0%. This development was mainly due to the downgrade of Ukraine's country rating, which led to an increase in risk weighting on our deposits with the Ukrainian central bank. The leverage ratio of 8.9% is higher than the level of the banking sector. The LCR was 155% at year-end and thus comfortably above the regulatory requirement of 100%.

At a consolidated level, the share of defaulted loans increased by 1.0 percentage points to 3.3%; this development is mainly attributable to stage transfers within the Ukrainian portfolio. In our banks outside of Ukraine, the share of defaulted loans has remained stable. The Stage 3 loans coverage ratio increased by 12.2 percentage points to 61.8% overall, particularly due to management overlays in the loss allowances for ProCredit Bank Ukraine. Personnel and administrative expenses showed a strong relative increase of EUR 36.6 million or 20.2%. This rise includes non-recurring expenses in connection with the war in Ukraine amounting to EUR 11.8 million, specifically in the form of unscheduled legal, consulting and audit costs as well as depreciation of property, plant and equipment in Ukraine. These higher expenses were more than offset by operating income, which showed a significant increase of EUR 58.0 million or 20.6%. The cost-income ratio thus improved only slightly, moving 0.2 percentage points to 64.0%. Excluding the one-time costs related to the war in Ukraine as well as non-recurring income during the financial year, the adjusted cost-income ratio is around 60%.

### Assets

Total assets increased by EUR 610.2 million as of 31 December 2022; this was due to the positive developments in deposit business, which also led to strong growth in cash and cash equivalents, and to the loan portfolio expansion outside of Ukraine. Overall, the share of cash and cash equivalents in total assets increased by 5.2 percentage points to over 20% as of 31 December 2022.

The loan portfolio stood at EUR 6.1 billion, up by EUR 183.3 million from the previous period. This growth of 3.1% (or almost 4%, excluding currency effects) was strongly influenced by the EUR 174.2 million decline in the loan portfolio in Ukraine. In addition, the high inflation figures, the rise in interest rates, and elevated geopolitical uncertainties caused by the war of aggression against Ukraine have also dampened loan portfolio growth even outside of Ukraine. More than 50% of the overall growth was achieved through the granting of green loans, whose share in the total portfolio has now climbed over 20%. Revocable credit commitments to customers declined slightly, by EUR 25.3 million, to EUR 656.4 million.



#### Loan portfolio development, by loan volume

At year-end, the loan portfolio consisted of 91% loans to businesses and 9% loans to private clients. The total loan portfolio contains 18% loans to agricultural enterprises. Our green loan portfolio accounted for 20% of the total portfolio at year-end. The majority of our portfolio of investment loans have maturities of more than three years, which underlines the long-term nature of our customer relationships. Regarding the loans to private clients, most are housing loans for the purchase of real estate.

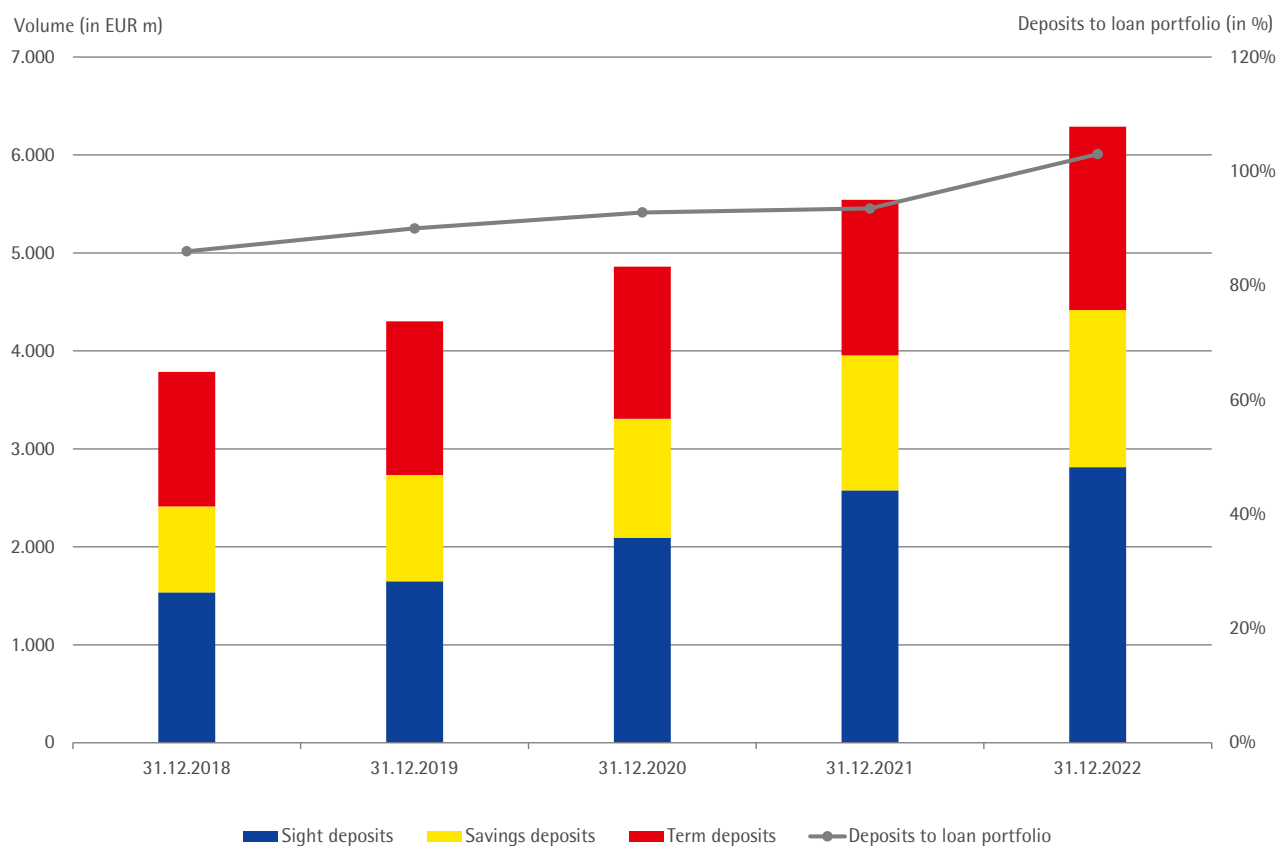
The loan portfolio of the ProCredit group continues to be highly diversified. The largest ten exposures represented not more than 2.0% of the group's total portfolio volume at the end of 2022.

In its lending business with SMEs, the ProCredit group cooperates closely with European institutions such as the European Investment Bank (EIB) and the European Investment Fund (EIF). Of particular note are the agreement with the EIF for the InnovFin guarantee programme as well as the Deep and Comprehensive Free Trade Area guarantee programme for our Eastern Europe segment. These programmes provide proportional guarantees for lending to innovative SMEs and small MidCaps in Eastern and South Eastern Europe.

#### *Liabilities and equity*

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

At year-end deposits stood at EUR 6.3 billion, up by EUR 747.3 million from the previous period. The growth of deposits was primarily due to business clients, though deposits from private clients increased also, by EUR 286.6 million. The ratio of deposits to the loan portfolio showed a clear improvement, rising 9.4 percentage points to 103%.



#### Deposits

Liabilities to banks and debt securities decreased by EUR 156.3 million.

Our equity base increased by EUR 13.1 million compared to the previous period and stood at EUR 869.4 million at year-end. This increase is mainly due to the current consolidated result of EUR 16.5 million.

#### *Result of operations*

The profit of the period of EUR 16.5 million represents a return on equity of 1.9%. It was thus significantly below the result for the previous year. This development is to be viewed in a differentiated manner: firstly, the positive operating performance of our banks outside of Ukraine, and then the war of aggression towards Ukraine and its effects on our group. All ProCredit banks (with the exception of ProCredit Bank Ukraine) continue to develop successfully as in recent years. They are generally reporting growing loan portfolios, including in green loans, increasing net interest and fee income and improved return-on-equity and cost-income ratios, despite rising energy prices and growing inflation rates. On the other hand, the war in Ukraine has affected us both in a human sense and economically. We have concern for the people who are affected in any way by the armed conflict. At the operational level, we are in close exchange with our Ukrainian colleagues. Our colleagues are continuing to run the bank as well as is feasible in this generally challenging context, and operations have always been in place since the beginning of the war. In addition, the war is leading to a substantial increase in loss allowances for our Ukrainian portfolio, which is impacting the group's financial performance.

Our net interest income showed a clear increase of EUR 42.6 million or 19.2% compared to the previous year. Interest income increased by EUR 73.9 million, while interest expenses grew by EUR 31.3 million. The net interest margin was 3.1%, 18 basis points above the margin for the whole of 2021, which can mainly be attributed to key interest rate increases in our countries of operation.

Net fee and commission income also increased by EUR 3.9 million or 7.6%. In particular, income from debit and credit card transactions and from payment transactions improved. The result from foreign exchange transactions improved by EUR 5.6 million.

Our operating income improved noticeably overall, rising by EUR 58.0 million or 20.6%. This result includes non-recurring income from the revaluation of derivatives and hedging relationships amounting to EUR 2.9 million as well as a one-time negative effect from the impairment of goodwill in the amount of EUR 1.9 million.

Personnel and administrative expenses increased by EUR 36.6 million or 20.2%. Higher expenses for salaries, marketing and IT, as well as the generally inflationary environment, were the main drivers here. During the current period there were various one-time costs totalling around EUR 11.8 million in connection with the war in Ukraine, particularly in the form of legal, auditing and consulting costs but also impairment of property, plant and equipment.

Due to these one-time negative effects, our cost-income ratio thus improved only slightly, moving 0.2 percentage points to 64.0%. Excluding the non-recurring effects in operating income and the personnel and administrative expenses, the adjusted cost-income ratio is 60.7%. Loss allowances rose by EUR 98.1 million to a total of EUR 104.6 million, due in particular to the war in Ukraine (please refer to our explanations in the risk report on the topic of credit risk). The loss allowances correspond to a cost of risk of 174 basis points, which is significantly higher than the previous year's level (12 basis points).

Overall, our profit of the period was EUR 16.5 million, which is EUR 63.1 million lower than in the previous year, mainly due to higher loss allowances; this led to a return on equity of 1.9%. The consolidated result excluding the contribution from ProCredit Bank Ukraine improved by EUR 12.3 million or 22.1%, in particular due to the increase in operating income. Profit before tax and loss allowances likewise improved substantially, rising EUR 21.4 million or 21.2% to EUR 122.4 million.

The share of defaulted loans increased from 2.3% to 3.3% compared to the year-end 2021 level, in particular due to stage transfers within the portfolio in Ukraine. At the other banks in the group, the share of defaulted loans remained at the previous year's level of 2.4%. The Stage 3 loans coverage ratio increased by 12.2 percentage points to 61.8%, primarily due to management overlays in the loss allowances for the portfolio in Ukraine. Taking into account the ongoing armed conflicts in Ukraine as well as the macroeconomic impact caused by rising energy prices and high inflation, the result of operations is largely in line with our expectations.

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

### Segment overview

The performance of the ProCredit group is influenced by macroeconomic development and by the economic and financial market conditions. These have an impact on the real economies of the respective countries and therefore on the investment behaviour of our business clients and competitor financial institutions. The

following segment overview describes the specific conditions and the development of the financial market situation in the individual regions. The brief analysis of the macroeconomic trend and recent competition trends in the different regions is based on data from the IMF (World Economic Outlook database, October 2022) and the EBRD (Regional Economic Prospects Overview, September 2022), unless otherwise stated.

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

Institution	2022 Rating	2021 Rating
ProCredit Holding	BBB	BBB
ProCredit Bank, Albania	BB-	BB-
ProCredit Bank, Bosnia and Herzegovina	B+	B+
ProCredit Bank, Bulgaria	BBB-	BBB-
ProCredit Bank, Germany	BBB	BBB
ProCredit Bank, Ecuador	B-	B-
ProCredit Bank, Georgia	BB+	BB+
ProCredit Bank, Kosovo	BB	BB
ProCredit Bank, North Macedonia	BBB-	BBB-
ProCredit Bank, Romania	BBB-	BBB-
ProCredit Bank, Serbia	BBB-	BBB-
ProCredit Bank, Ukraine	CCC-	B

## South Eastern Europe

### Macroeconomic and sector-specific environment

South Eastern Europe, comprising the banks in Albania, Bosnia and Herzegovina, Bulgaria (including a branch operation in Greece), Kosovo, North Macedonia, Romania and Serbia, is the segment with the greatest share of group assets. The economies in this segment are growing faster than the economies in Western Europe, but they also face an increasingly difficult macroeconomic environment. In almost all countries, double-digit inflation is impacting people's disposable income and consumption habits. At the same time, the economies are supported by steady foreign remittances, a good tourism season and growing exports. High oil prices are putting pressure on the balance of trade, and some countries in the region are also struggling with high electricity prices. The gross domestic product of the countries in the region is expected to have grown by about 3% in 2022.

The banking sectors in South Eastern Europe have always been characterised by low interest rates. These rates increased in 2022, in some cases significantly, in line with global developments. Non-performing loans remain at a relatively low level. Competition in South Eastern Europe continues to be driven by European banking groups.

### Development of financial position and financial performance

The South Eastern Europe segment was able to achieve EUR 261 million in loan portfolio growth. The profit of the period increased, rising EUR 14.7 million to EUR 62.5 million. This represents an improved return on equity of 10.1%.



in EUR m			
<b>Statement of Financial Position</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Loan portfolio	4,395.7	4,134.7	261.0
Deposits	4,566.3	3,936.8	629.5
<b>Statement of Profit or Loss</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Net interest income	154.4	130.1	24.3
Net fee and commission income	35.1	31.8	3.3
Operating income	201.4	166.4	35.0
Personnel and administrative expenses	116.5	106.3	10.1
Loss allowance	14.8	7.0	7.7
Profit of the period	62.5	47.8	14.7
<b>Key performance indicators</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Change in loan portfolio	6.3%	8.8%	-2.5 pp
Cost-income ratio	57.8%	63.9%	-6.1 pp
Return on equity	10.1%	8.4%	1.7 pp
<b>Additional indicators</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Deposits to loan portfolio	103.9%	95.2%	8.7 pp
Net interest margin	2.6%	2.4%	0.2 pp
Cost of risk	35 bp	18 bp	17 bp
Share of defaulted loans	1.8%	2.0%	-0.2 pp
Stage 3 loans coverage ratio	55.2 %	53.2 %	1.9 pp
Green loan portfolio	945.6	826.1	119.5

*Loan portfolio and deposits are presented without intercompany accounts.*

The loan portfolio for this segment increased by EUR 261.0 million or 6.3% in 2022, ending the year at EUR 4.4 billion. Our loan portfolios in Bulgaria and Kosovo showed particularly strong growth. The green loan portfolio grew by EUR 119.5 million or 14.5%, thus accounting for almost half of total growth.

Deposits grew by more than EUR 629.5 million or 16.0%, totalling EUR 4.6 billion at the end of the financial year. All banks in this segment achieved good, mostly even strong growth figures. The ratio of deposits to the loan portfolio increased by 8.7 percentage points to 103.9%.

Net interest income increased by EUR 24.3 million or 18.7% on the basis of positive volume effects and a widening net interest margin of 2.6%.

The share of defaulted loans fell by 0.2 percentage points and stood at 1.8% at year-end. As in previous years, the proportion of defaulted loans at our banks is well below the banking sector average. The Stage 3 loans coverage ratio increased by 1.9 percentage points to 55.2%.

The profit of the period grew by EUR 14.7 million, representing a return on equity of 10.1%. This increase was due in particular to the higher net interest income and net fee and commission income. Personnel and administrative expenses grew by EUR 10.1 million, which was significantly less than the increase in operating income, which rose by EUR 35.0 million or 21.1%. The cost-income ratio thus improved by 6.1 percentage points to 57.8%. Loss allowances increased by EUR 7.7 million, mainly due to additional management overlays on loss allowances (please refer to the "Credit risk" section in our risk report).

## *Eastern Europe*

### *Macroeconomic and sector-specific environment*

In Eastern Europe, the ProCredit group operates in Ukraine, Georgia and Moldova. The economies in this segment posted mixed results in 2022, with most developments being influenced by the war in Ukraine. In all markets, key interest rates have risen sharply, partly due to very strong inflationary pressure. Non-performing loans and interest margins are still structurally higher than in South Eastern Europe, and competition is determined more by local banks. Georgia experienced strong economic growth in 2022, helped in part by a good tourism season and a significant increase in Russian nationals in the country. Moldova is struggling with high inflation and elevated geopolitical risks. For 2022, economic growth declined in the short term. The growth forecast for Ukraine remains difficult to assess in view of the major uncertainties surrounding the further development of the war. The IMF forecasts a decline of 30% for 2022. At the time of writing, the fronts in the eastern part of the country have largely been consolidated. Further intense combat activity is expected in the coming months. Additionally, airstrikes on Ukrainian cities continue. Due to the very dynamic overall situation in Ukraine, the effects of the conflict cannot be estimated at the present time. The Ukrainian government estimates that the cost of rebuilding the country has already exceeded USD 750 billion.

### *Development of financial position and financial performance*

The Eastern Europe segment recorded a loan portfolio decline of EUR 156 million, attributable to the contraction of the portfolio in Ukraine (including currency effects). The profit of the period amounted to EUR -32.4 million and includes a negative result contribution of EUR -51.8 million from our Ukrainian bank.

in EUR m			
<b>Statement of Financial Position</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Loan portfolio	1,159.9	1,315.6	-155.8
Deposits	1,116.5	1,094.1	22.4
<b>Statement of Profit or Loss</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Net interest income	83.4	71.3	12.1
Net fee and commission income	6.7	7.8	-1.1
Operating income	99.7	83.8	15.9
Personnel and administrative expenses	50.9	38.1	12.9
Loss allowance	88.1	-1.4	89.6
<i>without contribution of PCB Ukraine</i>	<i>1.5</i>	<i>-1.7</i>	<i>3.2</i>
Profit of the period	-32.4	39.0	-71.5
<i>without contribution of PCB Ukraine</i>	<i>19.3</i>	<i>15.3</i>	<i>4.0</i>
<b>Key performance indicators</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Change in loan portfolio	-11.8%	21.9%	-33.8 pp
<i>without contribution of PCB Ukraine</i>	<i>3.3%</i>	<i>12.1%</i>	<i>-8.8 pp</i>
Cost-income ratio	51.1%	45.5%	5.7 pp
Return on equity	-14.8%	17.8%	-32.7 pp
<i>without profit contribution of PCB Ukraine</i>	<i>8.3%</i>	<i>7.4%</i>	<i>0.9 pp</i>
<b>Additional indicators</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Deposits to loan portfolio	96.3%	83.2%	13.1 pp
Net interest margin	4.7%	4.3%	0.4 pp
Cost of risk	712 bp	-12 bp	724 bp
<i>without contribution of PCB Ukraine</i>	<i>26 bp</i>	<i>-32 bp</i>	<i>58 bp</i>
Share of defaulted loans	7.4%	1.9%	5.5 pp
<i>without contribution of PCB Ukraine</i>	<i>2.9%</i>	<i>2.5%</i>	<i>0.4 pp</i>
Stage 3 loans coverage ratio	79.2%	58.7%	20.5 pp
<i>without contribution of PCB Ukraine</i>	<i>59.6%</i>	<i>55.3%</i>	<i>4.3 pp</i>
Green loan portfolio	182.8	205.0	-22.2

Deposits are presented without intercompany accounts.

The loan portfolio of the segment contracted by EUR 155.8 million during the period, primarily due to the performance of our portfolio in Ukraine<sup>12</sup>. New business was scaled back due to the risk situation and also because of lower demand. At the same time, the portfolio contracted on the basis of currency effects and repayments. The banks in Georgia and Moldova grew their portfolios by a total of EUR 18.5 million. Deposits increased by EUR 22.4 million. The ratio of deposits to the loan portfolio improved, rising to a level of 96.3%.

The share of defaulted loans increased by 5.5 percentage points to 7.4%, particularly due to stage transfers within our Ukrainian portfolio. In our banks in Georgia and Moldova there was only a smaller rise of 0.4 percentage points to 2.9%. The Stage 3 loans coverage ratio increased substantially, climbing to 79.2%; this is attributable to management overlays in the loss allowances for our portfolio in Ukraine<sup>13</sup>.

The profit of the period for the segment declined significantly, falling by EUR 71.5 million to EUR -32.4 million, which includes a negative result contribution of EUR 51.8 million from our Ukrainian bank<sup>14</sup>. For the banks in Georgia and Moldova, profit increased by EUR 4.4 million or 28.7%. The drop in profit for the sector is attributable to the EUR 89.6 million increase in loss allowances. Net interest income grew by EUR 12.1 million, contributing significantly to the EUR 15.9 million increase in operating income.

<sup>12</sup> Loan portfolio of ProCredit Bank Ukraine: EUR 582.3 million (2021: EUR 756.5 million)

<sup>13</sup> Stage 3 loans coverage ratio at ProCredit Bank Ukraine: 83.9% (2021: 63.0%)

<sup>14</sup> Average equity of Eastern Europe segment, without result contribution from ProCredit Bank Ukraine: EUR 232.6 million (2021: EUR 206.8 million)

This figure was offset in part by an increase in personnel and administrative expenses amounting to EUR 12.9 million. The cost-income ratio increased slightly, rising 5.7 percentage points to 51.1%.

## South America

### Macroeconomic and sector-specific environment

The South America segment, comprising the ProCredit Bank in Ecuador, accounts for roughly 7% of the group's loan portfolio. Here, economic growth of around 3% is assumed for 2022. Compared with other markets in the group, inflation is at a relatively low level of around 3%.

Market interest rates and margins in Ecuador are structurally higher than in South Eastern Europe. Competition is dominated by local banking groups.

### Development of financial position and financial performance

The loan portfolio of ProCredit Bank Ecuador showed strong growth of over EUR 70 million, which is also attributable in part to the appreciation of the US dollar during the financial year. The profit of the period improved by EUR 2.0 million.

in EUR m			
Statement of Financial Position	31.12.2022	31.12.2021	Change
Loan portfolio	498.1	423.3	74.8
Deposits	343.0	254.2	88.8
Statement of Profit or Loss	1.1.-31.12.2022	1.1.-31.12.2021	Change
Net interest income	25.5	20.2	5.3
Net fee and commission income	0.2	-0.4	0.7
Operating income	24.1	18.8	5.3
Personnel and administrative expenses	20.1	16.9	3.2
Loss allowance	1.2	1.0	0.2
Profit of the period	2.3	0.2	2.0
Key performance indicators	1.1.-31.12.2022	1.1.-31.12.2021	Change
Change in loan portfolio	17.7%	31.7%	-14.0 pp
Cost-income ratio	83.2%	89.9%	-6.7 pp
Return on equity	4.4%	0.5%	3.9 pp
Additional indicators	31.12.2022	31.12.2021	Change
Deposits to loan portfolio	68.9%	60.0%	8.8 pp
Net interest margin	4.5%	4.5%	0.0 pp
Cost of risk	26 bp	27 bp	-2 bp
Share of defaulted loans	6.7%	6.5%	0.2 pp
Stage 3 loans coverage ratio	33.5%	30.3%	3.2 pp
Green loan portfolio	90.3	84.1	6.2

Deposits are presented without intercompany accounts.

The bank's loan portfolio developed very positively during the financial year, growing by EUR 74.8 million or 17.7% up to EUR 498.1 million. Even when excluding the effects of US dollar appreciation, the loan portfolio showed very strong growth of more than 10%. Green loans increased by 7.4% and amounted to EUR 90.3 million as of the reporting date. Deposits increased by EUR 88.8 million, leading to an 8.8 percentage point improvement in the ratio of deposits to the loan portfolio.

The net interest margin remained unchanged at 4.5%. Net interest income nonetheless increased by EUR 5.3 million. Expenses for loss allowances remained close to the previous year's level, increasing slightly by EUR 0.2 million. The share of defaulted loans remained relatively stable. Personnel and administrative expenses increased by EUR 3.2 million.

Overall, the profit of the period improved significantly by EUR 2.0 million, mainly due to higher net interest income with nearly unchanged loss allowances. The cost-income ratio of the bank further improved by 6.7 percentage points to 83.2%. The growth of the loan portfolio and deposits, combined with a disproportionately low increase in operating expenses, provide a generally positive outlook for the coming years.

## Germany

### Macroeconomic and sector-specific environment

During the year, the German economy grew by 1.5%, significantly less than in 2021. Higher energy prices in particular had a strong negative impact on German industry. Interest rates rose significantly in the course of the year in the wake of the ECB's interest rate adjustments. Our business activity in Germany is mainly limited to services for the other segments. As a result, it is less heavily impacted by the macroeconomic and financial market trends in Germany, with the exception of the ECB's interest rate policy.

### Development of financial position and financial performance

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

in EUR m			
<b>Statement of Financial Position</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Loan portfolio	54.0	50.7	3.2
Deposits	263.7	257.1	6.5
<b>Statement of Profit or Loss</b>	<b>1.1.-31.12.2022</b>	<b>1.1.-31.12.2021</b>	<b>Change</b>
Net interest income	1.5	0.5	1.1
Operating income	88.9	125.9	-37.0
Personnel and administrative expenses	78.6	65.3	13.3
Loss allowance	0.5	-0.1	0.6
Profit of the period	9.8	59.9	-50.1
Profit of the period and consolidation effects	-15.8	-7.5	-8.4

*Loan portfolio and deposits are presented without intercompany accounts.*

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. The loan portfolio and deposits are almost unchanged from the previous year.

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

**Events after the reporting period**

Christian Dagrosa was appointed as a new member of the Management Board as of 1 January 2023 and is responsible in particular for the finance and investor relations areas. At the same time, Dr Gabriel Schor departed from the Management Board, as planned by mutual agreement, when his contract expired on 31 December 2022.

## ADDITIONAL INFORMATION ON PROCREDIT HOLDING

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

### Business activities of ProCredit Holding

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

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

As of year-end 2022, ProCredit Holding had 135 staff members (2021: 131). This includes two employees who are based abroad. The financial position and financial performance of ProCredit Holding are affected by its own operating activities as well as by the operating activities of its subsidiaries through their dividend payments. The economic situation of ProCredit Holding is thus essentially the same as that of the group as a whole. Also with regard to ProCredit Holding's risk report (including system for early detection of risks), the report on expected developments and the report on events after the reporting period, we refer to the corresponding sections.

### Development of financial position

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

ProCredit Holding's total assets decreased by EUR 119.3 million as of 31 December 2022 (2021: EUR -15.0 million). The shares in affiliated companies increased by EUR 19.0 million (2021: EUR 34.8 million) due to capital increases in two subsidiaries, while also decreasing by EUR 28.1 million (2021: EUR +5.9 million) through additions and write-downs. At the same time, loans to affiliated companies decreased by EUR 135.7 million (2021: EUR -75.1 million).

ProCredit Holding's liabilities decreased by EUR 95.4 million during the year (2021: EUR -46.9 million). Equity declined by a total of EUR 24.7 million (2021: EUR +32.0 million). This reduction is due to the current result after taxes.

### Result of operations

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

ProCredit Holding's loss for the 2022 financial year was EUR -24.7 million (2021: EUR +63.3 million), due in particular to one-time impairment of the shares in ProCredit Bank Ukraine. At EUR 23.4 million, dividend income was lower than in the previous year (2021: EUR 66.2 million). ProCredit Holding's operating expenses increased in particular due to additional legal, consulting and audit costs in connection with the war in Ukraine.

We are expecting a profit for the 2023 year in the mid-double-digit million range. We expect an increase in income from equity investments. We consider the current situation regarding the conflict in Ukraine and the uncertain macroeconomic situation to be significant risk factors that may have a negative impact on the financial position and financial performance of ProCredit Holding.



## REPORT ON EXPECTED DEVELOPMENTS

### Macroeconomic environment and competitive situation

2022 was a year of upheaval for the global economy. Russia's war of aggression against Ukraine brought an end to a long period of relative political and economic stability. In addition to the senseless destruction of lives and livelihoods, the war has amplified global inflationary pressures, catalysed widespread economic slowdown and elevated political uncertainty in much of the world. Rising energy prices have increased the cost of living and significantly inhibited economic activity in almost all countries around the world. Food prices have been pushed up at times by blockades of Ukrainian agricultural exports and by sanctions against the Russian Federation, posing challenges particularly for low-income households globally.

For 2023, the IMF expects the global economy to be weak overall and forecasts economic growth of 2.7%. Growth of only 0.7% is expected for the European Union. The countries in Eastern and South Eastern Europe where we are represented generally achieve higher growth rates than their counterparts in Western Europe. At around 3%, economic growth in these countries is also expected to be comparatively higher in 2023. In our planning, we assume that the geopolitical situation in the region will continue to be strongly influenced by developments in the war against Ukraine. In the short and medium term, we expect key interest rates to fall again, but overall to remain at a higher level than in 2021. We expect competition to stay strong and margins to remain under pressure in our banking markets. After many years of high economic activity, credit quality in our markets could deteriorate again for the first time in 2023 due to the tense overall macroeconomic situation.

The war in Ukraine has shown that long-term peace and prosperity in Europe can only be ensured through profound integration between Western and Eastern Europe. We expect European integration to accelerate, and there have already been very concrete signs in the form of significant intensification of EU accession talks by Eastern European states in 2022.

### Expected development of the ProCredit group

For us, the 2022 financial year was particularly impacted by the war of aggression against Ukraine. In addition to the immediate impact on our colleagues in Ukraine and the daily challenges of providing banking services during a war, we have established significant loss allowances for our portfolio and these have had a substantial impact on the group result. Rising interest rates, high inflation figures and increased macroeconomic uncertainty due to the war are also affecting our markets beyond Ukraine. Overall, our portfolio growth outside of Ukraine was 6.9%. In this significantly changed market environment, we have focused on growing our deposits and on our positioning as a bank for private customers. Accordingly, we were able to improve our deposit-to-loan ratio by 9.4 percentage points.

For 2023, we expect markets to remain tense and geopolitical uncertainty to persist. At group level, we expect our loan portfolio to show growth in the mid-single-digit percentage range (adjusted for currency effects). We assume that the armed conflicts in Ukraine will continue and that we will therefore selectively reduce our Ukrainian portfolio. In all other markets, we aim to further expand our market position and deepen business relations with our existing customers. We continue to see strong growth potential in energy efficiency and renewable energy financing in our markets, and we expect to be able to achieve substantial further expansion of our green loan portfolio based on our positioning as a "green bank".

In the 2022 financial year, our group's return on equity of 1.9% was, as forecasted, significantly below the level recorded in recent periods. This was due in particular to the loss allowances for our Ukrainian portfolio

which we established at the outbreak of war. Nevertheless, our profit before taxes and loss allowances increased by more than 20%, underlining the fundamentally positive momentum of our business activity. The group's return on equity excluding the negative profit contribution from ProCredit Bank Ukraine stands at 7.8%, and thus 0.8 percentage points above the figure for the previous period. Contrary to the forecasted increase, the cost-income ratio improved slightly, by 0.2 percentage points to 64.0%, despite the unplanned expenses resulting from the war in Ukraine.

For 2023, we expect an improved but still subdued return on equity of 6%-8%. This forecast is based on a cautious cost-of-risk estimate at a level of up to 70 basis points, which is intended to take account for the ongoing combat activities in Ukraine and the associated uncertainties. In this forecast, we also assume a neutral contribution from ProCredit Bank Ukraine to the group result.

At a consolidated level, we expect net interest income to continue to rise due to positive interest rate and volume effects, and to make a significant contribution to an increase in operating income. Personnel and administrative expenses will continue to grow, due to ongoing inflationary pressure and higher planned spending on marketing and IT. Under these conditions, the cost-income ratio in 2023 should remain roughly at the level of the financial year just completed, within a range of plus/minus one percentage point.

At year-end, our Common Equity Tier 1 capital ratio (CET1 fully loaded) was 13.5%. It therefore declined, as forecasted, but nonetheless was significantly above the regulatory requirements. The CET1 capital ratio is expected to be over 13% at year-end 2023, with a leverage ratio around 9%. For the result of the 2023 financial year, it is planned to return to a dividend distribution in line with our dividend policy. Accordingly, a proposal will be made to the Annual General Meeting in 2024 to distribute a dividend equivalent to one third of the consolidated profit.

In the medium term, we see good opportunities to further expand our position in our markets and to intensify the positive impact of our business activities on society, the economy and the environment. At the same time, we see solid potential to increase integration of the economies where we operate into the European Union, which will continue to benefit the respective countries and also our banking business. In the medium term, we expect our loan portfolio to grow in the mid- to high-single-digit percentage range. In this context, we plan to see particularly strong growth in the area of green loans and to increase their share of the total portfolio to 25%. In general, our banks are profiting from the currently rising interest rates. Although rates could fall slightly in the future, in the medium term we see the potential for a return on equity of around 12% and a cost-income ratio of around 57% (excluding non-recurring effects) under these conditions. We assume cost of risk of around 25-30 basis points for the same period. With such medium-term prospects, the overall contribution of ProCredit Bank Ukraine is largely neutral. In our forecasts we do not take into account any potential for appreciation, e.g. through reconstruction of the country co-financed by the Western community.

### **Assessment of business opportunities and risks**

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

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

If interest rates in our markets were to remain at a higher level in the longer term, this would have a positive impact on the underlying profitability of the group. In addition, the group's business would benefit from any reconstruction of Ukraine or the further integration of our markets of operation into the European Union.

## RISK REPORT

An informed and transparent approach to risk management is a central component of our socially responsible business model. This is also reflected in our risk culture and our risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view. By following a consistent group-wide approach to managing risks, we aim to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate at all times, as well as to achieve steady results. The activities and risks of ProCredit Holding are deeply intertwined with the development of the group. The risk management principles and the risk strategy of the ProCredit group have not changed compared to the previous year.

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 and increasing inflation in the course of 2022 caused further uncertainty in all of the countries where we operate. So far, the influence of these macroeconomic developments on the quality of the loan portfolio has been limited. These developments will 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, as presented in this risk report.

### Risk Management System

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

#### *Focus on core business*

Our business model is clear and straightforward: the ProCredit institutions focus on the provision of financial services to small and medium 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, interest rate risk, operational risk and liquidity risk in the course of their day-to-day operations. At group level, foreign currency risk is furthermore relevant due to the investments made by ProCredit Holding in the equity capital of its subsidiaries. At the same time, ProCredit avoids or largely limits all other risks involved in banking operations.

#### *Diversification and transparent services*

ProCredit's focus as a "Hausbank" for small and medium 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 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 critically and voicing their opinions openly are an important factor for managing and reducing risk.

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

- The risk strategy addresses all of the material risks in the group arising from the implementation of the business strategy and defines the objectives and measures of risk management. The strategies are approved annually by the Management, following thorough discussion with the Supervisory Board.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- All risks assumed are managed to ensure an adequate level of capital of the group and all ProCredit institutions, in both the normative and economic perspective, as well as adequate liquidity levels.
- All ProCredit companies apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of

ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and establish minimum requirements for managing, monitoring and reporting.

- Monitoring and control of material risks and possible risk concentrations is carried out using comprehensive analysis tools. For all material risks, early warning indicators (reporting triggers) and limits are set and the corresponding utilisation is monitored. The effectiveness of the chosen measures, limits and methods is continuously checked.
- Regular stress tests are performed for material risks; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad-hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Suitable processes and procedures for an effective internal control system have been established. This is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front-office functions.
- All new or significantly changed products/services, business processes, financial instruments, IT systems or organisational structures undergo a thorough analysis (New Risk Approval process) before being implemented or used for the first time. This also applies to activities in new markets and via new distribution channels. This ensures that new risks are assessed and all necessary preparations and tests are completed prior to the introduction of a new or significantly changed product for the first time.

#### *Organisation of risk management and risk reporting*

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

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

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and capitalisation at the level of individual institutions and the group.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, coordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.
- The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus ensuring implementation of legal requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.
- The Group Internal Audit and Ethics Committee focuses on annual internal audit plans at the level of individual banks and ProCredit Holding, and on monitoring the timely implementation of measures to

resolve the findings of internal and external auditors. It also monitors compliance with the ProCredit group's Code of Conduct and advises the Management on ethics issues.

- The Environmental Steering Committee develops guidelines in the areas of energy and resource efficiency, renewable energy, green finance, and environmental and social risk management.

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 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 determining what constitutes appropriate risk management, an appropriate internal control system and suitable IT infrastructure within the group. Additionally, each ProCredit bank (with the exception of ProCredit Bank Germany) has an internal audit department. The internal audit function of ProCredit Bank Germany has been outsourced to ProCredit Holding. 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.

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

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

The ProCredit group has prepared a group recovery plan in accordance with 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.

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.

### **Management of Individual Risks**

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

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 all of our 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.

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



### Credit risk

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

in '000 EUR	31.12.2022	31.12.2021
Central bank balances	1,771,117	1,405,779
<i>Loss allowances for central bank balances</i>	-3,098	-745
Loans and advances to banks	281,174	252,654
<i>Loss allowances for loans to banks</i>	-721	-5
Derivative financial assets	12,729	1,343
Investment securities	480,225	410,421
<i>Loss allowance for investment securities</i>	-167	-101
Loans and advances to customers	6,107,726	5,924,410
<i>Loss allowance for loans to customers</i>	-214,930	-131,444
Other assets (financial instruments)	47,126	40,663
<i>Loss allowance for other assets (financial instruments)</i>	-1,622	-1,724
Financial contingent liabilities	823,404	841,045
Non-financial contingent liabilities	192,738	145,532
<i>Provisions for contingent liabilities</i>	-4,195	-3,222
<b>Total</b>	<b>9,491,507</b>	<b>8,884,606</b>

### Customer credit risk

The key objectives of credit risk management are to achieve high quality and low risk concentrations within the loan portfolio, as well as appropriate coverage of credit risks with loss allowances. The diversification of our business activities through 12 banks in 13 countries, combined with 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
- Avoiding overindebtedness among credit clients
- Building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- Monitoring the repayment of credit exposures
- Customer-oriented, intensified loan management in the event of arrears
- Collateral collection in the event of insolvency

The group's framework for managing customer credit risk is presented in the relevant policies and standards. The policies specify, among other things, the responsibilities for managing credit risk in the group and at the level of each individual bank, the principles for the organisation of the lending business, the principles involved in lending operations, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the group's lending operations with business clients and private clients and of the range of credit offered. They also set forth the rules governing restructuring, loss allowances and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment, 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 our group. In this context, the concentration risk via collateral is considered to be low.

in '000 EUR	31.12.2022		31.12.2021	
	Defaulted loan portfolio	Total loan portfolio	Defaulted loan portfolio	Total loan portfolio
Loan portfolio	199,670	6,107,726	135,738	5,924,410
Loss allowance	- 123,395	- 214,930	- 67,328	- 131,444
Coverage ratio excluding collateral	61.8%	3.5%	49.6%	2.2%
Loan collateral*	103,610	3,952,679	90,387	3,961,688
Coverage ratio including collateral*	113.7%	68.2%	116.2%	69.1%

\*Previous year figures have been changed as result of including cash collateral in the loan collateral.

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. Exceptional events which could have an impact on large areas of the loan portfolio (common risk factors) are analysed and managed appropriately at group and bank level.

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. This is also reflected in our continuous observations regarding the quality indicators implemented for the loan portfolio. Instead, the focus of the observations at portfolio level is on an expected deterioration in macroeconomic conditions, mainly resulting from the impact of the war in Ukraine on the global economy.

The war in Ukraine has had a significant impact on ProCredit Bank Ukraine's loan portfolio and has led to a substantial 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. 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. At year-end, this resulted in a net increase of EUR 22.6 million in the bank's restructured loan portfolio. 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. As of 31 December 2022, the loan portfolio of ProCredit Bank Ukraine amounted to EUR 582.3 million and contributes 9.5% to the total portfolio of the group. The ongoing state of war has led to a special focus on problem loan management.

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. As a result, loans to customers with significant relationships with these countries were identified. These exposures accounted for approximately EUR 119 million or 2% of the group's loan portfolio as of the balance sheet date. 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. As a result of this process, exposures amounting to EUR 23.9 million were transferred to Stage 2 and exposures amounting to EUR 0.1 million were transferred to Stage 3.

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.

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

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. Based on the prospects for the customer, a strategy is developed 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.

in '000 EUR	31.12.2022	31.12.2021
Real estate	3,685	6,072
Other	85	202
<b>Repossessed property</b>	<b>3,770</b>	<b>6,274</b>

#### *Loss allowances*

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

#### *Three-stage approach*

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

- Stage 1 comprises exposures for which credit risk as of the reporting date 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 as of the reporting date has significantly increased since initial recognition, but for which there are no objective indications of impairment; this also includes exposures which have been 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.

#### *Calculation of expected credit loss (ECL)*

The following parameters are used in the calculation of expected credit loss:

- Exposure at Default (EAD)

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

- Probability of default (PD)

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

- Loss Given Default (LGD)

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

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through a regression analysis. The multi-stage selection process for relevant macroeconomic factors, which address various dimensions of the economic environment (economic performance, inflation, unemployment, interest rate environment, currency strength, energy prices), is based on professional discretion, their statistical significance and economic relevance. Publications of the International Monetary Fund (IMF), the Economist Intelligence Unit (EIU) and the European Central Bank (ECB) are used as data sources for the historical data and forecasts of the following relevant macroeconomic factors: GDP, inflation, unemployment rate, lending rate, purchasing power parity, gas and oil price index. For the bank in Ukraine, only EIU data and forecasts are used, as the IMF does not provide forecasts beyond 2022 for Ukraine.

In order to establish the ECL parameters, a probability-weighted average value is calculated based on various scenarios for the macroeconomic factors.

The calculation of loss allowances is automated and parameter-based for exposures in Stage 1 and Stage 2 as well as individually insignificant Stage 3 exposures. Loss allowances for individually significant Stage 3 exposures are estimated by credit analysts.

The adjustments to macroeconomic factors that we had made in the two previous years in establishing loss allowances in the context of the COVID-19 pandemic have now been reversed, as the risks from the pandemic have now materialised in the meantime. We are taking account for risks arising from the currently tense economic situation by making new adjustments to the parameters.

The current macroeconomic forecasts from the IMF World Economic Outlook Database and the EIU were used in establishing loss allowances. The parameters are calculated by weighting the three scenarios (baseline/downside/upside), with the baseline scenario normally weighted at 50% and the alternative scenarios at 25%. The weighting was adjusted to reflect the assessment of a currently tense macroeconomic situation. A detailed description can be found in the section on overlays.

Baseline scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %		Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %		Change in oil price in %			Weight
	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Country	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Albania	4.0	2.5	-	5.8	3.3	3.0	10.3	10.0	-	0.9	-	-	-	71.8	-23.9	44.1	-	-	50%
Bosnia and Herzegovina	2.5	2.0	-	9.5	4.1	-	-	-	-	0.2	0.3	-	-	-	-	-	-	-	50%
Bulgaria	3.9	3.0	-	-	2.4	2.0	-	-	0.1	0.1	0.2	-	-	-	-	-	-	-5.7	50%
Ecuador	-	2.7	-	3.8	1.4	1.3	4.0	-	-	-	-	-	-	71.8	-23.9	-	-	-	50%
Georgia	9.0	4.0	5.2	9.0	3.8	3.0	18.7	19.5	-	-	-	-	-	-	-	-	-	-	50%
Germany	1.5	-	-	-	-	-	-	3.4	0.7	-	-	-	-	-	-	-	-	-	50%
Kosovo	2.7	3.5	-	-	1.8	2.7	-	-	-	-	-	-	-	71.8	-23.9	-	-9.1	-	50%
Moldova	-	2.3	-	30.0	8.0	-	-	3.5	2.1	-	-	-	10.3	-	-	44.1	-	-	50%
North Macedonia	2.7	3.0	-	-	-	-	-	15.0	-	-	-	-	-	71.8	-23.9	-	-	-	50%
Romania	4.8	3.1	3.8	-	7.7	-	-	-	2.0	1.4	-	-	-	-	-	-	-	-	50%
Serbia	3.5	2.7	-	12.5	6.0	3.7	-	-	-	-	-0.3	-	-	71.8	-	-	-	-	50%
Ukraine	-14.8	4.3	2.3	-	9.3	16.2	-	9.9	-	3.6	-	35.3	-	71.8	-23.9	44.1	-	-	50%

Downside scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %		Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %		Change in oil price in %			Weight
	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Country	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Albania	2.8	1.3	-	7.0	4.5	4.2	10.7	10.4	-	2.3	-	-	-	108.9	13.2	63.5	-	-	40%
Bosnia and Herzegovina	0.4	-0.1	-	10.6	5.2	-	-	-	-	1.0	1.1	-	-	-	-	-	-	-	40%
Bulgaria	2.6	1.6	-	-	6.7	6.3	-	-	0.6	0.6	0.7	-	-	-	-	-	-	13.7	40%
Ecuador	-	0.7	-	6.6	4.1	4.1	4.9	-	-	-	-	-	-	108.9	13.2	-	-	-	30%
Georgia	7.6	2.6	3.8	12.3	7.1	6.4	19.9	20.7	-	-	-	-	-	-	-	-	-	-	40%
Germany	-0.1	-	-	-	-	-	-	4.0	1.2	-	-	-	-	-	-	-	-	-	40%
Kosovo	0.7	1.5	-	-	4.3	5.1	-	-	-	-	-	-	-	108.9	13.2	-	10.3	-	40%
Moldova	-4.3	-2.0	-	35.8	13.8	-	-	4.1	3.6	-	-	-	13.4	-	-	63.5	-	-	40%
North Macedonia	1.7	2.0	-	-	-	-	-	15.0	-	-	-	-	-	108.9	13.2	-	-	-	40%
Romania	2.0	0.2	0.9	-	9.5	-	-	-	4.3	3.7	-	-	-	-	-	-	-	-	40%
Serbia	0.8	0	-	16.1	9.6	7.3	-	-	-	2.8	2.5	-	-	108.9	-	-	-	-	40%
Ukraine	-18.7	0.3	-1.7	-	14.3	21.2	-	10.1	-	8.3	-	41.0	-	108.9	13.2	63.5	-	-	40%

Upside scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %		Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %		Change in oil price in %			Weight
	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Country	2022	2023	2024	2022	2023	2024	2022	2023	2022	2023	2024	2022	2023	2022	2023	2022	2023	2024	
Albania	5.1	3.6	-	4.7	2.2	1.9	9.2	8.9	-	-0.9	-	-	-	46.4	-49.3	25.1	-	-	10%
Bosnia and Herzegovina	4.0	3.5	-	8.0	2.6	-	-	-	-	-0.1	0	-	-	-	-	-	-	-	10%
Bulgaria	6.0	5.0	-	-	-1.2	-1.6	-	-	-0.5	-0.4	-0.3	-	-	-	-	-	-	-24.7	10%
Ecuador	-	5.6	-	1.2	-1.2	-1.3	3.0	-	-	-	-	-	-	46.4	-49.3	-	-	-	20%
Georgia	11.9	7.0	8.2	5.7	0.5	-0.2	17.9	18.7	-	-	-	-	-	-	-	-	-	-	10%
Germany	2.5	-	-	-	-	-	-	2.8	0.2	-	-	-	-	-	-	-	-	-	10%
Kosovo	5.8	6.6	-	-	0.2	1.0	-	-	-	-	-	-	-	46.4	-49.3	-	-28.1	-	10%
Moldova	4.8	7.1	-	23.0	1.0	-	-	2.3	-0.7	-	-	-	-1.1	-	-	25.1	-	-	10%
North Macedonia	4.9	5.2	-	-	-	-	-	13.4	-	-	-	-	-	46.4	-49.3	-	-	-	10%
Romania	8.2	6.4	7.1	-	2.6	-	-	-	0.7	0.1	-	-	-	-	-	-	-	-	10%
Serbia	6.9	6.1	-	10.1	3.6	1.3	-	-	-	-2.4	-2.7	-	-	46.4	-	-	-	-	10%
Ukraine	-10.2	8.9	6.9	-	2.6	9.5	-	9.3	-	-1.0	-	25.5	-	46.4	-49.3	25.1	-	-	10%

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

The sensitivity of our loss allowances is analysed in terms of the influence of relevant macroeconomic factors. Sensitivity is calculated by simultaneously increasing or decreasing all the applied macroeconomic model factors by 10%, depending on the expected direction of the factor's impact, in order to simulate a positive or negative macroeconomic environment. The following table presents the loss allowances for the group with the respective macroeconomic changes.

in '000 EUR	31.12.2022		
	Loss allowance Positive macroeconomic change	Loss allowance	Loss allowance Negative macroeconomic change
South Eastern Europe	86,998	90,550	94,276
Eastern Europe	103,475	108,310	113,575
of which contribution of PCB Ukraine	86,598	90,149	94,036
South America	15,117	15,308	15,500
Germany	746	762	827
<b>Total</b>	<b>206,336</b>	<b>214,930</b>	<b>224,178</b>

Changes in the above assumptions can lead to changes in the calculated loss allowances over time. In this context, discretionary decisions and estimation uncertainties can have a significant impact on the establishment of loss allowances for collectively and individually assessed exposures. Our discretionary decisions reflect, among other aspects, the applied default definitions, the approach to determining a significant increase in credit risk (SICR) and the selected macroeconomic factors and scenarios.

### Overlays

The overlays set in previous years for the ECL model to reflect uncertainties arising from the impact of the COVID-19 pandemic have now been reversed.

The adjustment for increased uncertainty of post-pandemic effects on the economies of all banks, amounting to EUR 29.6 million (of which EUR 6.4 million for ProCredit Bank Ukraine), was reversed. The effects of the pandemic have either been realised or have merged into the effects of the current multifactorial crisis.

Overlays continue to be made to account for uncertainty arising from current economic and political developments resulting from the war in Ukraine and for the macroeconomic forecasts:



in EUR m

Overlay description	Impact on	31.12.2021*	Removed overlays	New overlays	31.12.2022
Increased uncertainty due to the negative developments caused by the COVID-19 pandemic	Loan portfolio in all banks (except PCB Ukraine) in Stage 1, 2 and 3	23.2	-23.2	-	-
Macroeconomic effects of a negative development due to the ongoing Russian invasion in Ukraine	Loan portfolio in all banks (except PCB Ukraine) in Stage 1, 2 and 3	-	-	5.4	5.4
Effects of multifactorial crisis on the credit risk parameters	Loan portfolio in all banks (except PCB Ukraine) in Stage 1, 2 and 3	-	-	23.5	23.5
<b>Total</b>		<b>23.2</b>	<b>-23.2</b>	<b>28.9</b>	<b>28.9</b>

in EUR m

Overlay description	Impact on	31.12.2021*	Removed overlays	New overlays	31.12.2022
Increased uncertainty due to the negative developments caused by the COVID-19 pandemic	Loan portfolio in PCB Ukraine in Stage 1, 2 and 3	6.4	-6.4	-	-
Increased uncertainty of negative macroeconomic development due to the ongoing Russian invasion in Ukraine	Loan portfolio in PCB Ukraine in Stage 1, 2 and 3	-	-	4.3	4.3
Increased uncertainty of credit risk parameters due to the ongoing Russian invasion in Ukraine	Loan portfolio in PCB Ukraine in Stage 1, 2 and 3	-	-	6.4	6.4
<b>Total</b>		<b>6.4</b>	<b>-6.4</b>	<b>10.7</b>	<b>10.7</b>

\* The concept of model adjustments in this form was introduced in the first half of 2022, therefore the adjustments at the end of 2021 are only comparable to a limited extent.

Due to the tense situation in the Russo-Ukrainian War, with possible spill-over effects impacting the economic situation of the countries where the ProCredit group operates, the weighting of scenarios (baseline/downside/upside) has been adjusted for the calculation of loss allowance parameters. The baseline scenario retains a weighting of 50%, but the weighting of the downside scenario has been changed to 40% (previously 25%) and the upside scenario to 10% (previously 25%). As an oil-exporting country, Ecuador was given a lower weight of 30% on the downside scenario and 20% on the upside scenario, as the country can benefit from higher prices. This overlay has an effect amounting to an EUR 5.4 million increase in loss allowances for all banks in the group except ProCredit Bank Ukraine.

The current global economic environment is characterised by several interrelated crises, on the one hand from the impact of the pandemic and conflicts in trade relations with China (supply-chain problems), and on the other hand due to the war in Ukraine and negative consequences for the energy market, price developments and interest rates.

The prevailing energy crisis, with volatile prices and limited availability, as well as elevated inflation and higher interest rates, cannot be reflected in all model parameters due to the lack of statistical correlations in the macroeconomic factors and historical default/loss rates. Therefore, parameter adjustments were made to the PD and LGD for all banks (separate adjustments for ProCredit Bank Ukraine).

The adjustments were based on observations of maximum default and loss rates from historical default events in the crises that serve as stress levels. The key parameters, PD and LGD, have been increased using the defined probability of occurrence of the stress level (20%, based on expert assessment). The model adjustment leads to a EUR 23.5 million increase in loss allowances for all banks except ProCredit Bank Ukraine.

Overall, the overlays for all banks except ProCredit Bank Ukraine increase by EUR 5.7 million to EUR 28.9 million.

The invasion of Ukraine by Russia leads to high uncertainty and macroeconomic shocks in Ukraine. The magnitude of the observed macroeconomic shocks is well outside the calibrated range of the ECL model.

As the loan portfolio in the conflict area is largely assessed through individual estimation of losses, the ECL parameters are only applied to the loan portfolio outside that zone. For parameter estimation, values outside the calibrated range are replaced with the most negative historical value of the macroeconomic factors within the time period used, in order to obtain plausible but conservative parameters. Model parameters in Ukraine were adjusted using historically observed stress levels from previous crises.

The LGD adjustment for ProCredit Bank Ukraine is based on our experience from observing relevant LGDs from the Ukraine conflict in 2014/15. The LGDs of the portfolio with business activities in the current conflict area are assessed individually under conservative assumptions. Similarly, we have increased PD based on historical information. The applied PD is significantly higher than the observed default rate outside the conflict area during the 2014/15 conflict. Furthermore, in establishing loss allowances on exposures with increased default risk since initial recognition (Stage 2), we have not assumed any early repayments. The adjustment of the model parameters increases the loss allowances by EUR 6.4 million.

Due to increased uncertainty of negative macroeconomic developments resulting from the war, the weightings of the scenarios for calculating loss allowance parameters were changed to 50% for the baseline scenario, 40% (previously 25%) for the downside scenario and 10% (previously 25%) for the upside scenario. The effect of this adjustment amounts to a EUR 4.3 million increase in loss allowances.

The total amount of adjustments for Ukraine adds up to EUR 10.7 million, compared to EUR 6.4 million for the previous year. It should be noted that individually assessed exposures are not included when calculating the adjustments. As individual assessment of the defaulted portfolio is not parameter-based, this portfolio is not part of the calculation of adjustments made in the table above. The volume of the individually assessed portfolio in Ukraine increased by around EUR 7 million in December 2021 to over EUR 60 million in December 2022. Around 90% of the defaulted portfolio in Ukraine has been individually assessed by credit analysts using conservative assumptions, resulting in a high coverage ratio of 87%.

in '000 EUR	12-months PD range	31.12.2022		31.12.2021	
Risk classes 1-5: Performing*	0% - 1,5%	2,307,355	37.8%	1,567,961	26.5%
	1,5% - 4,0%	1,442,089	23.6%	2,667,511	45.0%
	4,0% - 7,0%	725,552	11.9%	533,470	9.0%
Risk classes 6-7: Underperforming*	7,0% - 10,0%	182,159	3.0%	118,792	2.0%
	10,0% < 100%	333,375	5.5%	142,639	2.4%
Risk class 8: Defaulted	100%	181,870	3.0%	115,574	2.0%
Without risk class**		935,327	15.3%	778,464	13.1%
<b>Gross outstanding amount</b>		<b>6,107,726</b>	<b>100.0%</b>	<b>5,924,410</b>	<b>100.0%</b>

\* Previous year presentation and figures have been adapted to the current disclosure structure. For individual banks in the Group, risk class 5 may also have probabilities of default (12-months PD) of more than 7%.

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

The country-specific PDs are assigned to the scale for internal risk classification. This results in a breakdown of the loan portfolio into the presented PD intervals. In this context, the risk classes may overlap due to the different risk environments of the individual banks in terms of their assigned PDs. Exposures assigned to risk classes 6 and 7 correspond to the underperforming category and are considered to have higher risk. They therefore show PDs of generally more than 7%. The risk classifications are assigned according to an internal evaluation process for the current repayment capacity of the credit exposure, based on quantitative as well as qualitative factors.

### *Significant increase in credit risk (SICR)*

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

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

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

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

A return from Stage 2 to Stage 1 occurs when no overdue payments are outstanding for more than 30 days and no other Stage 2 criteria are met. 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.

### *Impaired credit exposures*

If a credit exposure is deemed to be impaired, it is transferred to Stage 3 accordingly. The definition of impairment according to IFRS 9 corresponds to the definition used for the Defaulted portfolio in internal risk management, and also to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178). This default definition is applied to all exposures which are part of the loan portfolio of the group. The group considers an exposure to be impaired if at least one of the default definition criteria is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When establishing Stage 3 loss allowances, a distinction is likewise drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 150,000 (for all exposures to a client). For indications of impairment of significant exposures, 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.

For ProCredit Bank Ukraine, in addition to the existing definition for the ProCredit group, stage transfers are performed based on the geographical zones that have been introduced. Exposures for business activities that are exclusively in occupied territories or in close proximity to military activities are allocated to Stage 3. In addition, a higher level of EUR 250,000 is used in the bank as the threshold to differentiate individually significant credit exposures.

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.

#### *Purchased or Originated Credit Impaired (POCI) exposures*

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

#### *Changes to contractual terms (modifications)*

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

#### *Write-offs*

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

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

in '000 EUR	31.12.2022		
	Stage 3	POCI	Total
Written-off exposures subject to enforcement activity	17,531	144	17,675

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

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

in '000 EUR	31.12.2022					Total
	Stage 1	Stage 2	Stage 3	POCI		
<b>South Eastern Europe</b>						
Gross outstanding amount	4,121,719	194,537	78,459	1,035		<b>4,395,750</b>
Loss allowances	-35,957	-10,748	-43,428	-418		<b>-90,550</b>
Net outstanding amount	4,085,762	183,789	35,031	618		<b>4,305,199</b>
<b>Eastern Europe</b>						
Gross outstanding amount	854,718	218,852	85,054	1,257		<b>1,159,880</b>
Loss allowances	-13,755	-26,231	-67,697	-627		<b>-108,310</b>
Net outstanding amount	840,962	192,622	17,357	630		<b>1,051,570</b>
<b>South America</b>						
Gross outstanding amount	432,072	32,609	32,801	657		<b>498,139</b>
Loss allowances	-2,815	-1,288	-11,008	-197		<b>-15,308</b>
Net outstanding amount	429,257	31,321	21,793	460		<b>482,831</b>
<b>Germany</b>						
Gross outstanding amount	51,555	1,995	408	-		<b>53,958</b>
Loss allowances	-425	-316	-21	-		<b>-762</b>
Net outstanding amount	51,130	1,679	387	-		<b>53,196</b>
<b>Total</b>						
Gross outstanding amount	5,460,063	447,993	196,721	2,949		<b>6,107,726</b>
Loss allowances	-52,952	-38,583	-122,154	-1,242		<b>-214,930</b>
Net outstanding amount	5,407,111	409,410	74,567	1,707		<b>5,892,796</b>
<b>Financial contingent liabilities</b>						
Nominal amount	768,658	53,666	1,080	-		<b>823,404</b>
Provisions	-2,626	-1,026	-543	-		<b>-4,195</b>

in '000 EUR	31.12.2021					Total
	Stage 1	Stage 2	Stage 3	POCI		
<b>South Eastern Europe</b>						
Gross outstanding amount	3,933,093	118,360	82,084	1,202		<b>4,134,739</b>
Loss allowances	-27,261	-11,012	-43,893	-451		<b>-82,617</b>
Net outstanding amount	3,905,833	107,349	38,191	750		<b>4,052,122</b>
<b>Eastern Europe</b>						
Gross outstanding amount	1,231,375	59,279	23,619	1,371		<b>1,315,644</b>
Loss allowances	-15,248	-6,099	-14,167	-499		<b>-36,014</b>
Net outstanding amount	1,216,127	53,180	9,452	872		<b>1,279,630</b>
<b>South America</b>						
Gross outstanding amount	358,722	37,132	27,463	-		<b>423,316</b>
Loss allowances	-3,102	-1,037	-8,317	-		<b>-12,457</b>
Net outstanding amount	355,619	36,095	19,146	-		<b>410,859</b>
<b>Germany</b>						
Gross outstanding amount	50,334	376	-	-		<b>50,711</b>
Loss allowances	-353	-4	-	-		<b>-356</b>
Net outstanding amount	49,982	373	-	-		<b>50,354</b>
<b>Total</b>						
Gross outstanding amount	5,573,524	215,148	133,166	2,572		<b>5,924,410</b>
Loss allowances	-45,964	-18,152	-66,377	-951		<b>-131,444</b>
Net outstanding amount	5,527,560	196,996	66,788	1,622		<b>5,792,966</b>
<b>Financial contingent liabilities</b>						
Nominal amount	827,719	12,334	992	-		<b>841,045</b>
Provisions	-2,406	-401	-214	-		<b>-3,021</b>

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

*Development of loss allowances in the South Eastern Europe segment*

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowances as of 1.1.2022</b>	<b>-27,261</b>	<b>-11,012</b>	<b>-43,893</b>	<b>-451</b>	<b>-82,617</b>
New financial assets originated	-12,180	-	-	-	-12,180
Release due to derecognition	2,756	1,019	4,975	-	8,750
Transfer to Stage 1	-1,662	1,625	36	-	-
Transfer to Stage 2	2,338	-2,757	419	-	-
Transfer to Stage 3	325	4,186	-4,511	-	-
Change in credit risk	-191	-3,734	-15,666	-106	-19,697
Usage of allowance	-	-	15,183	140	15,324
Exchange rate movements and others	-82	-76	29	0	-130
<b>Loss allowances as of 31.12.2022</b>	<b>-35,957</b>	<b>-10,748</b>	<b>-43,428</b>	<b>-418</b>	<b>-90,550</b>

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

The main change in loss allowances in the South Eastern Europe segment resulted from additions for newly disbursed loans during the financial year. Furthermore, loss allowances increased compared with the previous year based on a change in credit risk for Stage 2 and Stage 3. In particular, loss allowances for Stage 3 increased through transfers and reclassification of individually assessed defaulted exposures during the year, as well as through the regular update of the model parameters.

*Development of loss allowances in the Eastern Europe segment*

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowances as of 1.1.2022</b>	<b>-15,248</b>	<b>-6,099</b>	<b>-14,167</b>	<b>-499</b>	<b>-36,014</b>
New financial assets originated	-3,648	-8	-21	-	-3,677
Release due to derecognition	1,217	1,839	2,267	-	5,323
Transfer to Stage 1	-6,225	6,219	6	-	-
Transfer to Stage 2	11,411	-11,446	34	-	-
Transfer to Stage 3	264	18,819	-19,083	-	-
Change in credit risk	-3,236	-39,437	-49,742	-145	-92,560
Usage of allowance	-	907	7,895	16	8,817
Exchange rate movements and others	1,709	2,976	5,115	1	9,801
<b>Loss allowances as of 31.12.2022</b>	<b>-13,755</b>	<b>-26,231</b>	<b>-67,697</b>	<b>-627</b>	<b>-108,310</b>

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

In the Eastern Europe segment, the largest change in loss allowances resulted from transfers in stages 2 and 3 and the change in credit risk in all stages at ProCredit Bank Ukraine during the financial year. The update of model parameters and overlays in 2022 likewise resulted in higher loss allowances. The effect of currency fluctuations on loss allowances is typically greater in Eastern Europe than in other regions and leads to a reduction in this item in 2022, specifically due to the depreciation of the Ukrainian currency. Usage of loss allowances was mostly for loans of ProCredit Bank Ukraine.



*Development of loss allowances in the South America segment*

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowances as of 1.1.2022</b>	<b>-3,102</b>	<b>-1,037</b>	<b>-8,317</b>	-	<b>-12,457</b>
New financial assets originated	-1,332	-	-	-	<b>-1,332</b>
Release due to derecognition	629	214	2,340	-	<b>3,183</b>
Transfer to Stage 1	-349	210	139	-	-
Transfer to Stage 2	80	-668	589	-	-
Transfer to Stage 3	56	122	-178	-	-
Change in credit risk	1,404	-63	-5,746	-200	<b>-4,604</b>
Usage of allowance	-	-	639	-	<b>639</b>
Exchange rate movements and others	-200	-66	-473	2	<b>-737</b>
<b>Loss allowances as of 31.12.2022</b>	<b>-2,815</b>	<b>-1,288</b>	<b>-11,008</b>	<b>-197</b>	<b>-15,308</b>

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

In South America, the largest item in loss allowances during the year was adjustments for changes in credit risk in Stage 3. The update of model parameters in 2022 resulted in a positive change in loss allowances for Stage 1. However, the adjustments for loans in Stage 3 predominate, so an overall increase in loss allowances is visible as a result of changes in credit risk. Additions to loss allowances due to newly disbursed loans decreased compared with the previous year.

*Development of loss allowances in the Germany segment*

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loss allowances as of 1.1.2022</b>	<b>-353</b>	<b>-4</b>	<b>-</b>	<b>-</b>	<b>-356</b>
New financial assets originated	-32	-	-	-	-32
Release due to derecognition	16	-	-	-	16
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	77	-77	-	-	-
Transfer to Stage 3	-	4	-4	-	-
Change in credit risk	-133	-240	-17	-	-390
Usage of allowance	-	-	-	-	-
Exchange rate movements and others	-	-	-	-	-
<b>Loss allowances as of 31.12.2022</b>	<b>-425</b>	<b>-316</b>	<b>-21</b>	<b>-</b>	<b>-762</b>

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

In the Germany segment, the largest changes resulted from changes in credit risk in the individual stages. An additional increase comes from additions for newly disbursed loans during 2022. The Stage 2 loan portfolio grew on the basis of stage transfers. The bank in Germany has an exposures in Stage 3, although there was no usage of allowances during the year.

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

in '000 EUR		31.12.2022				
Loan portfolio	Risk class	Stage 1	Stage 2	Stage 3	POCI	Total
Performing	1	24,646	-	-	-	24,646
	2	863,024	568	-	-	863,592
	3	1,572,260	2,765	-	-	1,575,025
	4	1,379,663	43,952	-	-	1,423,615
	5	680,106	140,808	-	-	820,914
Underperforming	6	44,249	200,388	-	-	244,636
	7	1,067	37,034	-	-	38,101
Defaulted	8	-	-	178,983	2,887	181,870
Without risk class*		895,049	22,478	17,738	62	935,327
<b>Gross outstanding amount</b>		<b>5,460,063</b>	<b>447,993</b>	<b>196,721</b>	<b>2,949</b>	<b>6,107,726</b>

in '000 EUR		31.12.2021				
Loan portfolio	Risk class	Stage 1	Stage 2	Stage 3	POCI	Total
Performing	1	7,973	-	-	-	7,973
	2	408,472	792	-	-	409,264
	3	1,764,187	1,341	-	-	1,765,527
	4	2,077,631	8,581	-	-	2,086,212
	5	533,465	12,774	-	-	546,239
Underperforming	6	36,936	112,014	-	-	148,950
	7	2,791	63,415	-	-	66,206
Defaulted	8	-	-	113,100	2,473	115,574
Without risk class*		742,069	16,231	20,066	99	778,464
<b>Gross outstanding amount</b>		<b>5,573,524</b>	<b>215,148</b>	<b>133,166</b>	<b>2,572</b>	<b>5,924,410</b>

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

31.12.2022												
in '000 EUR	Business loans							Private loans				Total
	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Electricity, gas, steam and air conditioning supply	Construction and real estate	Hotel, restaurant and catering	Other economic activities	Housing	Investment loans	Consumer loans	
<b>Stage 1</b>												
Gross outstanding amount	1,389,994	935,838	1,089,302	226,711	303,669	462,900	148,771	362,808	421,164	51,202	67,705	<b>5,460,063</b>
Loss allowance	-10,125	-8,275	-9,805	-1,960	-3,214	-3,996	-1,435	-3,085	-7,748	-1,675	-1,636	<b>-52,952</b>
Net outstanding amount	1,379,868	927,563	1,079,497	224,751	300,455	458,904	147,337	359,723	413,416	49,527	66,070	<b>5,407,111</b>
<b>Stage 2</b>												
Gross outstanding amount	80,345	108,039	122,086	24,471	11,966	37,044	23,493	32,460	4,088	2,285	1,714	<b>447,993</b>
Loss allowance	-4,599	-10,693	-9,655	-1,988	-3,390	-2,095	-1,912	-3,663	-410	-110	-68	<b>-38,583</b>
Net outstanding amount	75,746	97,347	112,431	22,483	8,576	34,949	21,581	28,797	3,679	2,175	1,646	<b>409,410</b>
<b>Stage 3</b>												
Gross outstanding amount	34,173	65,381	50,145	10,900	3,438	5,741	5,187	14,432	4,676	1,084	1,565	<b>196,721</b>
Loss allowance	-20,555	-50,234	-25,676	-6,250	-2,286	-3,045	-2,725	-7,203	-2,306	-768	-1,105	<b>-122,154</b>
Net outstanding amount	13,617	15,146	24,468	4,650	1,152	2,696	2,462	7,229	2,370	315	461	<b>74,567</b>
<b>POCI</b>												
Gross outstanding amount	239	843	0	155	-	19	1,074	567	22	30	1	<b>2,949</b>
Loss allowance	-82	-223	-	-153	-	-19	-577	-150	-16	-21	-1	<b>-1,242</b>
Net outstanding amount	157	620	0	1	-	-	497	417	6	9	-	<b>1,707</b>
<b>Total</b>												
Gross outstanding amount	1,504,750	1,110,101	1,261,533	262,237	319,074	505,703	178,526	410,267	429,950	54,601	70,986	<b>6,107,726</b>
Loss allowance	-35,361	-69,425	-45,136	-10,351	-8,890	-9,155	-6,648	-14,101	-10,479	-2,574	-2,810	<b>-214,930</b>
Net outstanding amount	1,469,389	1,040,676	1,216,396	251,886	310,183	496,548	171,877	396,166	419,471	52,027	68,176	<b>5,892,796</b>

31.12.2021												
in '000 EUR	Business loans						Private loans					Total
	Wholesale and retail trade	Agriculture, forestry and fishing	Production	Transportation and storage	Electricity, gas, steam and air conditioning supply*	Construction and real estate*	Hotel, restaurant and catering*	Other economic activities*	Housing*	Investment loans *	Consumer loans*	
<b>Stage 1</b>												
Gross outstanding amount	1,434,086	1,059,525	1,188,281	222,502	246,817	448,087	133,899	372,568	364,245	56,138	47,376	<b>5,573,524</b>
Loss allowance	-10,609	-8,826	-8,870	-1,741	-2,257	-3,035	-1,264	-2,894	-4,488	-1,166	-813	<b>-45,964</b>
Net outstanding amount	1,423,477	1,050,700	1,179,411	220,761	244,560	445,052	132,635	369,674	359,757	54,972	46,563	<b>5,527,560</b>
<b>Stage 2</b>												
Gross outstanding amount	41,676	39,596	47,923	22,988	1,760	6,564	27,699	21,499	3,972	993	478	<b>215,148</b>
Loss allowance	-2,760	-4,708	-3,431	-2,197	-241	-435	-2,460	-1,377	-425	-89	-28	<b>-18,152</b>
Net outstanding amount	38,916	34,888	44,492	20,791	1,519	6,128	25,240	20,121	3,547	904	451	<b>196,996</b>
<b>Stage 3</b>												
Gross outstanding amount	34,659	20,438	26,240	10,969	1,537	3,168	10,209	16,687	6,272	1,621	1,364	<b>133,166</b>
Loss allowance	-17,908	-10,780	-12,489	-5,646	-1,321	-1,765	-3,308	-7,865	-3,317	-1,072	-907	<b>-66,377</b>
Net outstanding amount	16,751	9,658	13,751	5,323	216	1,404	6,901	8,822	2,955	549	457	<b>66,788</b>
<b>POCI</b>												
Gross outstanding amount	326	656	-	217	-	16	917	392	27	22	1	<b>2,572</b>
Loss allowance	-171	-88	-	-	-	-16	-633	-9	-11	-22	-1	<b>-951</b>
Net outstanding amount	155	568	-	217	-	-	283	383	16	-	-	<b>1,622</b>
<b>Total</b>												
Gross outstanding amount	1,510,747	1,120,215	1,262,444	256,675	250,114	457,834	172,724	411,146	374,515	58,774	49,220	<b>5,924,410</b>
Loss allowance	-31,449	-24,402	-24,791	-9,583	-3,819	-5,250	-7,665	-12,146	-8,241	-2,349	-1,750	<b>-131,444</b>
Net outstanding amount	1,479,298	1,095,814	1,237,654	247,092	246,295	452,584	165,059	399,000	366,274	56,425	47,471	<b>5,792,966</b>

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

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

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

31.12.2022						
in '000 EUR	< EUR 50,000	EUR 50,000 - 250,000	EUR 250,000 - 500,000	EUR 500,000 - 1,500,000	> EUR 1,500,000	Total
<b>Business loans</b>	<b>386,631</b>	<b>1,803,199</b>	<b>1,222,174</b>	<b>1,394,098</b>	<b>746,088</b>	<b>5,552,189</b>
Wholesale and retail trade	107,459	542,800	351,322	395,720	107,448	1,504,750
Agriculture, forestry and fishing	121,194	434,740	250,552	214,749	88,865	1,110,101
Production	59,237	383,386	301,108	352,226	165,576	1,261,533
Transportation and storage	32,981	103,099	50,014	56,707	19,436	262,237
Electricity, gas, steam and air conditioning supply	2,588	20,273	33,824	88,799	173,590	319,074
Construction and real estate	18,292	131,897	112,149	142,153	101,214	505,703
Hotel, restaurant and catering	12,324	50,095	40,642	44,501	30,963	178,526
Other economic activities	32,557	136,909	82,563	99,242	58,996	410,267
<b>Private loans</b>	<b>195,395</b>	<b>301,518</b>	<b>50,477</b>	<b>8,147</b>	<b>-</b>	<b>555,537</b>
Housing	90,159	283,040	49,113	7,638	-	429,950
Investment loans	42,839	11,265	497	-	-	54,601
Consumer loans	62,397	7,213	867	509	-	70,986
<b>Gross outstanding amount</b>	<b>582,026</b>	<b>2,104,717</b>	<b>1,272,651</b>	<b>1,402,244</b>	<b>746,088</b>	<b>6,107,726</b>

31.12.2021						
in '000 EUR	< EUR 50,000	EUR 50,000 - 250,000	EUR 250,000 - 500,000	EUR 500,000 - 1,500,000	> EUR 1,500,000	Total
<b>Business loans</b>	<b>405,015</b>	<b>1,804,543</b>	<b>1,170,158</b>	<b>1,358,369</b>	<b>703,816</b>	<b>5,441,901</b>
Wholesale and retail trade	110,701	549,570	356,512	388,763	105,201	1,510,747
Agriculture, forestry and fishing	134,220	443,380	231,921	219,202	91,493	1,120,215
Production	62,499	388,708	287,730	354,280	169,228	1,262,444
Transportation and storage	33,923	103,790	49,732	49,040	20,191	256,675
Electricity, gas, steam and air conditioning supply*	2,241	17,770	26,663	66,994	136,446	250,114
Construction and real estate*	18,310	124,612	97,287	131,150	86,476	457,834
Hotel, restaurant and catering*	12,033	48,395	40,528	46,985	24,783	172,724
Other economic activities*	31,090	128,317	79,786	101,957	69,996	411,146
<b>Private loans</b>	<b>187,334</b>	<b>247,316</b>	<b>39,131</b>	<b>8,729</b>	<b>-</b>	<b>482,509</b>
Housing*	95,212	232,172	38,402	8,729	-	374,515
Investment loans*	46,617	11,608	549	-	-	58,774
Consumer loans*	45,505	3,536	180	-	-	49,220
<b>Gross outstanding amount</b>	<b>592,349</b>	<b>2,051,859</b>	<b>1,209,289</b>	<b>1,367,098</b>	<b>703,816</b>	<b>5,924,410</b>

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

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

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

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

### *Counterparty risk, including issuer risk*

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

Typically, our counterparties are central banks, central governments and commercial banks. The main exposures are account balances, short-term TDAs, highly liquid securities, and, on a very limited scale, simple derivative instruments for liquidity management and hedging purposes (mostly 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. Euro or US dollar, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals with a high international rating. The impact of market price changes on the group is limited.

With regard to the group's counterparty and issuer risk, there were no significant changes compared to the end of the previous year, except for the increased risks in connection with 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 the exposures to the National Bank of Ukraine to Stage 2.

At year-end 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.

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

in '000 EUR	31.12.2022	in %	31.12.2021	in %
Central bank balances	1,578,019		1,215,034	
Mandatory reserve	642,300		565,798	
of which covered by insurance	-190,000	67.1	-190,000	64.7
Other balances with central banks	1,128,817		839,981	
Loss allowances for central bank balances	-3,098		-745	
Loans and advances to banks	281,174	11.9	252,654	13.4
Loss allowances for loans and advances to banks	-721		-5	
Derivative financial assets	12,729	0.5	1,343	0.1
Investment securities	480,225	20.4	410,421	21.8
Loss allowance for investment securities	-167		-101	
<b>Total</b>	<b>2,351,259</b>	<b>100.0</b>	<b>1,879,346</b>	<b>100.0</b>

The exposure to banking groups contains repurchase agreements in the amount of EUR 68.2 million. For these, collateral items were obtained with a fair value in approximately the same amount. None of them were repledged or sold.

Creditworthiness of a counterparty is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Examples of such events are a breach of contract (such as default or overdue payment), significant financial difficulties of a party to a contract, or a significant deterioration of the external rating. None of our investment securities was past due nor showed any signs of impairment. They are thus assigned to Stage 1 (performing). The exception is overnight certificates of deposit from the National Bank of Ukraine in the local currency, which are assigned to the rating category "CC" and Stage 2 based on Ukraine's country rating. We have established provisions in accordance with IFRS 9 requirements (see also notes 15-18 to the consolidated financial statements).

The tables below provides a breakdown of the balances with central banks, loans and advances to banks, and of the investment portfolio by rating category and corresponding loss allowances. Counterparties are assigned to rating categories based on the "long-term issuer default rating" from Fitch; if unavailable, then from S&P or Moody's, or according to our own methodology.

in '000 EUR	31.12.2022		31.12.2021	
	Gross outstanding amount	Loss allowance	Gross outstanding amount	Loss allowance
AAA	647,380	0	468,759	0
BBB	149,297	-72	228,300	-61
BBB-	83,973	-16	71,808	-15
BB+	270,244	-110	243,007	-115
BB	211,738	-54	117,316	-49
BB-	80,077	-36	68,787	-37
B+	51,507	-49	29,007	-42
B	102,876	-135	124,586	-214
B-	123,483	-502	54,211	-212
CC	50,542	-2,123	-	-
<b>Central bank balances</b>	<b>1,771,117</b>	<b>-3,098</b>	<b>1,405,779</b>	<b>-745</b>



in '000 EUR	31.12.2022		31.12.2021	
	Gross outstanding amount	Loss allowance	Gross outstanding amount	Loss allowance
AA	22,831	0	25,436	0
AA-	107,077	-1	90,900	-1
A+	1,378	0	2,174	0
A	121	0	99	0
A-	23,789	-1	10,624	0
BBB+	17,442	-1	21,302	-2
BBB	128	0	20,006	0
BBB-	130	0	144	0
BB+	68,288	0	55,353	0
BB	17	0	2	0
BB-	13,160	0	11,104	0
B+	969	0	-	-
B	5,531	-2	474	0
B-	16,321	-1	12,491	0
CCC	3,278	0	2,546	0
D	715	-715	-	-
<b>Loans and advances to banks</b>	<b>281,174</b>	<b>-721</b>	<b>252,654</b>	<b>-5</b>

in '000 EUR	31.12.2022		31.12.2021	
	Gross outstanding amount	Loss allowance	Gross outstanding amount	Loss allowance
AAA	30,507	-1	33,398	-1
AA+	30,622	-1	42,593	-2
BBB	26,577	-9	31,421	-12
BBB-	43,939	-17	26,652	-6
BB+	82,986	-36	81,376	-37
BB	28,662	-10	11,909	-6
BB-	24,641	-14	28,916	-20
B+	16,035	-8	14,087	-5
B	25,140	-31	71,929	-7
B-	89,899	-20	68,140	-6
CC	81,217	-19	-	-
<b>Investment securities</b>	<b>480,225</b>	<b>-167</b>	<b>410,421</b>	<b>-101</b>

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for credit risk. ProCredit banks conclude transactions only with counterparties that have previously been analysed and for which a limit has been approved. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%. Essentially, these comprise transactions in the framework of ordinary business activities with locally regulated commercial banks in those countries where we operate whose banking regulations (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, totalling EUR 190 million, of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

### *Country risk*

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

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

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 the 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.

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' ('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). Ukraine's long-term foreign currency rating from S&P Global was "CCC+" at the end of 2022 ("B" at the end of the previous year), and Ukraine's long-term foreign currency issuer rating from Moody's was Caa3 (B3 at the end of the previous year). In addition, on 12 August Fitch downgraded Ukraine's issuer default rating from C to "RD". At the same time, S&P downgraded the country's long-term foreign currency rating from CC to "SD". This was due to the approval for restructuring of debt owed to holders of Eurobonds. Following the execution of the call for consent, both ratings agencies upgraded their ratings again later in the month.

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.

The cross-border transactions generally take place between group companies, with country risk consisting of potential conversion or transfer restrictions. As a result, we do not consider provisions to be necessary for cross-border transactions within the group as of 31 December 2022.

### *Market risks*

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for us 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*

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 the corresponding foreign currency does not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set at bank level.

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

Foreign currency risk at group level arises as a result of the equity investments that ProCredit Holding maintains in its subordinated companies in countries which do not have the euro as the domestic currency. The ProCredit banks keep their equity in the respective domestic currency. Thus, from a consolidated group perspective, OCPs in the respective domestic currencies exist and are roughly equal to the amount of the respective equity base. The group's regulatory capital and risk-taking potential are exposed to fluctuations due to changes in the exchange rates of domestic currencies against the euro. These are included in the translation reserve in the consolidated equity. These fluctuations are usually accompanied by simultaneous changes in the loan portfolio expressed in EUR terms.

The translation reserve changed from EUR - 83.1 million at the end of 2021 to EUR - 81.8 million in December 2022. Following the Russian invasion of Ukraine, the Ukrainian central bank decided on 24 February 2022 to fix the official exchange rate of the hryvnia to the US dollar. On 22 July 2022, the central bank set a new exchange rate against the US dollar, resulting in a 25% depreciation of the currency. The associated negative impact on the translation reserve was offset by the strong appreciation of other currencies, in particular the Georgian lari and the US dollar. Compared to the previous year, the Georgian national currency appreciated by 18% and the US dollar by 6%. The hryvnia depreciated by 28%.

Within the scope of the group's capital adequacy calculation in the economic approach, a value-at-risk procedure is defined for fluctuations in the translation reserve. This amount declined by EUR 34.7 million during the year and stood at EUR 75.5 million as of December 2022.

#### *Interest rate risk in the banking book*

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

The measurement, monitoring, limiting and management of interest rate risk in the group 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. The assets and liabilities are distributed across time buckets according to the contractual terms, thereby aggregating individual contracts into homogeneous groups. Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific analyses of historical data. Modelled country-specific, risk-free yield curves are used in a multi-curve approach to discount the cash flows. In addition, regularly updated assumptions on planned business developments are used to calculate the P&L indicator.

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

At group level, account is taken for EVI effects within the scope of the capital adequacy calculation in the economic approach. In this calculation, a complete loss of the value of the automatic options (floors) as of the calculation date is assumed. This value is determined using the Bachelier model, which also takes into account the possible impact of a negative interest rate environment. In addition, a potential 12-month P&L effect is determined. The indicators are calculated using Value-at-Risk models with a holding period of one year and confidence level of 99.9% (EVI) or 99% (P&L effect). The maturity-specific interest rate shocks per curve are based on the historical daily development of the reference curves over the last ten years.

in '000 EUR

31.12.2022		31.12.2021*	
Economic Value Impact	12 month P&L-Effect	Economic Value Impact	12 month P&L-Effect
76,307	8,416	107,026	7,427

\*Previous year's figures were calculated using the model updated in 2022.

Compared to the previous year, the negative economic value impact sank by EUR 30.7 million to EUR 76.3 million. We saw clearly rising interest rates during 2022 in most of the markets in which the group operates. The majority of the ProCredit group's loans have variable interest rates and our existing securities portfolio has a short weighted average maturity. Therefore, the present value was only affected to a limited extent by the effects of interest rate increases. This has also led to a reduced (potential) loss in value of the loan portfolio with floors, i.e. the value of these floors, which is considered the maximum loss in the calculation, has decreased. In addition, the rise in interest rates has resulted in a lower present value and thus a lower contribution from the fixed-interest loan portfolio. The 12-month P&L effect increased by EUR 1.0 million to EUR 8.4 million. Both indicators remained within their limits.

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

### *Liquidity and funding risk*

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

### *Liquidity risk*

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

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

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

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.

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

31.12.2022

in '000 EUR	Up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Maturity not applicable	Gross nomi- nal inflow/ outflow
<b>Assets</b>							
Cash	171,663	-	-	-	-	-	171,663
Central bank balances	1,751,510	-	-	16,624	-	-	1,768,134
Loans and advances to banks	257,722	17,383	5,201	300	-	-	280,606
Derivative financial assets	26	11	-	1,640	11,052	-	12,729
Investment securities	197,780	63,188	86,044	138,122	8,145	-	493,280
Loans and advances to customers	257,728	440,596	1,921,670	2,820,296	1,183,512	-16,913	6,606,890
Current tax assets	-	1,857	2,285	181	-	-	4,323
Other assets	19,529	1,878	6,330	934	6,315	22,936	57,921
<b>Total assets</b>	<b>2,655,958</b>	<b>524,914</b>	<b>2,021,531</b>	<b>2,978,096</b>	<b>1,209,025</b>	<b>6,023</b>	<b>9,395,545</b>
<b>Liabilities</b>							
Liabilities to banks	61,329	48,914	268,160	886,080	143,612	-4,598	1,403,497
Derivative financial liabilities	104	-	490	-	20	-	614
Liabilities to customers	4,571,612	256,380	1,073,374	411,542	11,547	-	6,324,455
Debt securities	333	917	50,224	117,264	46,046	-2,738	212,048
Other liabilities	11,943	1,338	5,045	14,297	4,822	2,804	40,248
Provisions	2,732	1,417	4,436	4,635	2,626	2,322	18,168
Current tax liabilities	257	1,199	572	-	-	-	2,028
Subordinated debt	553	1,101	6,948	99,351	4,000	-498	111,454
<b>Total liabilities</b>	<b>4,648,863</b>	<b>311,267</b>	<b>1,409,248</b>	<b>1,533,168</b>	<b>212,673</b>	<b>-2,708</b>	<b>8,112,512</b>
<b>Contingent liabilities</b>							
Performance guarantees, payment guarantees and letters of credit	341,220	-	-	-	-	-	341,220
Loan commitments (revocable)	656,384	-	-	-	-	-	656,384
Loan commitments (irrevocable)	18,539	-	-	-	-	-	18,539
<b>Contractual liquidity surplus (+)/gap (-)</b>	<b>-3,009,047</b>	<b>213,646</b>	<b>612,282</b>	<b>1,444,928</b>	<b>996,351</b>	<b>8,730</b>	

	31.12.2021						Gross nomi- nal inflow/ outflow
in '000 EUR	Up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Maturity not applicable*	
<b>Assets</b>							
Cash	140,488	-	-	-	-	-	140,488
Central bank balances	1,445,368	-	-	22,557	-	-	1,467,925
Loans and advances to banks	238,984	19,249	28,324	49,580	17,032	-	353,169
Derivative financial assets	650	150	144	-	399	-	1,343
Investment securities	152,540	49,634	72,266	136,640	7,296	-	418,375
Loans and advances to customers	172,241	360,274	1,702,375	2,809,847	1,314,708	-15,191	6,344,253
Current tax assets	-	1,257	1,394	821	-	-	3,472
Other assets	14,316	1,461	1,157	1,301	6,085	27,542	51,862
<b>Total assets</b>	<b>2,164,586</b>	<b>432,025</b>	<b>1,805,660</b>	<b>3,020,745</b>	<b>1,345,519</b>	<b>12,351</b>	<b>8,780,887</b>
<b>Liabilities</b>							
Liabilities to banks	39,699	56,117	286,647	696,883	302,868	-4,213	1,378,002
Derivative financial liabilities	148	59	3	-	150	-	360
Liabilities to customers	4,041,272	224,213	1,003,351	243,687	41,024	-	5,553,547
Debt securities	30,606	1,403	136,097	139,913	72,836	-2,376	378,479
Other liabilities	17,746	814	4,695	11,028	3,646	3,699	41,629
Provisions	2,681	1,835	7,713	2,717	207	1,664	16,816
Current tax liabilities	11	3,581	22	-	-	-	3,614
Subordinated debt	413	787	5,535	99,316	-	-731	105,320
<b>Total liabilities</b>	<b>4,132,576</b>	<b>288,808</b>	<b>1,444,063</b>	<b>1,193,543</b>	<b>420,731</b>	<b>-1,955</b>	<b>7,477,765</b>
<b>Contingent liabilities</b>							
Performance guarantees, payment guarantees and letters of credit	282,458	-	-	-	-	-	282,458
Loan commitments (revocable)	681,697	-	-	-	-	-	681,697
Loan commitments (irrevocable)	22,423	-	-	-	-	-	22,423
<b>Contractual liquidity surplus (+)/gap (-)</b>	<b>-2,954,566</b>	<b>143,217</b>	<b>361,597</b>	<b>1,827,202</b>	<b>924,789</b>	<b>14,306</b>	

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

When presented by contractual maturity, there is a contractual liquidity gap in the first maturity band, in particular due to sight deposits, overnight deposits and contingent liabilities. Therefore, contractual liquidity shortfalls do not represent the group's liquidity risk. In order to take appropriate account of liquidity risk, assumptions are made about inflows and outflows, based on historical observations of deposit movements in stress situations or on regulatory benchmarks. Guarantee commitments usually expire without being called upon. Due to special termination rights of creditors, particularly at the level of ProCredit Holding, if a material default event occurs for ProCredit Holding or one of its significant subsidiaries, then, depending on the type of default event, the debt securities and a majority of the subordinated loans in the maturity bands "up to 1 month" or "1-3 months" are taken into account. The associated liquidity and funding risks are generally very low in the ordinary course of business, but can become significant in the event of unexpected major political events. In order to mitigate the risks of a theoretical default event in Ukraine, during the financial year ProCredit Holding offered creditors of certain fixed-rate debt instruments to not consider ProCredit Bank Ukraine as a material subsidiary until 2024, in exchange for an annual fee of 0.5%. Among the creditors contacted with debt instruments in the total nominal amount of EUR 289.5 million, those accounting for EUR 221 million provided their consent.

At group level, short-term liquidity risk is measured particularly by means of LCR. As of 31 December 2022, the LCR was 155% (2021: 158%) at group level, and thus above the regulatory requirement of 100% and our internally defined early warning threshold. This indicates an appropriate liquidity situation for the group. It

should be emphasised that, for the majority of ProCredit banks, the LCR at individual institution level is significantly higher than the consolidated LCR at group level. Due to liquidity transfer restrictions, which are mainly based on national regulatory requirements in the countries where we operate, a portion of the banks' liquidity buffer is not included in LCR consolidation.

#### *Pledged assets*

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

Our banks have a limited amount of pledged assets, as they largely fund their activities through deposits. These comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. The maturities of these pledges are in line with the related liabilities. As of 31 December 2022, the pledged assets of the ProCredit group amounted to EUR 61.8 million (see also note 24 to the consolidated financial statements), which is equivalent to 0.7% of total assets.

#### *Funding risk*

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at higher costs. This risk exists at ProCredit group level and for ProCredit Holding. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through deposits; our deposit-taking operations focus on our target group of business clients and private clients/savers. These are supplemented by loans from international financial institutions (IFIs). The funding of our group has proven to be resilient. As of end-December 2022, the largest funding source was deposits with EUR 6,289.5 million. Liabilities to banks are the second-largest source of funding, accounting for EUR 1,318.6 million.

We manage, measure and limit funding risk through business planning, maturity gap analysis and several indicators. This includes the structural liquidity ratio (net stable funding ratio, NSFR), which was introduced in June 2021 by the CRR Amendment Regulation (CRR II). As of 31 December 2022 the NSFR was 146%.

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).

#### *Operational risk*

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

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events



identified in the group with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/or preventive measures for reducing or avoiding operational and fraud risk. The number of loss events during the financial year was 205 (12.2021: 202). The table below provides an overview of the gross and net losses due to operational loss events.

in Mio. EUR	31.12.2022	31.12.2021
Gross loss	0.9	2.9
Current net loss	0.8	2.2

Figures as of 31 December 2022 are based on our Risk Event Database (RED) as of 6 February 2023; figures as of 31 December 2021 are based on the RED as of 31 January 2022.

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

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

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

Operational risk is accounted for and monitored within the scope of the group's capital adequacy calculation in the economic approach. In this context, scenario analyses are used to supplement the historical risk events from the risk event database.

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

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.

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

Responsible behaviour is an integral part of our values-oriented business model. This is reflected in the Code of Conduct for the group's employees as well as in the contents of the introductory courses for new staff and in the curricula of the ProCredit academies. The prevention of money laundering, terrorist financing and

fraud is a key component of our self-perception. This is illustrated by the criteria used to select customers and by the few cases of internal fraud within the group.

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

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

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

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

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

### *Other material risk*

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

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

Model risk comprises the risk that model deficiencies or inadequately applied models serve as a faulty basis for decision-making, resulting in the assumption of a higher level of risk than intended. The basic principles of model risk management are the identification and avoidance of model risks (e.g. through the use of standard market models) and the appropriate consideration of known model risks (e.g. through conservative

calibration). Model risks that are not known and therefore cannot be mitigated are accepted as an inherent risk of the business model. With regard to governance in model risk management, requirements are defined for model use, model validation and model changes, among other things.

### **Capital management**

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

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

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

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.

#### ***Capitalisation in the economic perspective***

Ensuring that the group as a whole and each individual bank maintains sufficient capitalisation in the economic perspective is a key element of ProCredit's group-wide risk management and capital management processes. In the context of the economic perspective, the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is sufficient. 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: <ul style="list-style-type: none"> <li>● customer credit risk</li> <li>● counterparty risk</li> <li>● country risk</li> </ul>	Portfolio model based on a Monte Carlo simulation (VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
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 (EUR 88 million as of end-December 2022) is no longer taken into account, in accordance with regulatory requirements. The risk taking potential 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.

in EUR m	31.12.2022	31.12.2021
	Limit Used	Limit Used
Credit Risk	351.0	301.1
Interest Rate Risk	76.3	101.2
Foreign Currency Risk	75.5	110.2
Operational Risk	21.3	22.6
Business Risk*	-	21.0
Funding Risk	26.8	8.0
Model Risk	43.0	40.0
<b>Total</b>	<b>593.9</b>	<b>604.2</b>
<b>Total limit used in %</b>	<b>75.2%</b>	<b>73.1%</b>

\*The treatment of business risk in the economic perspective has been adjusted.

### 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.

### *Capitalisation in the normative perspective*

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

	31.12.2022	31.12.2021
Common equity Tier 1 capital ratio	13.5%	14.1%
Tier 1 capital ratio	13.5%	14.1%
<b>Total capital ratio</b>	<b>14.3%</b>	<b>15.3%</b>

The ProCredit group issued no AT1 instruments during the reporting period. Therefore, as of 31 December 2022 our entire Tier 1 capital consisted of Common Equity Tier 1 capital. Due to the war in Ukraine, we did not recognise any interim profits in the 2022 financial year.

Our (fully loaded) Tier 1 capital ratio decreased from 14.1% to 13.5%. Risk-weighted assets (RWA) increased by EUR 486 million compared to December 2021. This is mainly due to the following reasons: On the one hand, deposits with central banks increased significantly during the financial year; on the other hand, the Ukraine rating was downgraded in February 2022, increasing the risk weighting of the Ukrainian state from 100% to 150%. Loan portfolio growth had a moderate impact on the group's risk-weighted assets in the financial year. Our total capital ratio declined from 15.3% to 14.3%. The level of capitalisation in the ProCredit group is above the current regulatory requirements, which include an SREP requirement amounting to 2.0%.

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. The minimum was set at 3% in CRR II and compliance has been binding since 28 June 2021. As of year-end 2022 the ProCredit group reported a comfortable leverage ratio of 8.9%.

in '000 EUR	31.12.2022	31.12.2021
Equity	820,244	791,990
Assets	9,173,765	8,506,240
<b>Leverage ratio</b>	<b>8.9%</b>	<b>9.3%</b>

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

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

Primary responsibility for the internal control system and risk management system in the financial reporting process, and thus for its effectiveness and monitoring, lies with the Management. The Management

establishes the general principles and defines areas of responsibility. The finance area implements the requirements of the Management and defines the specific parameters within the framework provided. Group Operational Risk Management identifies and assesses risks on a regular basis. Risk assessment comprises an evaluation of operational and fraud risks as well as a review of the effectiveness of the respective controls. If necessary, appropriate measures are defined and implemented in order to limit the risks identified.

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

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

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

## **DISCLOSURES REQUIRED BY TAKEOVER LAW PURSUANT TO SEC. 289a, SEC. 315a SENTENCE 1 GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH)**

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

In principle, all shares can be freely traded.

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

The Core Shareholders entered into an agreement dated 7 July 2011, as amended on 28 October 2022 (the Core Shareholders' Agreement), according to which each Core Shareholder agrees to exercise its influence as a shareholder in the Company on a long-term basis, and, subject to applicable law, to ensure that (i) the financial institutions of the ProCredit group continue to focus on providing responsible and transparent banking services to SMEs and private customers, (ii) the ProCredit group continues to operate in a manner that strives to create well-managed, commercially sustainable institutions in line with German banking regulations, and (iii) that the operations of the Company and its subsidiaries continue to be in line with applicable law and best practice banking and sustainability standards. The Core Shareholders' Agreement stipulates that each Core Shareholder exercises its voting rights at its own discretion only, and that there is no obligation to exercise such voting rights jointly and in a coordinated manner with any or all of the other Core Shareholders. Moreover, the Core Shareholders' Agreement sets out certain minimum levels for the Core Shareholders' shareholding in the Company, collectively amounting to 20% of the Company's share capital, which the Core Shareholders agreed to maintain until 31 December 2024.

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

The following shareholders owned (directly or indirectly) as of 31 December 2022, pursuant to their most recent voting rights notification, 10% or more of the voting rights:

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

The Trustees of Tufts College, Somerville, USA, notified us on 11 October 2021 pursuant to section 33 (1) sentence 1 WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 2.99% of the total voting rights (1,762,741 voting rights) on 8 October 2021.

ProCredit Staff Invest Beteiligungs GmbH, notified us on 3 December 2019 pursuant to sections 33 (1), 34 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 2.99% on 28 November 2019 (1,765,190 of the total 58,898,492 voting rights).

MultiConcept Fund Management S.A., 5 Rue Jean Monnet, 2180 Luxembourg, Luxembourg, notified us on 15 November 2019 pursuant to sections 33 (1), 34 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 4.02% on 1 November 2019 (2,370,543 of a total of 58,898,492 voting rights).

International Finance Corporation, Washington, DC, USA, notified us on 23 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 9.97% of the total voting rights (5,874,382 voting rights) on 6 February 2018.

The European Bank for Reconstruction and Development, London, United Kingdom, notified us on 7 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 3.64% of the total voting rights (2,141,763 voting rights) on 6 February 2018.

MainFirst SICAV, L-2633 Senningerberg, Luxembourg, notified us on 7 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 3.14% of the total voting rights (1,824,000 voting rights) on 6 February 2018.

The Kingdom of Belgium, represented by the Deputy Prime Minister and Minister for Development Cooperation, Digital, Telecommunications and Postal Affairs, Mr. Alexander De Croo, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights (2,664,851 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The Kingdom of the Netherlands, represented by its Ministry of Finance, Korte Voorhout 7, 2511 CW, The Hague, the Netherlands, represented by the Director of the Finance Directorate, Mr. Helmer Vossers, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights (2,665,638 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Zeitinger Invest GmbH, Rohmerplatz 33-37, 60486 Frankfurt/Main, Germany, notified us on 29 December 2016, pursuant to section 21 (1a) WpHG, that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 17.48% of the total voting rights (9,358,816 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The TIAA Board of Overseers, 730 Third Avenue, New York, NY 10017, USA, notified us on 29 December 2016 pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 9.44% of the total voting rights (5,056,468 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Stichting DOEN, van Eeghenstraat 70, 1071 GK, Amsterdam, the Netherlands, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 13.76% of the total voting rights (7,367,362 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The Federal Republic of Germany, represented by the Federal Ministry of Finance, Wilhelmstrasse 97, 10117 Berlin, Germany, notified us on 22 December 2016, pursuant to section 21 (1a) WpHG, that its share of the



voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 14.52% of the total voting rights (7,774,248 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

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

As of 31 December 2022, the employees of the Company, according to the most recent corresponding legal voting rights notification from 3 December 2019, collectively held 2.99% of the voting rights via the investment company ProCredit Staff Invest GmbH & Co. KG. The investment company is the direct shareholder and thus exercises the voting rights for the employees of the Company. As far as employees are direct shareholders, they themselves exercise the voting rights control.

The activities of the Company are managed by ProCredit General Partner AG, which, due to the legal nature of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA), does not have to be appointed but has been the managing entity of the Company since its establishment. The activities of ProCredit General Partner AG are managed by natural persons who are appointed and removed by the Supervisory Board of ProCredit General Partner AG in accordance with sec. 84 and 85 AktG and Art. 6 (2) of the Articles of Association of ProCredit General Partner AG. Pursuant to Art. 22 (1) of the Articles of Association of the Company and sec. 179 (2) AktG, the Articles of Association of the Company can be amended upon resolution of the Company's General Meeting with simple majority, unless otherwise stipulated by compulsory law. Furthermore, ProCredit General Partner AG has rights of approval for such changes pursuant to Art. 22 (2) of the Articles of Association of the Company. This approval is subject to confirmation by the Supervisory Board of ProCredit General Partner AG, pursuant to Art. 7 (4) of the Articles of Association of the Company, as well as by the General Meeting of ProCredit General Partner AG.

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

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

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

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

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

## **CORPORATE GOVERNANCE STATEMENT<sup>15</sup>**

The corporate governance statement, which also includes the statement on the German Corporate Governance Codex pursuant to sec. 161 of the German Stock Corporation Act (AktG), is published on our website (<https://www.procredit-holding.com/investor-relations/corporate-governance/corporate-governance-statement/>).

<sup>15</sup> The corporate governance statement is not part of the audit of the financial statements.

# Annual Financial Statements

ProCredit Holding AG & Co. KGaA  
Rohmerplatz 33-37  
60486 Frankfurt am Main, Germany

HR Frankfurt Section B No. 91858  
Tax No. 04724142020

The management report for ProCredit Holding AG & Co. KGaA and the group management report for the ProCredit group have been combined and published together with the consolidated financial statements for ProCredit Holding AG & Co. KGaA for the financial year ending 31 December 2022.

The annual financial statements and the group management report of ProCredit Holding AG & Co. KGaA for the financial year 2022 will be submitted electronically to the authority that maintains the company register for entry into said register.



## BALANCE SHEET

in EUR	Note	31.12.2022	31.12.2021
<b>A. Fixed assets</b>			
I. Intangible fixed assets			
1. Trademarks and software		1,590.00	2,247.00
II. Tangible fixed assets			
1. Other equipment, operating and office equipment		262,811.50	326,906.50
III. Long-term financial assets			
1. Shares in affiliated companies	2	632,118,284.90	641,236,213.90
2. Loans to affiliated companies	3	279,664,363.07	415,350,608.14
3. Long-term securities		2,169,725.53	2,169,725.53
		<b>914,216,775.00</b>	<b>1,059,085,701.07</b>
<b>B. Current assets</b>			
I. Receivables and other assets			
1. Receivables from affiliated companies	4	59,761,175.70	22,334,869.82
<i>of which, with a time to maturity of more than one year:</i>		0.00	0.00
2. Other assets	5	770,172.32	1,129,910.31
<i>of which, with a time to maturity of more than one year:</i>		0.00	0.00
II. Cash in hand and bank balances	6	63,320,715.42	76,003,115.62
<i>of which, with affiliated companies:</i>		62,226,174.24	58,696,088.79
		<b>123,852,063.44</b>	<b>99,467,895.75</b>
<b>C. Prepaid expenses</b>	7	7,201,800.05	6,047,064.27
<b>Total assets</b>		<b>1,045,270,638.49</b>	<b>1,164,600,661.09</b>
<b>A. Equity</b>	8		
I. Subscribed capital		294,492,460.00	294,492,460.00
<i>of which, general partner:</i>		0.00	0.00
<i>of which, limited partner:</i>		294,492,460.00	294,492,460.00
II. Capital reserves		149,749,051.95	149,749,051.95
<i>of which, general partner:</i>		0.00	0.00
<i>of which, limited partner:</i>		149,749,051.95	149,749,051.95
III. Revenue reserves			
1. Legal reserve		135,960.75	135,960.75
IV. Retained earnings	9	60,250,867.82	84,935,018.79
		<b>504,628,340.52</b>	<b>529,312,491.49</b>
<b>B. Provisions</b>			
1. Other provisions	10	1,302,685.00	594,961.40
<b>C. Liabilities</b>	11		
1. Bonds		266,684,351.43	425,824,482.57
<i>of which, with a time to maturity of up to one year:</i>		49,182,476.32	163,887,125.27
<i>of which, with a time to maturity of more than one year:</i>		217,501,875.11	261,937,357.30
2. Liabilities to banks		55,205,502.59	80,396,881.07
<i>of which, with a time to maturity of up to one year:</i>		30,205,502.59	45,396,881.07
<i>of which, with a time to maturity of more than one year:</i>		25,000,000.00	35,000,000.00
3. Trade payables		394,714.06	256,411.25
<i>of which, with a time to maturity of up to one year:</i>		394,714.06	256,411.25
<i>of which, with a time to maturity of more than one year:</i>		0.00	0.00
4. Liabilities to affiliated companies		1,113,142.69	883,722.27
<i>of which, with a time to maturity of up to one year:</i>		1,113,142.69	883,722.27
<i>of which, with a time to maturity of more than one year:</i>		0.00	0.00
5. Other liabilities		215,941,902.20	127,331,711.04
<i>of which, with a time to maturity of up to one year:</i>		21,941,902.20	43,331,711.04
<i>of which, with a time to maturity of more than one year:</i>		194,000,000.00	84,000,000.00
<i>of which, taxes:</i>		142,736.96	108,162.33
<i>of which, for social security:</i>		21,554.74	4,531.98
		<b>539,339,612.97</b>	<b>634,693,208.20</b>
<b>Total equity and liabilities</b>		<b>1,045,270,638.49</b>	<b>1,164,600,661.09</b>

## INCOME STATEMENT

in EUR		Note	1.1.-31.12.2022	1.1.-31.12.2021
1	Sales revenue	14	15,786,493.52	14,752,071.00
2	Other operating income	15	39,618,538.43	9,183,573.45
3	Personnel expenses		9,613,350.52	8,465,915.78
	<i>a) Wages and salaries</i>		7,860,939.60	6,869,534.07
	<i>b) Social security, post-employment and other employee benefit costs</i>		1,752,410.92	1,596,381.71
	<i>of which, in respect of retirement pensions:</i>		283,184.72	258,925.66
4	Depreciation on intangible and tangible fixed assets		112,557.41	246,586.10
5	Other operating expenses	16	22,710,024.79	12,966,276.72
	<b>Net operating income (-loss)</b>		<b>22,969,099.23</b>	<b>2,256,865.85</b>
6	Income from long-term equity investments	17	23,414,294.57	66,157,746.74
	<i>of which, from affiliated companies:</i>		23,414,294.57	66,157,746.74
7	Income from profit and loss transfer agreements	18	44,901.88	1,453,484.52
8	Other interest and similar income		14,830,916.58	15,988,523.96
	<i>of which, from affiliated companies:</i>		14,818,854.28	15,945,371.91
	<b>Financial income</b>		<b>38,290,113.03</b>	<b>83,599,755.22</b>
9	Depreciation on long-term financial assets	19	67,521,280.00	3,139,024.84
10	Expenses from profit and loss transfer agreements	18	793,537.31	0.00
11	Interest and similar expenses		17,406,246.59	18,324,892.11
	<i>of which, to affiliated companies:</i>		189,122.16	148,351.45
	<b>Financial expenses</b>		<b>85,721,063.90</b>	<b>21,463,916.95</b>
12	Taxes on income (corporate income tax, trade tax and other taxes)	20	222,299.33	1,130,664.54
13	<b>Result after taxes/ Net Income (-loss) for the year</b>		<b>-24,684,150.97</b>	<b>63,262,039.58</b>
14	Profit carried forward from previous years		84,935,018.79	52,889,179.97
15	Dividend distribution		0.00	-31,216,200.76
16	<b>Retained earnings</b>		<b>60,250,867.82</b>	<b>84,935,018.79</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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## BASIS OF FINANCIAL ACCOUNTING

### 1 Disclosures on recognition, measurement and presentation principles

The financial statements of ProCredit Holding AG & Co. KGaA ("ProCredit Holding"), Frankfurt am Main, as at 31 December 2022, were prepared in accordance with sections 242ff and 264ff of the German Commercial Code [Handelsgesetzbuch] (HGB) as well as the German Stock Corporation Act [Aktiengesetz] (AktG). The provisions governing large corporations apply. The income statement has been prepared in accordance with the cost of production method as per section 275 (2) HGB. The preparation of these Financial Statements follows the same accounting policies and methods of computation as were used for the Financial Statements for the 2021 financial year.

Intangible fixed assets and tangible fixed assets are valued at acquisition cost and, to the extent that they are depreciable, their value is reduced by regular depreciation amounts. The depreciation amounts are based on the expected useful life of the respective asset items and are calculated using the straight line method:

Intangible assets	3 - 5 years
Operating and office equipment	3 - 20 years

If an asset is permanently impaired, it is written down to the impaired value. Low-value assets with individual acquisition costs of up to EUR 800 are written off in full in the year of acquisition and reported as disposals.

In the case of financial assets, shares and securities are valued at acquisition cost. Loans are valued at nominal amount, unless they are part of a valuation unit (see below). If a financial asset is impaired permanently, it is written down to the lower fair value amount. Impairment on long-term financial assets is generally tested by comparing the net present value of future cash flows from investments with the respective carrying value. In cases in which the reasons for permanent impairment have ceased to exist, a reversal of the impairment is undertaken; the acquisition cost serves as the asset value ceiling.

Receivables and other assets are generally reported at nominal value or at lower market prices, unless they are part of a valuation unit (see also below). Premiums or discounts appear on a pro-rata temporis basis in the income statement. Balances at banks are recognised at nominal value.

Equity is recognised at nominal amount.

Other provisions include all contingent liabilities which are discernible as at the balance sheet date. There are established in the settlement amount required according to prudent business judgement. Provisions with a remaining term of more than one year are discounted at the average market rate consistent with their remaining maturity.

Liabilities are reported at the amount repayable.

In order to determine the deferred taxes arising from temporary or quasi-permanent differences between the valuations of assets, liabilities and accruals and deferrals under the Commercial Code and their valuations for tax purposes or due to tax loss carry-forwards, the valuation is based on the company-specific tax rates at the time that the differences are eliminated. The amounts of the resulting tax burden/relief are not discounted. The calculation was based on a tax rate of 31.93%. Deferred tax assets and liabilities are offset. In accordance with the option set forth in section 274 (1) sentence 2 HGB, a surplus of deferred tax assets is not recognised in the balance sheet.

Derivative financial instruments are used exclusively to reduce the risk resulting from transactions in foreign currencies. Valuation units, including derivative hedging transactions, are recognised in accordance with the requirements of section 254 HGB. ProCredit Holding strives to reduce the risk from currency transactions to a minimum through the formation of micro-hedges. Micro-hedges are used to cover the risk of individually identifiable underlying transactions. The prospective and retrospective effectiveness is determined using the critical terms match. Financial accounting is performed in accordance with the "Durchbuchungsmethode" (revaluation method). Offsetting of positive and negative changes in value are recognised through profit or loss in the income statement.

All amounts are presented in euros (EUR), unless otherwise stated. Positions in foreign currency are translated using the closing rate valid at the end of the reporting period, with the exception of closed currency positions (see note 14). Receivables and liabilities in foreign currencies are generally translated at the middle exchange rate. Expenses resulting from the currency translation of these items are recognised, and income is recognised if the remaining term of the receivables and liabilities denominated in foreign currency does not exceed one year. The US dollar exchange rate as at 31 December 2022 was EUR 1/USD 1.0666. For computational reasons, figures may exhibit rounding differences of  $\pm$  one unit (EUR, %, etc.).

Recognition and measurement is performed on a going-concern assumption.



## BALANCE SHEET DISCLOSURES

### 2 Shares in affiliated companies

in '000 EUR

Affiliated company	at book value 1.1.2022	Participation in %	Addition in 2022	Appreciation +/ Depreciation - in 2022	Disposal in 2022	at book value 31.12.2022	Participation in %
ProCredit Bank Sh.a. Tirana, Albania	4,291	100%	6,000	22,370	0	32,662	100%
ProCredit Bank d.d. Sarajevo, Bosnia and Herze- govina	13,034	100%	0	8,575	0	21,609	100%
ProCredit (Bulgaria) EAD Sofia, Bulgaria	125,761	100%	0	0	0	125,761	100%
Banco ProCredit S.A. Quito, Ecuador	29,205	100%	0	0	0	29,205	100%
JSC ProCredit Bank Tbilisi, Georgia	77,340	100%	0	0	0	77,340	100%
ProCredit Bank AG Frankfurt am Main, Germany	75,000	100%	0	0	0	75,000	100%
ProCredit Academy GmbH Fürth/Weschnitz, Germany	500	100%	0	0	0	500	100%
QUIPU GmbH Frankfurt am Main, Germany	6,141	100%	0	0	0	6,141	100%
ProCredit Bank Sh.a. Pristina, Kosovo	77,968	100%	0	0	0	77,968	100%
ProEnergy LLC Pristina, Kosovo	95	95%	0	0	0	95	95%
ProCredit Bank A.D. Skopje, North Macedonia	18,503	100%	13,000	0	0	31,503	100%
ProCredit Regional Academy Eastern Europe dooel Veles, North Macedonia	1,962	100%	0	0	0	1,962	100%
ProCredit Reporting DOOEL Skopje, North Macedonia	5	100%	0	0	0	5	100%
BC ProCredit Bank S.A. Chisinau, Moldova	25,322	100%	0	0	0	25,322	100%
ProCredit Bank S.A. Bucharest, Romania	20,677	100%	0	8,458	0	29,135	100%
ProCredit Bank a.d. Belgrade Belgrade, Serbia	83,130	100%	0	0	0	83,130	100%
JSC ProCredit Bank Kiev, Ukraine	82,301	100%	0	-67,521	0	14,780	100%
<b>Total</b>	<b>641,236</b>		<b>19,000</b>	<b>-28,118</b>	<b>0</b>	<b>632,118</b>	

In 2022, capital increases were carried out at the following subsidiaries:

- ProCredit Bank Sh. a., Albania
- ProCredit Bank A.D., North Macedonia

Annual impairment testing of the investments resulted in a write-up for ProCredit Bank Sh. a., Albania and for ProCredit Bank d.d., Bosnia and Herzegovina and for ProCredit Bank S.A., Romania, as well as a write-down for JSC ProCredit Bank, Ukraine.

### 3 Loans to affiliated companies

in EUR	Senior	Subordinated	31.12.2022	31.12.2021
ProCredit Bank Sh.a. Tirana, Albania	5,000,000	7,000,000	12,000,000	22,500,000
Procredit Bank d.d. Sarajevo, Bosnia and Herzegovina	15,000,000	0	15,000,000	40,500,000
ProCredit Bank (Bulgaria) EAD Sofia, Bulgaria	30,000,000	0	30,000,000	0
Banco ProCredit S.A. Quito, Ecuador	91,719,879	8,409,722	100,129,600	109,673,435
JSC ProCredit Bank Tbilisi, Georgia	15,138,000	5,000,000	20,138,000	26,143,778
ProCredit Bank AG Frankfurt am Main, Germany	0	10,000,000	10,000,000	10,000,000
ProCredit Academy GmbH Fürth/Weschnitz, Germany	700,000	6,000,000	6,700,000	6,000,000
QUIPU GmbH Frankfurt am Main, Germany	0	0	0	7,000,000
ProCredit Bank Sh.a. Pristina, Kosovo	0	7,500,000	7,500,000	7,500,000
ProCredit Bank A.D. Skopje, North Macedonia	1,000,000	11,000,000	12,000,000	32,000,000
ProCredit Regional Academy Eastern Europe dooel Veles, North Macedonia	640,000	0	640,000	640,000
BC ProCredit Bank S.A. Chisinau, Moldova	7,000,000	6,556,763	13,556,763	13,556,763
ProCredit Bank a.d. Belgrade Belgrade, Serbia	32,000,000	0	32,000,000	110,000,000
JSC ProCredit Bank Kiev, Ukraine	0	20,000,000	20,000,000	29,836,633
<b>Total</b>	<b>198,197,879</b>	<b>81,466,484</b>	<b>279,664,363</b>	<b>415,350,608</b>

Loans to affiliated companies are not secured. At the end of the reporting period, a variable interest rate was payable on about 23.0% of the loans; the remaining loans were granted on the basis of a fixed interest rate.

### 4 Receivables from affiliated companies

in EUR	31.12.2022	31.12.2021
Short term loans	50,300,000	12,200,000
Accrued Interest	5,146,754	4,758,196
Foreign-exchange and interest-rate swap	222,029	1,169
Collateral for swap transactions	3,000,000	3,000,000
Others	1,092,394	2,375,505
<b>Total</b>	<b>59,761,176</b>	<b>22,334,870</b>

### 5 Other assets

in EUR	31.12.2022	31.12.2021
Tax receivables	296,780	524,967
Others	473,393	604,943
<b>Total</b>	<b>770,172</b>	<b>1,129,910</b>

## 6 Receivables from banks

ProCredit Holding reported receivables from banks in the following positions:

in EUR	31.12.2022	31.12.2021
Loans to affiliated companies	272,324,363	403,470,699
Receivables from affiliated companies	59,334,117	19,209,000
Cash in hand and bank balances	63,320,715	76,003,116
<b>Total</b>	<b>394,979,195</b>	<b>498,682,814</b>

The receivables from banks have the following remaining maturities:

in EUR	31.12.2022	31.12.2021
Up to three months	142,067,153	86,332,555
More than three months and up to one year	46,152,464	117,167,367
More than one year and up to five years	137,849,856	227,024,407
More than five years	68,909,722	68,158,485
<b>Total</b>	<b>394,979,195</b>	<b>498,682,814</b>

## 7 Prepaid expenses

The item "Prepaid expenses" consists primarily of disbursement fees in relation to the issuance of loans and bonds. The expenses are amortised according to the terms of the loan. In the reporting period, amortised disbursement fees amounted to EUR 1,182,854.

## 8 Equity

	2022			2021		
	Number of shares	Amount subscribed capital EUR	Amount capital reserve EUR	Number of shares	Amount subscribed capital EUR	Amount capital reserve EUR
As at January 1	58,898,492	294,492,460	149,749,052	58,898,492	294,492,460	149,749,052
Capital increase	-	-	-	-	-	-
<b>As of 31. December</b>	<b>58,898,492</b>	<b>294,492,460</b>	<b>149,749,052</b>	<b>58,898,492</b>	<b>294,492,460</b>	<b>149,749,052</b>

All issued shares are non-par value shares and fully paid. Each holder of ordinary shares is entitled, subject to a resolution of the General Meeting, to receive dividends and are entitled to one vote per share.

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

By resolution of the Extraordinary General Meeting of ProCredit Holding of 15 November 2019, the general partner, ProCredit General Partner AG, was authorised to acquire treasury shares of stock in accordance with section 71 (1) no. 8 AktG. The acquisition is possible for any legally permissible purpose. The authorisation is valid until five years after the date of the resolution and is limited in total to 1.5% of the share capital existing at the time the resolution is adopted by the General Meeting or – if lower – of the share capital existing at the time the authorisation is exercised. As at 31 December 2022, ProCredit Holding does not hold any treasury shares.

## 9 Retained earnings

In view of the current conflict situation in Eastern Europe, the Management Board intends not to propose a dividend distribution at the next General Meeting and to carry it forward for own account.

## 10 Other provisions

in EUR	31.12.2021	Used	Released	Additions	31.12.2022
Audit fees	298,700	298,700	0	322,600	322,600
Untaken vacations	155,053	155,053	0	450,005	450,005
Others	141,208	115,280	25,928	530,080	530,080
<b>Total</b>	<b>594,961</b>	<b>569,033</b>	<b>25,928</b>	<b>1,302,685</b>	<b>1,302,685</b>

## 11 Liabilities

The table below provides an overview of the remaining maturity of liabilities:

in EUR	31.12.2022	31.12.2021
<b>Bonds</b>		
up to three months	284,368	30,299,573
more than three months and up to one year	48,898,108	133,587,552
more than one year and up to five years	177,501,875	196,937,357
more than five years	40,000,000	65,000,000
<b>Liabilities to banks</b>		
up to three months	48,167	15,238,974
more than three months and up to one year	30,157,336	30,157,908
more than one year and up to five years	25,000,000	35,000,000
<b>Trade payables</b>		
up to three months	394,714	256,411
<b>Liabilities to affiliated companies</b>		
up to three months	1,113,143	879,970
more than three months and up to one year	0	3,752
<b>Other Liabilities</b>		
up to three months	10,627,502	15,939,979
more than three months and up to one year	11,314,400	27,391,732
more than one year and up to five years	172,000,000	62,000,000
more than five years	22,000,000	22,000,000
<b>Total</b>	<b>539,339,613</b>	<b>634,693,208</b>

Other liabilities mainly includes promissory note loans from non-banking institutions.

## 12 Contingent liabilities

The contingent liabilities consist of guarantees issued to third parties amounting to EUR 479,845,531 (previous year-end: EUR 475,682,539); these guarantees are to secure liabilities of companies affiliated to ProCredit Holding. A claim on the guarantees is not expected due to the net assets, financial position and results of operations of the subsidiaries concerned.

### 13 Derivative financial instruments and valuation units

All swap transactions were with ProCredit Bank Germany and are therefore recognised as receivables from or liabilities to affiliated companies.

The fair value of derivative financial instruments is as follows:

in EUR	nominal amount	31.12.2022	
		positive fair value	negative fair value
Foreign-exchange swaps	80,852,068	222,029	0
<b>Total</b>	<b>80,852,068</b>	<b>222,029</b>	<b>0</b>

FX swaps have a maximum remaining maturity until 3 January 2022.

## INCOME STATEMENT DISCLOSURES

### 14 Sales revenue

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
Income from management service agreements	9,571,589	8,918,296
Income from reimbursed expenses	1,572,682	1,563,577
Income from guarantees to subsidiaries	3,961,834	3,480,544
Other sale revenue	680,389	789,655
<b>Total</b>	<b>15,786,494</b>	<b>14,752,071</b>

By geographic market:

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
Germany	1,113,560	1,145,269
Other EU-Countries	2,800,764	2,764,686
Remaining Europe	10,719,041	9,694,934
South America	1,153,128	1,147,182
<b>Total</b>	<b>15,786,494</b>	<b>14,752,071</b>

Revenues include back charges of EUR 103,048 from the Management Service Agreements for 2021.

### 15 Other operating income

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
Income from appreciation in value of shares of subsidiaries	39,403,410	8,708,100
Currency translation income	163,609	397,619
Income from the reversal of provisions	25,928	68,045
Income from the sale of assets	16,712	4,805
Other income	2,159	2,247
Income from previous periods	6,720	2,758
<b>Total</b>	<b>39,618,538</b>	<b>9,183,573</b>

The income from the reversal of impairment losses on financial assets results from the annual impairment testing of investments. This resulted in write-ups for ProCredit Bank Sh. a., Albania; ProCredit Bank d.d., Bosnia and Herzegovina; and ProCredit Bank S.A., Romania.

### 16 Other operating expenses

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
Legal and advisory services	7,415,574	1,270,744
Administration expenses	7,043,203	6,253,398
Expenses due to exchange rate differences and hedging transactions	4,315,744	2,449,093
Expenses to be reimbursed by affiliated companies	1,633,430	1,511,668
Other personnel expenses	1,444,795	1,173,944
Other expenses	857,279	307,431
<b>Total</b>	<b>22,710,025</b>	<b>12,966,277</b>

The other operating expenses consist mainly of legal and consultancy fees, administration expenses and advances to affiliated companies and other investors, for which ProCredit Holding will be reimbursed. The income from the reimbursement of advances for affiliated companies and other investors is included in the position "Sales revenue".

The Auditor's total fee for the financial year is calculated as follows:

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
Audit fees	401,238	354,800
Other confirmatory services	5,800	5,500
<b>Total</b>	<b>407,038</b>	<b>360,300</b>

### 17 Income from equity holdings

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
ProCredit Bank Sh.a Pristina, Kosovo	18,000,000	35,000,000
JSC ProCredit Bank Tbilisi, Georgia	5,371,365	13,634,421
Banco ProCredit S.A. Quito, Ecuador	42,925	0
JSC ProCredit Bank Kiev, Ukraine	4	16,154,617
BC ProCredit Bank S.A. Chisinau, Moldova	0	1,368,709
<b>Total</b>	<b>23,414,295</b>	<b>66,157,747</b>

### 18 Income and expenses from profit-transfer agreements

During the reporting period, profit and loss transfer agreements existed with ProCredit Bank AG, Frankfurt am Main, ProCredit Academy GmbH, Fürth/Weschnitz and Quipu GmbH, Frankfurt am Main.

ProCredit Holding assumed the following profit:

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
ProCredit Academy GmbH Fürth/Weschnitz, Germany	0	599,556
QUIPU GmbH Frankfurt am Main, Germany	44,902	853,928
<b>Total</b>	<b>44,902</b>	<b>1,453,485</b>

ProCredit Holding assumed the following expenses:

in EUR	1.1.-31.12.2022	1.1.-31.12.2021
ProCredit Academy GmbH Fürth/Weschnitz, Germany	793,537	0
<b>Total</b>	<b>793,537</b>	<b>0</b>

ProCredit Bank AG, Frankfurt am Main, will transfer its net profit for the financial year 2022 to the statutory reserve.

### 19 Write-down on financial assets

Annual impairment testing of the investments resulted in a write-down for JSC ProCredit Bank, Ukraine.

### 20 Taxes on income

Taxes on income in the current financial year consist mainly of foreign capital gains tax on interest income amounting to EUR 219,485 (2021: EUR 240,456) and foreign capital gains tax on dividend income amounting to EUR 2,579 (2021: EUR 889,853).

## **ADDITIONAL DISCLOSURES**

### *21 Other financial obligations*

#### **Rental commitments**

ProCredit Holding incurred obligations totalling EUR 5,660,351.53 arising from rental contracts concluded at usual market conditions.

#### **Guarantee framework agreements**

ProCredit Holding signed a number of guarantee framework agreements with the European Investment Bank to secure the liabilities of ProCredit Holding's affiliated companies. The agreements cover obligations from loans by affiliated companies up to a maximum amount of EUR 435,000,000. As of the balance sheet date, EUR 258,015,816 had been provided to affiliated companies as loans and recognised under contingent liabilities. ProCredit Holding also issued credit lines to affiliated companies totalling EUR 78,000,000 (previous year-end: EUR 78,000,000).



## 22 Supervisory Board and Management Board

The following persons served as members of the Supervisory Board:

Rainer Ottenstein Frankfurt am Main	Degree in Business (Diplom Kaufmann) (Chairperson since 07 March 2022) (Deputy chairperson until 07 March 2022) (Member since 30 November 2016)  Member of the supervisory boards of: ProCredit Bank AG, Frankfurt am Main, Germany ProCredit Bank Sh. a, Pristina, Kosovo ProCredit Bank S.A., Bucharest, Romania ProCredit Bank A.D. Belgrade, Belgrade, Serbia JSC ProCredit Bank, Kiev, Ukraine JSC ProCredit Bank, Tbilisi, Georgia
Dr H.P.M. Ben Knapen Amsterdam	Member of the Dutch Senate (1st Chamber) and Group Chairman of the Christen-Democratisch Appèl (CDA) (Deputy chairperson since 03 June 2022) (Member since 26 May 2020)  Member of the supervisory boards of: Leiden Asia Centre, Leiden, Netherlands (Chairperson) ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria
Helen Alexander Potsdam	Investor Relations at ProCredit Holding AG & Co. KGaA (Member since 31 May 2022)
Marianne Loner Zürich	Finance Expert (MBA) (member since 17 May 2017)  Member of the supervisory boards of: Sura Asset Management S.A., Medellin, Colombia Amundi Planet Sicav-SIF, Luxembourg, (Luxembourg)
Jovanka Joleska Popovska Skopje	Finance Expert (BA) Chartered Certified Accountant (ACCA) (Member since 27 May 2021)  Member of the supervisory boards of: ProCredit Bank Sh.a., Tirana, Albania ProCredit Bank A.D., Skopje, North Macedonia (Chair) BC ProCredit Bank S.A., Chisinau, Moldova
Dr Jan Martin Witte Washington D.C.	Senior Advisor, Sustainable Energy Finance (Member since 27 May 2021)
Dr Claus- Peter Zeiting Frankfurt am Main	Entrepreneur (Chairperson until 7 March 2022) (Member until 31 May 2022)

The total remuneration of ProCredit Holding's Supervisory Board in the financial year amounts to EUR 81 thousand (2021: EUR 50 thousand).

The following persons served as Management Board members of ProCredit General Partner AG:

### Management Board

Hubert Spechtenhauser Frankfurt am Main (since 1 March 2022) (Chair since 9 November 2022)	Dr Gian Marco Felice Frankfurt am Main	Sandrine Massiani Frankfurt am Main	Dr Gabriel Schor Frankfurt am Main (until 31 December 2022)
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ProCredit Holding is represented by two members of the Management Board or by a Management Board member together with an authorised representative (*Prokurist*).

During the reporting period, total compensation paid to the Management Board of ProCredit General Partner AG as the representative of ProCredit Holding amounted to EUR 857 thousand (2021: EUR 580 thousand), most of which comprise short-term employee benefits.

The following positions were also held by the members of the Management Board during the reporting period:

Hubert Spechtenhauser	Member of the supervisory boards of: ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria Banco ProCredit S.A., Quito, Ecuador ProCredit Bank A.D. Belgrade, Belgrade, Serbia
Dr Gian Marco Felice	Member of the supervisory boards of: ProCredit Bank d.d., Sarajevo, Bosnia and Herzegovina (Chair) ProCredit Bank S.A., Bucharest, Romania (Chair) ProCredit Bank A.D. Belgrade, Belgrade, Serbia (Chair) JSC ProCredit Bank, Kiev, Ukraine (Chair) ProCredit Bank AG, Frankfurt am Main, Germany ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria JSC ProCredit Bank, Tbilisi, Georgia
Sandrine Massiani	Member of the supervisory boards of: BC ProCredit Bank S.A., Chisinau, Moldova (Chair) JSC ProCredit Bank, Tbilisi, Georgia ProCredit Bank A.D., Skopje, North Macedonia  Member of the management boards of: ProCredit Academy GmbH, Fürth/Weschnitz, Germany ProCredit Reporting DOOEL, Skopje, North Macedonia
Dr Gabriel Schor	Member of the supervisory boards of: Banco ProCredit S.A., Quito, Ecuador (Chair) ProCredit Bank AG, Frankfurt am Main, Germany (Chair) ProCredit Bank Sh. a, Pristina, Kosovo (Chair)

### 23 Additional Notes

The personally liable general partner of ProCredit Holding is ProCredit General Partner AG, headquartered at Rohmerplatz 33-37, 60486 Frankfurt am Main. The capital of ProCredit General Partner AG amounts to EUR 100,000.

ProCredit Holding prepares IFRS consolidated financial statements for the largest group of entities in accordance with the provisions of section 315e (1) HGB and publishes these in the company register.

The average number of staff members employed by ProCredit Holding during 2022 was 119 (46 males, 73 females). The total number of staff members at 31<sup>st</sup> December 2022 was 135.

The corporate governance statement, which also includes the statement on the German Corporate Governance Codex pursuant to sec. 161 of the German Stock Corporation Act (AktG), is published on our website (<https://www.procredit-holding.com/investor-relations/corporate-governance/corporate-governance-statement/>).

#### 24 Events after the reporting period

Christian Dagrosa was appointed as a new member of the Management Board as of 1 January 2023 and is responsible in particular for the finance and investor relations areas. At the same time, Dr Gabriel Schor departed from the Management Board, as planned by mutual agreement, when his contract expired on 31 December 2022.

Frankfurt am Main, 16 March 2023

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

Management Board



Hubert Spechtenhauser



Christian Dagrosa



Dr Gian Marco Felice



Sandrine Massiani

## Annex 1: Statement of changes in fixed assets

in EUR	Acquisition cost				Accumulated depreciation					Net book values		
	as of 1.1.2022	Additions	Disposals	as of 31.12.2022	as of 1.1.2022	Additions	Disposals	Appreciations	as of 31.12.2022	as of 31.12.2022	as of 31.12.2021	
<b>I. Intangible fixed assets</b>												
1. Trademarks and software	1,330,367	0	-242,303	1,088,064	1,328,120	650	-242,296	0	1,086,474	1,590	2,247	
	0	0	0	0	0	0	0	0	0	0	0	
<b>II. Tangible fixed assets</b>	0	0	0	0	0	0	0	0	0	0	0	
2. Other equipment, operating and office equipment	1,508,637	65,812	-523,547	1,050,902	1,181,731	111,900	-505,540	0	788,091	262,811	326,906	
	<b>2,839,004</b>	<b>65,812</b>	<b>-765,850</b>	<b>2,138,966</b>	<b>2,509,851</b>	<b>112,550</b>	<b>-747,836</b>	<b>0</b>	<b>1,874,565</b>	<b>264,401</b>	<b>329,153</b>	
<b>III. Long-term financial assets</b>												
1. Shares in affiliated companies	750,913,491	18,999,941	0	769,913,432	109,677,277	67,521,280	0	39,403,410	137,795,147	632,118,285	641,236,214	
2. Loans to affiliated companies	415,350,608	42,490,264	-178,176,509	279,664,363	0	0	0	0	0	279,664,363	415,350,608	
3. long-term securities	2,169,726	0	0	2,169,726	0	0	0	0	0	2,169,726	2,169,726	
4. Other loans	1,042,623	0	0	1,042,623	1,042,623	0	0	0	1,042,623	0	0	
	<b>1,169,476,448</b>	<b>61,490,205</b>	<b>-178,176,509</b>	<b>1,052,790,144</b>	<b>110,719,900</b>	<b>67,521,280</b>	<b>0</b>	<b>39,403,410</b>	<b>138,837,770</b>	<b>913,952,374</b>	<b>1,058,756,548</b>	
<b>Total fixed assets</b>	<b>1,172,315,452</b>	<b>61,556,017</b>	<b>-178,942,359</b>	<b>1,054,929,110</b>	<b>113,229,751</b>	<b>67,633,830</b>	<b>-747,836</b>	<b>39,403,410</b>	<b>140,712,335</b>	<b>914,216,775</b>	<b>1,059,085,701</b>	

## Annex 2: Share ownership

The two non-material subsidiaries – ProCredit Reporting DOOEL, North Macedonia, and Pro Energy L.L.C., Kosovo – are not included in the scope of consolidation.

	Name of institution	Legal residence	Share capital incl. Capital reserve (‘000 EUR)	Retained earnings and other reserves (‘000 EUR)	Profit/-loss for the year (‘000 EUR)	Share in %
1	ProCredit Bank Sh.a.	Tirana, Albania	44,698	-9,886	893	100
2	ProCredit Bank d.d.	Sarajevo, Bosnia and Herzegovina	47,015	-9,953	3,044	100
3	ProCredit Bank (Bulgaria) E.A.D.	Sofia, Bulgaria	120,747	65,714	19,531	100
4	Banco ProCredit S.A.	Quito, Ecuador	38,542	12,503	2,253	100
5	JSC ProCredit Bank	Tbilisi, Georgia	71,538	17,747	13,994	100
6	ProCredit Bank AG	Frankfurt am Main, Germany	75,000	6,915	4,737	100
7	ProCredit Academy GmbH	Fürth/Weschnitz, Germany	500	95	0	100
8	QUIPU GmbH	Frankfurt am Main, Germany	1,000	5,936	-326	100
9	ProCredit Bank Sh.a.	Pristina, Kosovo	66,061	9,246	20,654	100
10	ProCredit Bank A.D.	Skopje, North Macedonia	29,000	35,574	4,424	100
11	ProCredit Regional Academy Eastern Europe dooel	Veles, North Macedonia	1,202	131	-50	100
12	BC ProCredit Bank S.A.	Chisinau, Moldova	25,099	7,230	5,602	100
13	ProCredit Bank S.A.	Bucharest, Romania	60,534	-19,815	3,123	100
14	ProCredit Bank a.d. Belgrade	Belgrade, Serbia	80,786	63,866	10,541	100
15	JSC ProCredit Bank	Kiev, Ukraine	83,785	24,665	-51,754	100

### Annex 3: Voting rights notifications

The Trustees of Tufts College, Somerville, USA, notified us on 11 October 2021 pursuant to section 33 (1) sentence 1 WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 2.99% of the total voting rights (1,762,741 voting rights) on 8 October 2021.

ProCredit Staff Invest Beteiligungs GmbH, notified us on 3 December 2019 pursuant to sections 33 (1), 34 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 2.99% on 28 November 2019 (1,765,190 of the total 58,898,492 voting rights).

MultiConcept Fund Management S.A., 5 Rue Jean Monnet, 2180 Luxembourg, Luxembourg, notified us on 15 November 2019 pursuant to sections 33 (1), 34 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 4.02% on 1 November 2019 (2,370,543 of a total of 58,898,492 voting rights).

International Finance Corporation, Washington, DC, USA, notified us on 23 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 9.97% of the total voting rights (5,874,382 voting rights) on 6 February 2018.

The European Bank for Reconstruction and Development, London, United Kingdom, notified us on 7 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 3.64% of the total voting rights (2,141,763 voting rights) on 6 February 2018.

MainFirst SICAV, L-2633 Senningerberg, Luxembourg, notified us on 7 February 2018 pursuant to section 33 (1) WpHG that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33-37, Frankfurt/Main, Germany, amounted to 3.14% of the total voting rights (1,824,000 voting rights) on 6 February 2018.

The Kingdom of Belgium, represented by the Deputy Prime Minister and Minister for Development Cooperation, Digital, Telecommunications and Postal Affairs, Mr. Alexander De Croo, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights (2,664,851 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The Kingdom of the Netherlands, represented by its Ministry of Finance, Korte Voorhout 7, 2511 CW, The Hague, the Netherlands, represented by the Director of the Finance Directorate, Mr. Helmer Vossers, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights (2,665,638 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Zeitinger Invest GmbH, Rohmerplatz 33-37, 60486 Frankfurt/Main, Germany, notified us on 29 December 2016, pursuant to section 21 (1a) WpHG, that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 17.48% of the total voting rights (9,358,816 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange

The TIAA Board of Overseers, 730 Third Avenue, New York, NY 10017, USA, notified us on 29 December 2016 pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 9.44% of the total voting rights (5,056,468 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

Stichting DOEN, van Eeghenstraat 70, 1071 GK, Amsterdam, the Netherlands, notified us pursuant to section 21 (1a) WpHG that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 13.76% of the total voting rights (7,367,362 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The Federal Republic of Germany, represented by the Federal Ministry of Finance, Wilhelmstrasse 97, 10117 Berlin, Germany, notified us on 22 December 2016, pursuant to section 21 (1a) WpHG, that its share of the voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 - 37, Frankfurt/Main, Germany, amounted to 14.52% of the total voting rights (7,774,248 voting rights) on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

## RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

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

Frankfurt am Main, 16 March 2023

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

Management Board



Hubert Spechtenhauser



Christian Dagrosa



Dr Gian Marco Felice



Sandrine Massiani



## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

#### *Opinions*

We have audited the annual financial statements of ProCredit Holding AG & Co. KGaA, Frankfurt am Main, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss for the financial year from 1 January 2022 to 31 December 2022, and notes to the annual financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report of ProCredit Holding AG & Co. KGaA and the Group (management report on the company and the group) for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those components of the combined management report mentioned in the "Other Information".

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German Commercial Code applicable to stock corporations [Handelsgesetzbuch: German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German legally required accounting principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion regarding the combined management report does not extend to the content of the components of the combined management report mentioned in the "Other Information".

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

#### *Basis for the Opinions*

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

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

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

### ***Key Audit Matters in the Audit of the Annual Financial Statements***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

#### ***Valuation of shares in affiliated companies***

##### *Description of matter*

In the annual financial statements as at 31 December 2022, investments in affiliated companies amounting to EUR 632 Mio. (60.5% of total assets) are reported under financial assets. Investments in affiliated companies are measured at cost or, in the event of an impairment that is expected to be permanent, at the lower fair value.

The impairment test is performed for each affiliated company. As part of the impairment test, a comparison is made as to whether the carrying amount of the investment is lower than the fair value at the reporting date. The fair value of the shares is determined using the discounted cash flow method on the basis of the present value of future cash flows. The discounting is based on the weighted average cost of capital of the respective affiliated company. The result of this valuation depends to a large extent on the estimation of future cash flows by management and on the discount rates used in each case. The valuation is therefore subject to significant uncertainties. In light of these and due to the high complexity of the process as well as the materiality of the shares in affiliated companies, this is a key audit matter.

Information on the valuation of shares in affiliated companies is provided in the section "B.2 Shares in affiliated companies" in the notes to the annual financial statements.

##### *Auditor's response*

We performed a risk assessment in relation to the shares in affiliated companies held by the Company. We obtained an understanding of the valuation process as part of our audit procedures on the internal control system. In doing so, we assessed - with the involvement of our BDO internal valuation specialists - the methodical procedure for carrying out the impairment test under German commercial code, including the determination procedure for calculating the cost of capital used for discounting.

Furthermore, after comparing the future cash inflows used in the calculation of the fair values with the approved planning of the respective affiliated company, we assessed the consistency of the planning as well as the appropriateness of the key assumptions, in particular by reconciling them with general and industry-specific market expectations of the respective countries in which the company under review operates. In doing so, we also assessed whether the interest and principal payments of the loans granted by ProCredit Holding AG & Co KGaA were correctly reflected in the cash flows. Furthermore, we assessed the appropriate consideration of the effects of the Ukraine war in the planning calculations.

We investigated intensively with parameters used to determine the discount rates and traced their mathematical derivation, knowing that even relatively small changes in the discount rates used can have a significant impact on the amount of the calculated share values.

We then verified the arithmetical correctness of the calculation of the fair values of the shares in affiliated companies and the accounting recognition of the value adjustments determined.

### ***Other Information***

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

- the corporate governance statement published on the website referred to in the notes to the annual financial statements
- the non-financial group statement (Impact Report), which is referred to in the combined management report
- Human Resources Report in the combined management report
- Responsibility of the legal representatives

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### ***Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Combined Management Report***

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to stock corporations and that the annual financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the company. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of accounting and property damage) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the

opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

***Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report***

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### ***Report on the Assurance in accordance with Section 317 (3a) HGB on the Electronic Rendering of the Annual Financial Statements and the Combined Management Report Prepared for Publication Purposes***

#### *Opinion*

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the electronic rendering of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file „ProCreditHolding\_EA\_2022" that can be downloaded by the issuer from the electronic client portal with access protection and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this rendering nor any other information contained in the above-mentioned electronic file.

In our opinion, the rendering of the annual financial statements and the combined group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this rendering nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January 2022 to 31 December 2022, contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above.

#### *Basis for the opinion*

We conducted our audit work of the rendering of the annual financial statements and the combined group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Auditing in accordance with Section 317 (3a) HGB on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (June 2022)). Accordingly, our responsibilities are further described below. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

#### *Responsibilities of Management and the Supervisory Board for the ESEF documents*

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the annual financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of the preparation of the ESEF documents as part of the financial reporting process.

#### *Auditor's Responsibilities for the assurance work on the ESEF documents*

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and the audited combined management report.

***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as auditor at the annual general meeting on 31 May 2022. We were engaged by the Supervisory Board on 10 March 2023. We have been the auditor of ProCredit Holding AG & Co. KGaA without interruption since the financial year 2021.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or its controlled entities the following services that are not disclosed in the annual financial statements or in the combined management report:

- review in accordance with Section 115 of the German Securities Trading Act [WpHG] of the condensed interim financial statements as at 30 June 2022
- issue of an assurance report (agreed-upon procedures) in connection with the determination of the supervisory fees of the European Central Bank (ECB).

**GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Yanlu Zheng.

Frankfurt am Main, 20 March 2023

BDO AG

Wirtschaftsprüfungsgesellschaft

Grunwald

Zheng

Wirtschaftsprüfer

Wirtschaftsprüferin

[German Public Auditor]

[German Public Auditor]



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For computational reasons, the figures in the tables may exhibit rounding differences of  $\pm$  one unit (EUR, %, etc.).

#### Forward-looking statements

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