ProCredit HOLDING

ANNUAL REPORT AS OF 31 DECEMBER

2022

OUR MISSION

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

Financial year in brief

STRENGTHENED MARKET POSITION

- Strong positioning of ProCredit banks reflected in average loan portfolio growth of 6.9% (excluding PCB Ukraine)
- Portfolio growth of 3.1% at group level
- Effective direct banking enables strong deposit growth of 13.5%
- Solid capitalisation, with a CET 1 capital ratio of 13.5% and a leverage ratio of 8.9%

POSITIVE FINANCIAL PERFORMANCE DESPITE SIGNIFICANT LOSS ALLOWANCES FOR PCB UKRAINE

- Return on equity of 7.8% (excluding profit contribution of PCB Ukraine) improved by 0.9 percentage points
- Return on equity for the group is positive at 1.9%, despite exceptional loss allowances for Ukraine business
- Profit before tax and loss allowances 21% higher than previous year
- Cost-income ratio (adjusted for non-recurring effects) at 60.8% (64.0% according to financial figures)

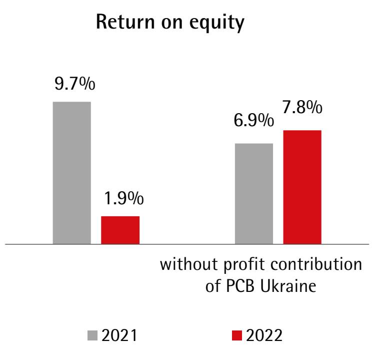
STRONG FOCUS ON SUSTAINABILITY

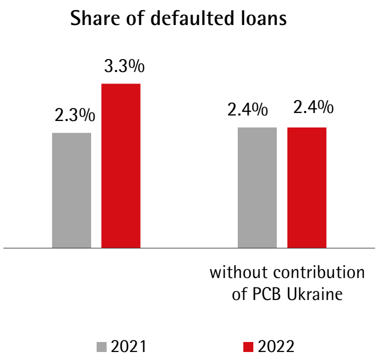
- Green loan portfolio focused on energy efficiency and renewable energy investments grows by 9.1%
- Over 50% of the group's total portfolio growth comes from green loans
- We achieved our medium-term target: 20% green loan portfolio
- Share of defaulted loans continually low at 3.3% (2.4% without Ukraine)
- ProCredit is part of the Net-Zero Banking Alliance

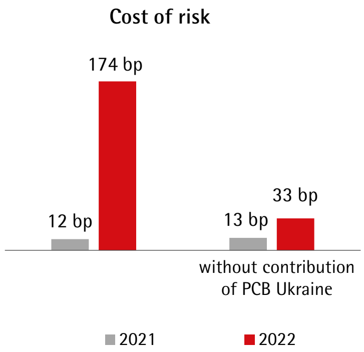
GUIDANCE FOR 2023 AND MEDIUM-TERM OUTLOOK

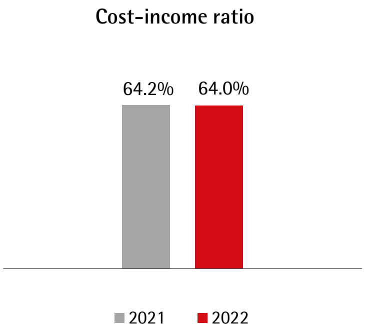
- Return on equity for 2023 in the range of 6-8%, with a cautious cost of risk estimate of up to 70 basis points and a stable cost-income ratio
- Loan portfolio growth in mid-single-digit percentage range
- Solid capitalisation, with CET 1 ratio above 13% and leverage ratio around 9%
- Medium-term outlook raised:
  return on equity around 12%;
  cost-income ratio around 57%;
  loan portfolio growth in mid- to high-single-digit percentage range;
  25% share of green portfolio

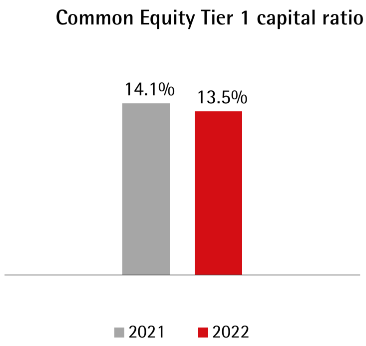
Key financial figures

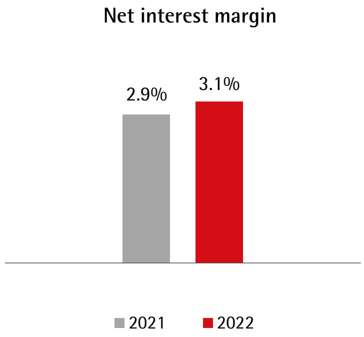


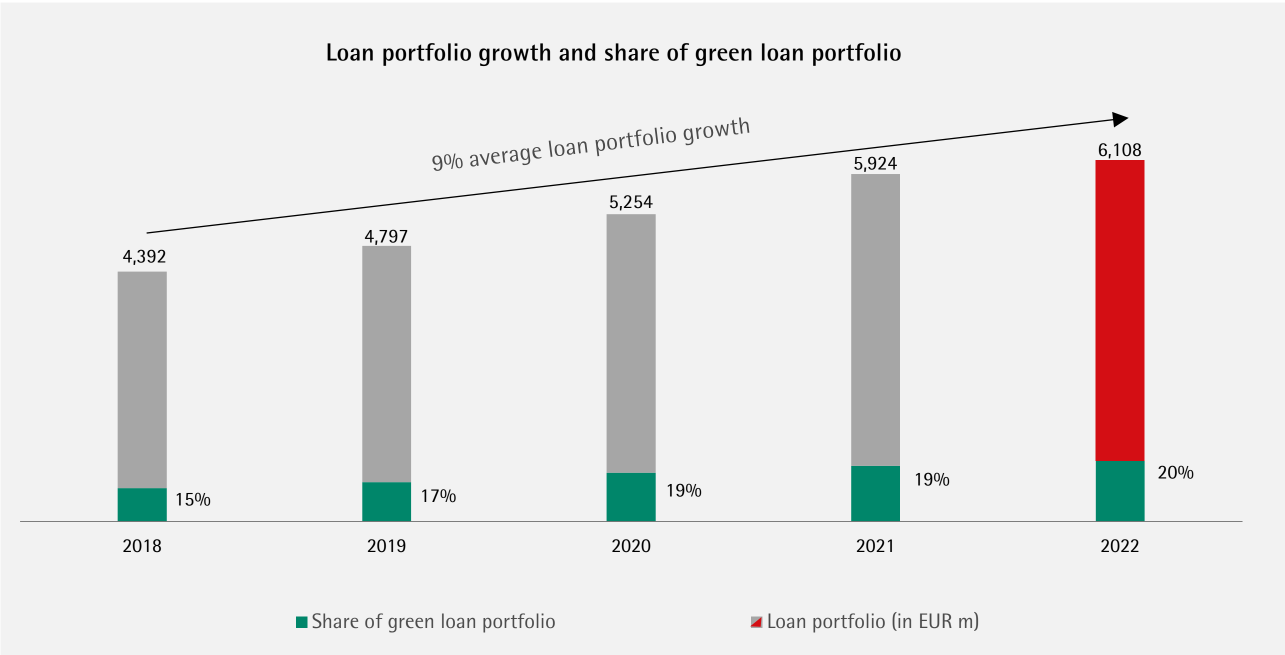








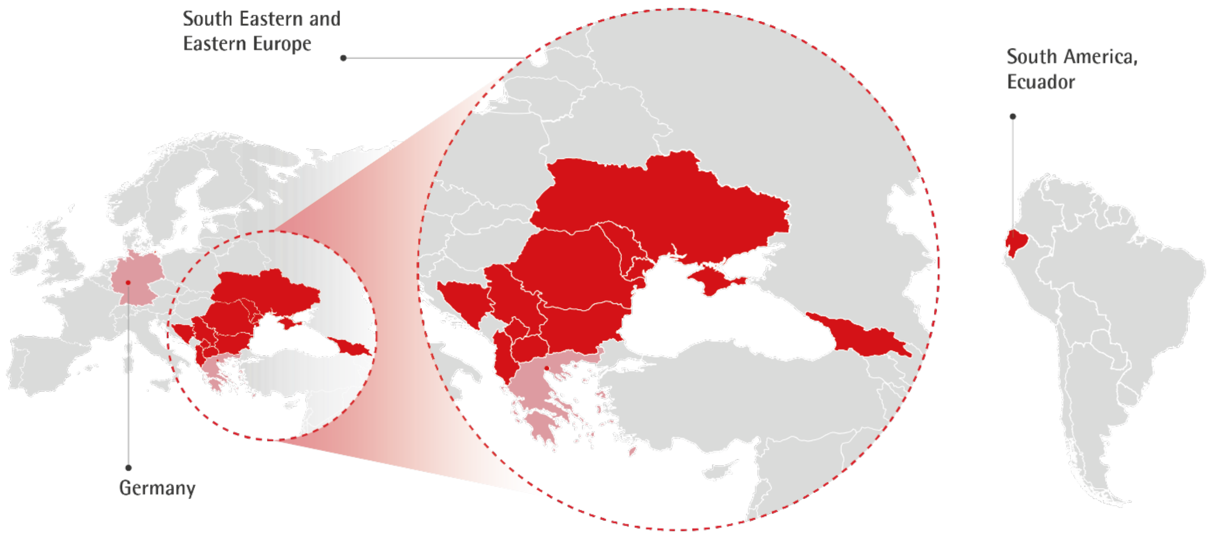




Fitch: **BBB** (stable)	MSCI ESG: **AA**	ISS ESG: **Prime C+**

Key financial figures

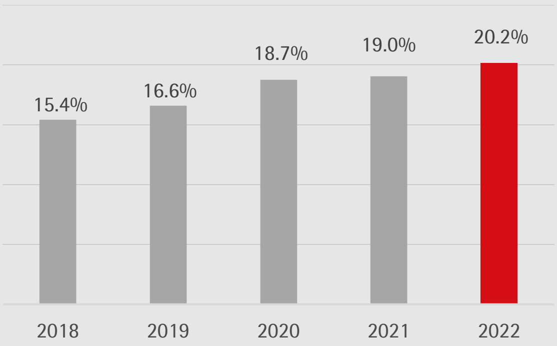
	Loan portfolio (EUR m)	Change in loan portfolio	Share of defaulted loans	Number of Staff
Albania	252	7.0%	2.8%	140
Bosnia and Herzegovina	285	7.0%	2.1%	165
Bulgaria	1,431	17.1%	1.0%	428
Ecuador	498	17.7%	6.7%	302
Georgia	402	3.4%	3.1%	272
Germany	54	6.4%	0.8%	65
Kosovo	675	14.4%	2.0%	301
Moldova	176	3.1%	2.6%	130
North Macedonia	474	2.8%	1.8%	212
Romania	351	-2.0%	1.6%	151
Serbia	928	-7.4%	2.5%	387
Ukraine	582	-23.0%	11.9%	305



Sustainability goals and achievements as of end-2022

20% TARGET FOR GREEN LOANS REACHED IN 2022, AIMING AT 25% IN THE MEDIUM TERM

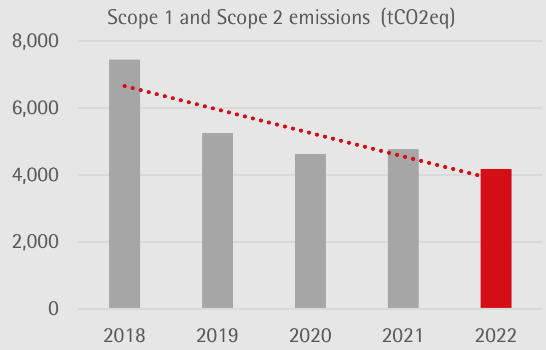
New goal: Increase the share of the group's green loan portfolio to 25% of the total loan portfolio, while maintaining the high quality of this portfolio and further aligning our criteria with international practice and EU Taxonomy



- Green loan portfolio as of end 2022: EUR 1,231.1 million, representing 20.2% of total loan portfolio
- Green loans as share of total investment loans: 26%
- More than EUR 2 billion disbursed for green loans over the past decade
- Intensified financing in renewable energy to support the transition to sustainable energy in our countries of operation, particularly PV installations – both for self-consumption and project finance
- Number of disbursements for rooftop PV almost doubled in 2022; total installed capacity for these projects reached 162 MW

CARBON NEUTRALITY BY THE END OF 2023

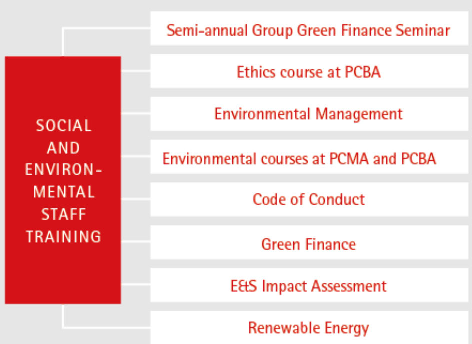
Goal: Become carbon neutral with regard to the group's own CO2 emissions



- Carbon neutrality in our own operations, specified as scope 1 and 2 emissions, thus aligning with SBTi and NZBA standards
- Investing in our own 3 MWp PV park in Kosovo (ProEnergy) to offset part of our emissions
- Four banks, plus ProCredit Holding, ProCredit Academy and Quipu's head office in Frankfurt, are using electricity from renewable energy suppliers
- Eight banks and ProCredit Academy are equipped with their own rooftop PV systems (installed peak capacity of about 449 kWp as of Dec. 2022)
- 5 bank headquarters are EDGE-certified buildings
- 38% of the vehicle fleet is electric, 14% is (plug-in) hybrid and 25% is hybrid
- In 2022, 11% reduction in energy consumption in our office buildings

STAFF COMPETENCE

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



- Enlarged training offer with ProCredit's e-learning campus
- Total hours devoted to environmental training: 10,048
- Enhanced training on E&S assessment for Environmental Risk Officers: 40 participants and more than 2,000 training hours
- Animal welfare as special topic in 2022: so far 1,300 participants and 4,000 training hours
- Total hours devoted to Code of Conduct training: 8,843. Key focus of discussion in 2022: Human rights and forced labour allegations in PV supply chain

ProCredit impact

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

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

Contents

LETTER OF THE MANAGEMENT BOARD

Without question, the year 2022 was overshadowed by Russia's war of aggression against Ukraine – for the global community in general and for us as a banking group with a regional focus on South Eastern and Eastern Europe in particular. In the foreground, of course, are the many human tragedies that this senseless aggression has brought. There are no words that can do justice to the loss of life, the destruction of peaceful cities, the separation of families, and the severe restrictions on public life in Ukraine. In the Management Board letter from our Impact Report, we reflect on the circumstances and grievances that led to the war, focusing as well on the crucial role of solid democratic structures in ensuring long-term peace. The fact that Western democracies currently exhibit similar symptoms to those which steadily eroded such structures in Russia years ago should remind us all that democracy and peace are in particular danger when they are taken for granted by the population.

Following the very positive 2021 financial year, we originally set ourselves high targets for 2022. We had successfully managed the impact of the COVID-19 pandemic and again attained business growth of over 10%. In addition, we achieved our medium-term target of a return on equity of around 10% and significantly improved our cost efficiency. But instead of being able to report on new, more ambitious goals and strategies, we had to shift our focus to Ukraine at the very beginning of 2022. The top priority was to develop security concepts for our staff in Ukraine and contingency plans for the continuity of banking operations under the most difficult conditions. The absence of significant operational constraints for us in Ukraine at any point speaks volumes about the commitment of our colleagues and showcases the strength, resilience and defiance of an entire people. For several months, many of our Ukrainian employees performed their work from a number of locations within and outside Ukraine, be it from our academy in the Odenwald, from the offices of ProCredit banks in neighbouring countries, or from regions in Ukraine that were less affected by the war. The way our colleagues go about their duties in a matter-of-fact manner every day, under deplorable conditions, will serve as an inspiration to our group for a long time to come. It was likewise vital that we were able to quickly mirror our Ukrainian data centre in Germany thanks to the work of our group-internal software company, Quipu; this step ensures business continuity at all times, even in the event that local infrastructure is destroyed. Such measures are testimony to the flexibility and innovative capacity that we cherish and foster in our group. The liquidity situation of our Ukrainian bank was solid at all times and, with backing from local and international guarantee programmes, we were able to resume lending already in the second quarter and provide support particularly to our clients in the all-important agricultural sector.

A prudent approach to credit risk has always been at the heart of our business approach. The "Hausbank" concept plays a critical role here. We do not engage in mass lending, instead carefully selecting clients and maintaining long-term business relationships that are intended to be mutually beneficial. In Ukraine, as in other countries as well, we are able to report default rates and credit risk costs that are significantly below the market average. Of course, due to the extraordinary circumstances, even this approach could not protect us in 2022 from substantial loan defaults caused by the destruction and theft of company property and attacks on key infrastructure. The share of defaulted loans at our Ukrainian bank increased from less than 1.5% before the war to 12% at year-end 2022. Despite the challenging conditions in Ukraine, our business approach helps us maintain contact with almost all of our loan clients, even in the current situation. This dialogue with our clients enables us to adequately assess credit risks and to plan and discuss loan repayment and the resumption of business activities, even with clients from occupied territories. The ability to maintain this close connection helps us talk about Ukraine with an underlying optimism, despite the war. In Ukraine, we are convinced that we have both the right employees and the right clients to run a successful banking business in the long term.

Of course, our group's financial and business performance in the financial year was strongly impacted by the events in Ukraine. At EUR 87 million, the credit risk costs of our Ukrainian bank for 2022 were almost equivalent to the sum of all credit risk costs for the entire ProCredit group from 2015 to 2021. In addition, we recorded various one-time expenses totalling over EUR 10 million as a direct consequence of the war. Despite these unprecedented challenges, we were once again able to report a positive group result, as in every single year of our 20-year history. The resilience of our financial result in 2022 underlines the high degree of diversification in the group. The group's profit before tax and cost of risk rose in 2022 by over 21% to EUR 122 million, and most of our banks recorded significant improvements in earnings compared to 2021. At 64%, our cost-income ratio improved only slightly compared to the previous year. Excluding the one-time expenses caused by the war in Ukraine, the cost-income ratio would be just over 60%, a significant improvement over the previous year and within the range of our medium-term target.

During the financial year, we were able to expand our lending business to a lesser extent than usual. Nevertheless, the overall growth figure of 3.1% also includes the portfolio decline in Ukraine of more than EUR 170 million, which was attributable to currency effects, repayments and the logical measure to cap new lending business. Outside Ukraine, we expanded our portfolio by 6.9%. The good portfolio growth that we have been reporting with high regularity for many years shows that our business approach works very well in our markets, and that SMEs expect more from a bank than just the occasional provision of financing. Our offer of a long-term partnership as part of our "Hausbank" concept is very popular and remains one of the most striking differentiators and key competitive advantages for our banks in the countries where we operate.

With regard to the 2022 financial year, the expansion of our green loan portfolio is particularly noteworthy. Green loans contributed more than 50% of total portfolio growth in 2022, more than in any other financial year. During this period, we were thus able to achieve our medium-term target of a share of green loans in the overall portfolio of over 20%. The strong positioning of our banks as highly competent partners in green financing, coupled with the short-term rise in energy prices and uncertainties regarding energy supply, were key factors in this positive development and offer plenty of scope for further business and impact potential. Looking at 2022, a year which also highlighted the political implications of a dependence on fossil fuels, we feel more compelled than ever to further intensify our efforts to finance companies that contribute to the energy transition. For example, by joining the Net-Zero Banking Alliance during the financial year, we committed to setting our planned short- and long-term emissions reductions using the Net-Zero Standard of the Science Based Targets initiative (SBTi). We will disclose our progress at this level in the coming years by means of a transition strategy.

The positive development of our deposit business was similar to that of our green loan portfolio. At group level, deposits grew by 13.5% and as of 31 December 2022 the ratio of deposits to the loan portfolio exceeded 100% for the first time. Following the successful implementation of ProCredit Direct a number of years ago – allowing us to almost completely digitalise our retail banking business, streamline our branch network and reduce staff numbers – we still see substantial potential today to optimise our funding costs and expand net fee and commission income by steadily growing our deposit business.

We look to 2023 with cautious optimism. Of course, operating conditions continue to be shaped by the war in Ukraine and there has been no sign of an imminent end to the conflict at the time these consolidated financial statements were prepared. Nevertheless, we believe that our return on equity will improve to a level of 6 to 8% even if the war continues and cost of risk remains elevated. In this context, we generally see more upside potential than downside risks, although war is of course by definition a major uncertainty factor. Particularly in the markets outside Ukraine, we will continue to strengthen our positioning as a "Hausbank" for SMEs as well as a digital and innovative bank for private clients. As an expert in green financing, ProCredit is also uniquely positioned in our countries to work with both companies and private clients to develop solutions that increase their energy efficiency, reduce costs and cut emissions.

It is not possible to foretell the end of the war or even to rule out a further deterioration of the security situation in Europe. At the same time, political tensions appear to be escalating at the global level, threatening to drive the community of nations apart rather than further unite them. Despite these general risks, we are convinced that in the medium term the war in Ukraine will have some form of positive impact on the European community, including Ukraine, and that the sacrifices made by the Ukrainian people will serve a higher purpose in terms of long-term peace on the continent. Talks on EU expansion have seen a major new impetus in 2022, partly due to the Ukraine war, and will include states such as Ukraine and Moldova going forward. European economies were also able to become independent of Russian oil and gas within a year, further paving the way for a greener future and sending a clear message to commodity-funded authoritarian regimes around the world. Ukrainian democracy, which has already been in the crosshairs of Russian attacks for many years, will emerge stronger from the conflict. We are convinced that our role as an impact-oriented banking group will only grow in importance in such a pan-European environment. In this context, the planned conversion of the legal form of ProCredit Holding KGaA into an AG will be an important milestone for our group. This will further drive the development of ProCredit Holding as a listed company while maintaining its development mission and impact orientation.

Our banks have made important progress in recent years. Their positioning as SME banks is as strong as ever, and they are increasingly perceived as attractive banks for private clients as well. The profitability of most of our banks improved steadily, driven mainly by scaling effects and highly successful credit risk management. In the medium term, we continue to see good potential for these dynamics to continue. On this basis, we have raised our guidance for the group and now expect a return on equity of around 12% and a cost-income ratio of around 57% in the medium term, excluding one-time effects. In these forecasts we do not assume any potential for improvements, specifically as may result through the reconstruction of Ukraine co-financed by the Western community. We believe that we are uniquely positioned for such developments: a German bank in Ukraine benefitting from good relations with international financial institutions that have provided strategic support to the ProCredit group for many years.

This year, we would especially like to thank our colleagues in Ukraine for their inspiring, self-sacrificing work. They have our unlimited admiration. We would also like to express our sincere gratitude to the staff throughout our group who have supported us in performing relief activities as well as in achieving our positive financial result in this special year.

Lastly, we would like to thank Dr Gabriel Schor for his many years of service as a member of the Management Board of ProCredit Holding. Through his selfless and tireless work, he has contributed significantly to making the ProCredit group what it is today.

Frankfurt am Main, March 2023

Chair of the Management Board, ProCredit General Partner AG

Hubert Spechtenhauser

Above: 24/7 Zone in Sarajevo, ProCredit Bank Bosnia and Herzegovina
Below: Photovoltaic system of Kosmonte Foods Tirana, wholesaler and retailer of fresh meat, dairy products, frozen vegetables, tea and coffee; client of ProCredit Bank Albania

PROCREDIT ON THE CAPITAL MARKET

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

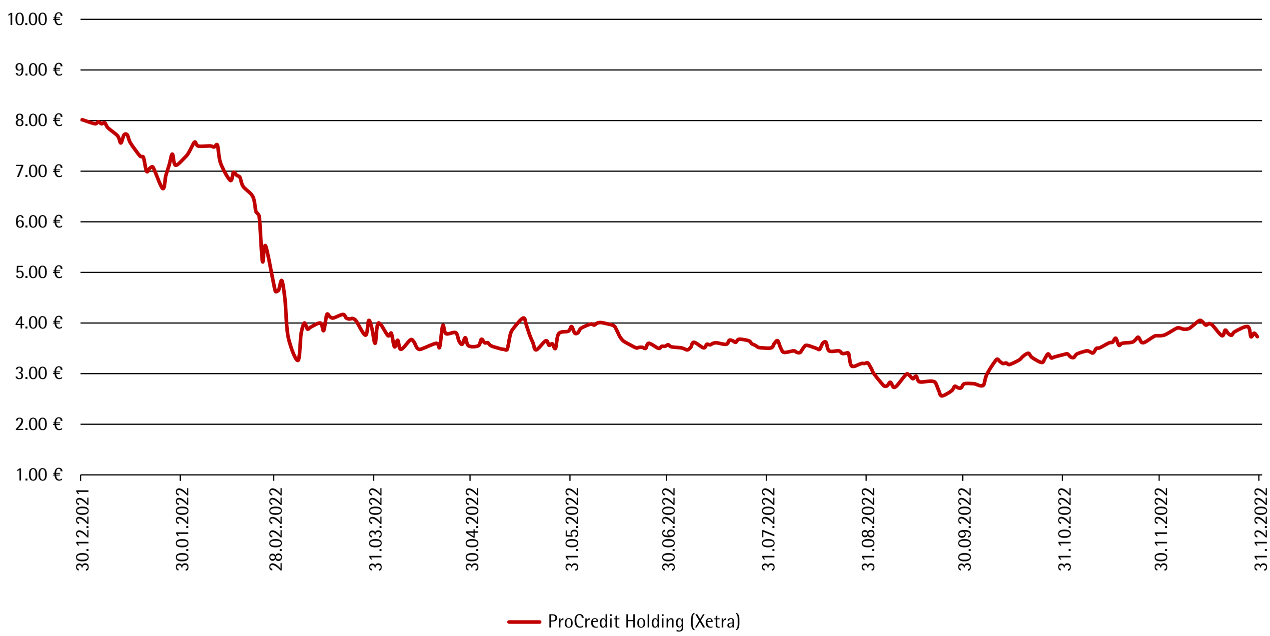
Key share data

ISIN	DE0006223407
Security ID no. (WKN)	622340
Stock exchange code	PCZ
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Xetra closing price on 30 December 2022	EUR 3.73
No. of shares	58.898.492 registered ordinary shares with no par value (Namensaktien)

On 30 December 2022 the shares were being traded on Xetra at a year-end closing price of EUR 3.73. Based on the 58,898,492 shares outstanding as of year-end, the market capitalisation of ProCredit Holding at that time was approximately EUR 220 million.

Over the last calendar year, an average of around 23,150 ProCredit Holding shares were traded through the Xetra system per day (2021: around 23,400 shares per day).

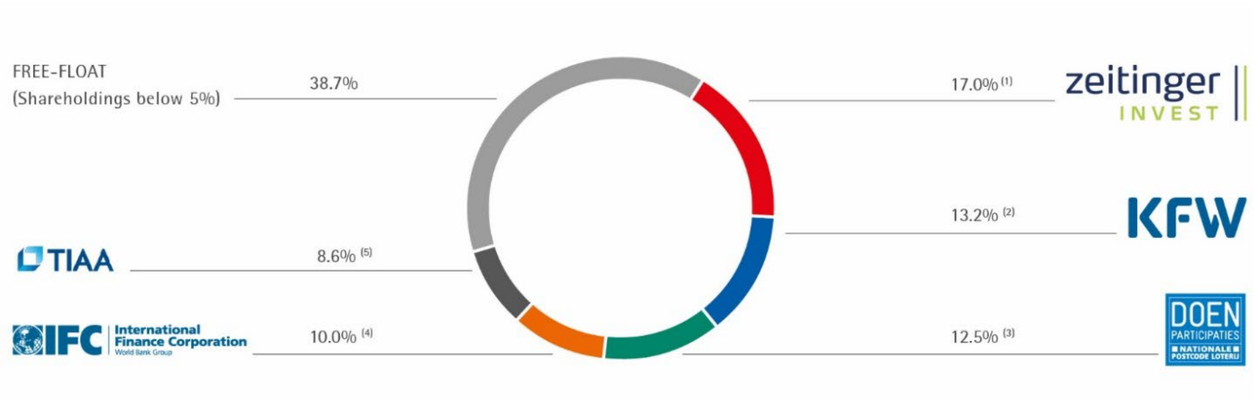
Price trend, calendar year 2022 (closing price, Xetra trading system)



Shareholder structure

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

The Teachers Insurance and Annuity Association of America holds between 5% and 10% of the shares. The free float, defined by the German Stock Exchange as holdings below the threshold of 5% of voting rights, was around 39% on 31 December 2022 according to voting rights notifications. This includes investments of more than 3% in ProCredit Holding AG & Co. KGaA by FMO (Netherlands Development Finance Company), BIO (Belgian Investment Company for Developing Countries), MultiConcept Fund Management, the European Bank for Reconstruction and Development and MainFirst.



(1) According to information voluntarily reported by Zeitinger Invest on 8 October 2018 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (2) According to the voting rights notifications as of 28 December 2016; (3) According to the voting rights notifications as of 29 December 2016; (4) According to the voting rights notifications as of 27 February 2018; (5) According to the voting rights notifications as of 29 December 2016

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

[1] The term "core shareholder" refers to the shareholders who also hold a stake in ProCredit General Partner AG. A description of the legal form of ProCredit Holding AG & Co. KGaA can be found in our statement on the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to section 161 of the German Stock Corporation Act.

Analysts

In 2022, three analysts reported regularly on ProCredit Holding. As of the end of the financial year, there were two buy recommendations. The share price targets were between EUR 8.00 and EUR 11.50. Current information on the analyst recommendations can be found on the ProCredit Holding website under Investor Relations.

Current Fitch Ratings of ProCredit Holding AG & Co. KGaA

In 2022, the BBB rating of ProCredit Holding was confirmed.

Current ESG ratings of ProCredit Holding AG & Co. KGaA

The company's MSCI ESG Research rating of "AA" was confirmed in June 2022. Likewise, the "Prime" status of ProCredit Holding AG & Co. KGaA was confirmed by ISS ESG in September 2022.

Our business strategy has always been based on sustainability and long-term thinking. The ProCredit group has thus been able to generate profits for its shareholders every year since its foundation, even during the last financial crisis. We believe that this stability is reflected in our business approach and that maintaining solid financial results over time must go hand in hand with equally good results in the area of sustainability. We are now publishing a comprehensive Impact Report for the sixth consecutive year, outlining our contributions and impact in environmental, social and corporate governance (ESG) in the context of the UN Sustainable Development Goals.

Investor Relations

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

In 2022, the Management of ProCredit Holding made several presentations on the ProCredit group at roadshows and conferences with investors.

In 2023, ProCredit Holding will again strive to maintain and further expand its contact with investors. An overview of upcoming events is regularly updated in the financial calendar on the ProCredit Holding website.

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

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

Shareholders' meetings

The 2022 Annual General Meeting of ProCredit Holding AG & Co. KGaA was held on 31 May 2022. In light of the ongoing COVID-19 pandemic, the 2022 Annual General Meeting was held virtually, as in the previous two years. At the meeting, 81.26% of the voting capital was represented. It was decided to not distribute a dividend for the 2021 financial year. The decision was made against the background of the war in Ukraine, where ProCredit Holding operates, thus taking account for the prevailing high level of political and economic uncertainty.

Ms Jovanka Joleska Popovska, Ms Marianne Loner, Dr H.P.M. (Ben) Knapen and Dr Jan Martin Witte, who were all standing for re-election, were confirmed as members of the Supervisory Board by the Annual General Meeting. In addition, Ms Helen Alexander was elected as a new member to the Supervisory Board. All other proposed resolutions were likewise approved by the shareholders of ProCredit Holding AG & Co. KGaA.

Detailed information on the 2022 Annual General Meeting can be found on the ProCredit Holding website under Investor Relations.

ProCredit Holding AG & Co. KGaA, Annual General Meeting 2022

Financial calendar 2023

15 May 2023	Quarterly Financial Report as of 31 March 2023
05 June 2023	Annual General Meeting
14 August 2023	Interim Report as of 30 June 2023
14 November 2023	Quarterly Financial Report as of 30 September 2023

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

Above: Interior view of the ProCredit Bank branch in Thessaloniki, Greece
Below: ProCredit Bank branch in Thessaloniki, Greece

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%[1] of the shares in ProCredit Holding. The core shareholders have guided the activities of the group since its foundation and make a material contribution to the success of the ProCredit group.

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

Internal management system

The Management of ProCredit Holding and the management boards of the ProCredit banks establish the strategic goals together in the course of the annual planning process. Discussions are held concerning the

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

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

We also consider the following key figures as additional indicators:

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

2 Our loan portfolio as of the balance sheet date of the current period relative to our loan portfolio as of 31 December of the previous year. Our loan portfolio corresponds to loans and advances to customers before loss allowances.
3Personnel and administrative expenses relative to operating income.
4 Profit attributable to ProCredit shareholders, divided by the average equity held by the ProCredit shareholders.
5 Ratio of our CET1 capital to risk-weighted assets.
6 Our loan portfolio relative to deposits as of the balance sheet date.
7 Our net interest income relative to the average total assets in the reporting period.
8 Loss allowance expenditures for a period relative to the average loan portfolio.
9 Defaulted loans relative to the loan portfolio at the respective balance sheet date.
10 Loss allowances for defaulted loans relative to defaulted loans as of the balance sheet date.

HUMAN RESOURCES REPORT[11]

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

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

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

Above: Group work at the ProCredit Academy, Fürth, Germany
Below: ProCredit Training Centre, Avala, Serbia

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

Statement of Financial Position	31.12.2022	31.12.2021	Change
Loan portfolio	6,107.7	5,924.4	183.3
Deposits	6,289.5	5,542.3	747.3

Statement of Profit or Loss	1.1.–31.12.2022	1.1.–31.12.2021	Change
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
without contribution of PCB Ukraine	*17.9*	*6.2*	*11.7*
Profit of the period	16.5	79.6	-63.1
without contribution of PCB Ukraine	*68.3*	*55.9*	*12.3*

Key performance indicators	1.1.–31.12.2022	1.1.–31.12.2021	Change
Change in loan portfolio	3.1%	12.8%	-9.7 pp
without contribution of PCB Ukraine	*6.9%*	*10.6%*	*-3.6 pp*
Cost-income ratio	64.0%	64.2%	-0.2 pp
Return on equity	1.9%	9.7%	-7.8 pp
without profit contribution of PCB Ukraine	*7.8%*	*6.9%*	*0.8 pp*

	31.12.2022	31.12.2021	Change
Common Equity Tier 1 capital ratio	13.5%	14.1%	-0.7 pp

Additional indicators	31.12.2022	31.12.2021	Change
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
without contribution of PCB Ukraine	*33 bp*	*13 bp*	*21 bp*
Share of defaulted loans	3.3%	2.3%	1.0 pp
without contribution of PCB Ukraine	*2.4%*	*2.4%*	*-0.1 pp*
Stage 3 loans coverage ratio	61.8%	49.6%	12.2 pp
without contribution of PCB Ukraine	*50.0%*	*48.4%*	*1.6 pp*
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.

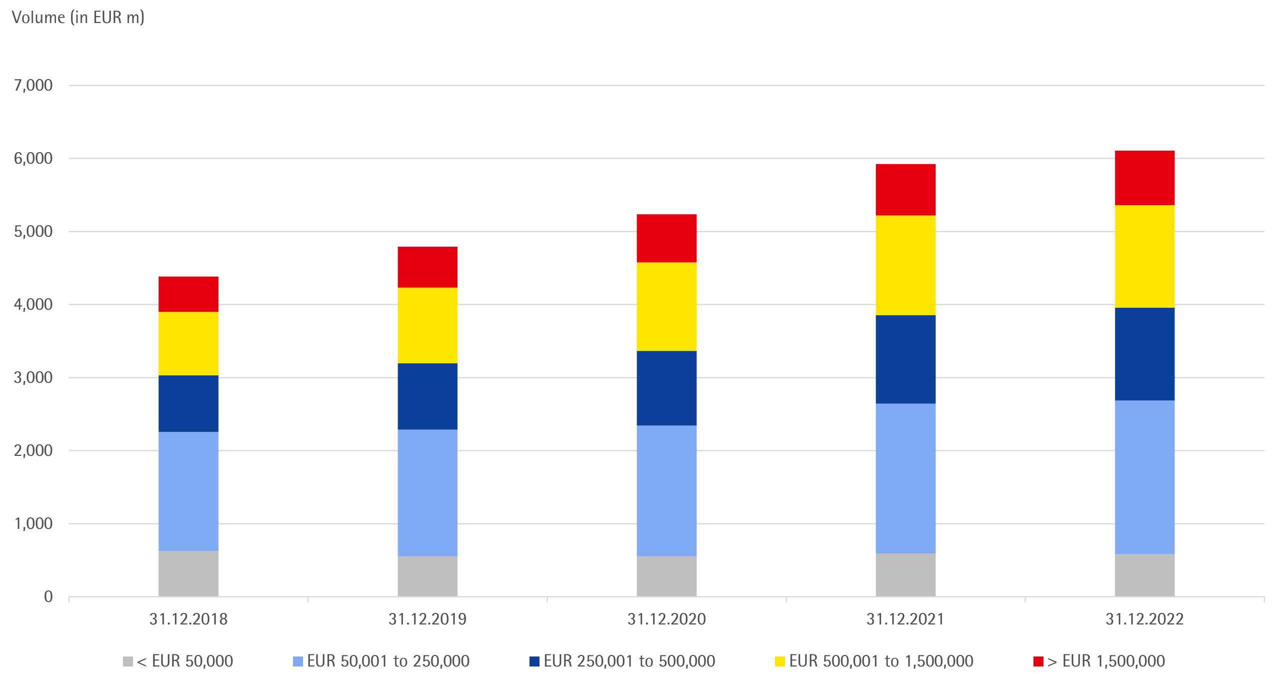
The group's capital base was stable in the financial year. The fully loaded CET 1 capital ratio declined by 0.7 pp to 13.0%. This development was mainly due to the downgrade of Ukraine's country rating, which led to an increase in risk weighting on our deposits with the Ukrainian central bank. The leverage 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.

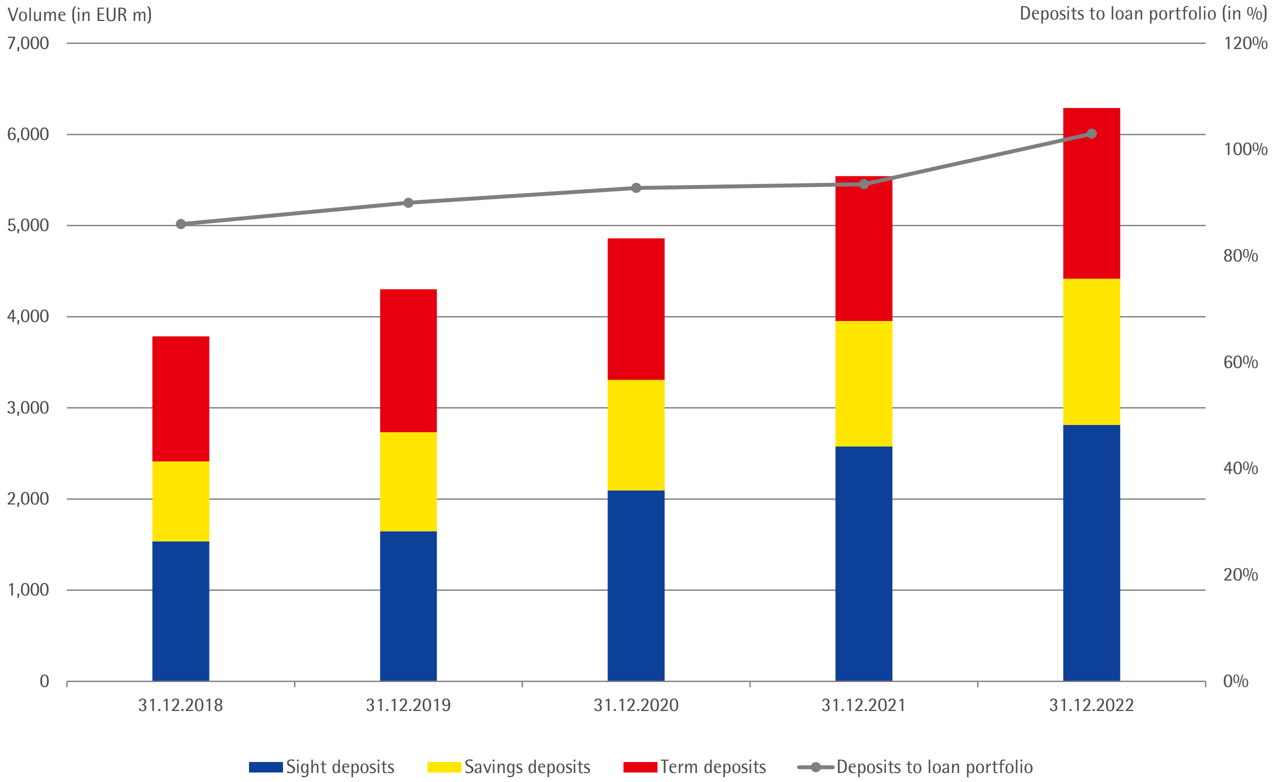
The loan portfolio of the ProCredit group continues to be highly diversified. The largest ten exposures represented not more than 2.0% of the group's total portfolio volume at the end of 2022.

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

Statement of Financial Position	31.12.2022	31.12.2021	Change
Loan portfolio	4,395.7	4,134.7	261.0
Deposits	4,566.3	3,936.8	629.5

Statement of Profit or Loss	1.1.–31.12.2022	1.1.–31.12.2021	Change
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

Key performance indicators	1.1.–31.12.2022	1.1.–31.12.2021	Change
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

Additional indicators	31.12.2022	31.12.2021	Change
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

Statement of Financial Position	31.12.2022	31.12.2021	Change
Loan portfolio	1,159.9	1,315.6	-155.8
Deposits	1,116.5	1,094.1	22.4

Statement of Profit or Loss	1.1.-31.12.2022	1.1.-31.12.2021	Change
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
without contribution of PCB Ukraine	*1.5*	*-1.7*	*3.2*
Profit of the period	-32.4	39.0	-71.5
without contribution of PCB Ukraine	*19.3*	*15.3*	*4.0*

Key performance indicators	1.1.-31.12.2022	1.1.-31.12.2021	Change
Change in loan portfolio	-11.8%	21.9%	-33.8 pp
without contribution of PCB Ukraine	*3.3%*	*12.1%*	*-8.8 pp*
Cost-income ratio	51.1%	45.5%	5.7 pp
Return on equity	-14.8%	17.8%	-32.7 pp
without profit contribution of PCB Ukraine	*8.3%*	*7.4%*	*0.9 pp*

Additional indicators	31.12.2022	31.12.2021	Change
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
without contribution of PCB Ukraine	*26 bp*	*-32 bp*	*58 bp*
Share of defaulted loans	7.4%	1.9%	5.5 pp
without contribution of PCB Ukraine	*2.9%*	*2.5%*	*0.4 pp*
Stage 3 loans coverage ratio	79.2%	58.7%	20.5 pp
without contribution of PCB Ukraine	*59.6%*	*55.3%*	*4.3 pp*
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[12]. 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[13].

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[14]. 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.

[12] Loan portfolio of ProCredit Bank Ukraine: EUR 582.3 million (2021: EUR 756.5 million)
[13] Stage 3 loans coverage ratio at ProCredit Bank Ukraine: 83.9% (2021: 63.0%)
[14] 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

Statement of Financial Position	**31.12.2022**	**31.12.2021**	**Change**
Loan portfolio	54.0	50.7	3.2
Deposits	263.7	257.1	6.5

Statement of Profit or Loss	**1.1.-31.12.2022**	**1.1.-31.12.2021**	**Change**
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 (Aktiengesetz – AktG).

Business activities of ProCredit Holding

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

- steering the strategy of the group
- providing support for the subsidiaries in implementing group-wide strategies for the various business areas and in the area of risk management
- implementation of the requirements specified under section 25a of the German Banking Act (Kreditwesengesetz – KWG) and under the German Federal Financial Supervisory Authority's policy document "Minimum Requirements for Risk Management", commonly referred to as "MaRisk", as well as ensuring the group's compliance with the German Money Laundering Act (Geldwäschegesetz – GWG)
- Monitoring and supervising the subsidiaries, especially in the areas of risk, finance, 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.

Above: TT Kabeli – production of power cables and electrical installations; client of ProCredit Bank Bosnia and Herzegovina
Below: Phorma – production of books and packaging materials for various products; client ProCredit Bank, Georgia

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.

Above: Vukoja - Mav, Tourism-hotel and restaurant, client of ProCredit Bank Bosnia and Herzegovina
Below: Vam Trade, production of metal structures and their parts, client of ProCredit Bank Kosovo

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.

Above: Staff of ProCredit Bank Kosovo
Below: Employee in front of ProCredit Bank Georgia's head office

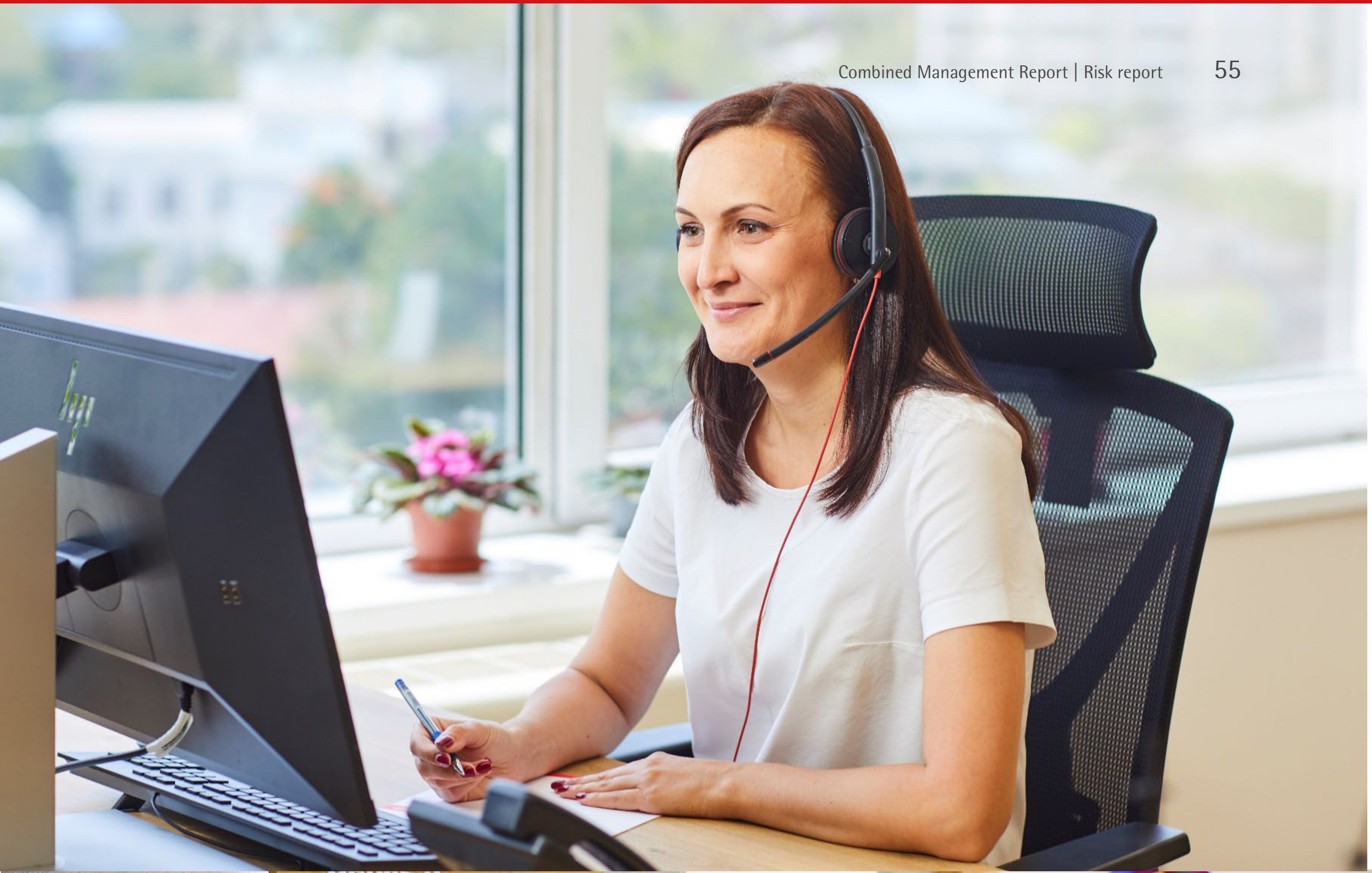
Management of Individual Risks

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.



Above: Contact Centre staff at ProCredit Bank Moldova
Below: 24/7 Zone in Tirana, ProCredit Bank Albania

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

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 predisbursement 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 Defaulted loan portfolio	31.12.2022 Total loan portfolio	31.12.2021 Defaulted loan portfolio	31.12.2021 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
Repossessed property	**3,770**	**6,274**

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 %			Unemploy-ment 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
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 %			Unemploy-ment 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
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 %			Unemploy-ment 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
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.

	31.12.2022		
in '000 EUR	**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
Total	**206,336**	**214,930**	**224,178**

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
Total		**23.2**	**-23.2**	**28.9**	**28.9**

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
Total		**6.4**	**-6.4**	**10.7**	**10.7**

** 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%
Gross outstanding amount		**6,107,726**	**100.0%**	**5,924,410**	**100.0%**

** 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 exists 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.

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

	31.12.2021		
in '000 EUR	**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 Stage 1	Stage 2	Stage 3	POCI	Total
South Eastern Europe					
Gross outstanding amount	4,121,719	194,537	78,459	1,035	**4,395,750**
Loss allowances	-35,957	-10,748	-43,428	-418	**-90,550**
Net outstanding amount	4,085,762	183,789	35,031	618	**4,305,199**
Eastern Europe					
Gross outstanding amount	854,718	218,852	85,054	1,257	**1,159,880**
Loss allowances	-13,755	-26,231	-67,697	-627	**-108,310**
Net outstanding amount	840,962	192,622	17,357	630	**1,051,570**
South America					
Gross outstanding amount	432,072	32,609	32,801	657	**498,139**
Loss allowances	-2,815	-1,288	-11,008	-197	**-15,308**
Net outstanding amount	429,257	31,321	21,793	460	**482,831**
Germany					
Gross outstanding amount	51,555	1,995	408	-	**53,958**
Loss allowances	-425	-316	-21	-	**-762**
Net outstanding amount	51,130	1,679	387	-	**53,196**
Total					
Gross outstanding amount	5,460,063	447,993	196,721	2,949	**6,107,726**
Loss allowances	-52,952	-38,583	-122,154	-1,242	**-214,930**
Net outstanding amount	5,407,111	409,410	74,567	1,707	**5,892,796**
Financial contingent liabilities					
Nominal amount	768,658	53,666	1,080	-	**823,404**
Provisions	-2,626	-1,026	-543	-	**-4,195**

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

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

Development of loss allowances in the South Eastern Europe segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-27,261**	**-11,012**	**-43,893**	**-451**	**-82,617**
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**
Loss allowances as of 31.12.2022	**-35,957**	**-10,748**	**-43,428**	**-418**	**-90,550**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-26,708**	**-7,865**	**-43,968**	**-333**	**-78,873**
New financial assets originated	-13,196	-2,110	-2,934	-	**-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**
Loss allowances as of 31.12.2021	**-27,261**	**-11,012**	**-43,893**	**-451**	**-82,617**

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
Loss allowances as of 1.1.2022	**-15,248**	**-6,099**	**-14,167**	**-499**	**-36,014**
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**
Loss allowances as of 31.12.2022	**-13,755**	**-26,231**	**-67,697**	**-627**	**-108,310**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-13,719**	**-7,077**	**-12,488**	**-593**	**-33,877**
New financial assets originated	-9,600	-456	-1,212	-	**-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**
Loss allowances as of 31.12.2021	**-15,248**	**-6,099**	**-14,167**	**-499**	**-36,014**

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
Loss allowances as of 1.1.2022	**-3,102**	**-1,037**	**-8,317**	**–**	**-12,457**
New financial assets originated	-1,332	–	–	–	**-1,332**
Release due to derecognition	629	214	2,340	–	**3,183**
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	**-4,604**
Usage of allowance	–	–	639	–	**639**
Exchange rate movements and others	-200	-66	-473	2	**-737**
Loss allowances as of 31.12.2022	**-2,815**	**-1,288**	**-11,008**	**-197**	**-15,308**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-2,314**	**-1,500**	**-5,628**	**–**	**-9,442**
New financial assets originated	-1,665	–	-2,167	–	**-3,833**
Release due to derecognition	485	330	1,491	–	**2,306**
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	–	**-1,192**
Usage of allowance	–	–	612	–	**612**
Exchange rate movements and others	-217	-105	-586	–	**-908**
Loss allowances as of 31.12.2021	**-3,102**	**-1,037**	**-8,317**	**–**	**-12,457**

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
Loss allowances as of 1.1.2022	**-353**	**-4**	**-**	**-**	**-356**
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	-	-	-	-	**-**
Loss allowances as of 31.12.2022	**-425**	**-316**	**-21**	**-**	**-762**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-213**	**-278**	**-**	**-**	**-491**
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	-	-	-	-	**-**
Loss allowances as of 31.12.2021	**-353**	**-4**	**-**	**-**	**-356**

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**
Gross outstanding amount		**5,460,063**	**447,993**	**196,721**	**2,949**	**6,107,726**

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**
Gross outstanding amount		**5,573,524**	**215,148**	**133,166**	**2,572**	**5,924,410**

** 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.*

in '000 EUR	31.12.2022										
	Business loans								Private loans		
	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	Total
Stage 1												
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	**5,460,063**
Loss allowance	-10,125	-8,275	-9,805	-1,960	-3,214	-3,996	-1,435	-3,085	-7,748	-1,675	-1,636	**-52,952**
Net outstanding amount	1,379,868	927,563	1,079,497	224,751	300,455	458,904	147,337	359,723	413,416	49,528	66,070	**5,407,111**
Stage 2												
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	**447,993**
Loss allowance	-4,599	-10,693	-9,655	-1,988	-3,390	-2,095	-1,912	-3,663	-410	-110	-68	**-38,583**
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	**409,410**
Stage 3												
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	**196,721**
Loss allowance	-20,555	-50,234	-25,676	-6,250	-2,286	-3,045	-2,725	-7,203	-2,306	-768	-1,105	**-122,154**
Net outstanding amount	13,617	15,146	24,468	4,650	1,152	2,696	2,462	7,229	2,370	315	461	**74,567**
POCI												
Gross outstanding amount	239	843	0	155	-	19	1,074	567	22	30	1	**2,949**
Loss allowance	-82	-223	-	-153	-	-19	-577	-150	-16	-21	-1	**-1,242**
Net outstanding amount	157	620	0	1	-	-	497	417	6	9	-	**1,707**
Total												
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	**6,107,726**
Loss allowance	-35,361	-69,425	-45,136	-10,351	-8,890	-9,155	-6,648	-14,101	-10,479	-2,574	-2,810	**-214,930**
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	**5,892,796**

	31.12.2021											
	Business loans								Private loans			
in '000 EUR	Wholesale and retail trade	Agricul-ture, forestry and fishing	Produc-tion	Trans-portation and storage	Electrici-ty, gas, steam and air conditio-ning supply*	Con-struc-tion and real estate*	Hotel, restau-rant and catering*	Other economic activities*	Housing*	Invest-ment loans *	Con-sumer loans*	Total
Stage 1												
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	**5,573,524**
Loss allowance	-10,609	-8,826	-8,870	-1,741	-2,257	-3,035	-1,264	-2,894	-4,488	-1,166	-813	**-45,964**
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	**5,527,560**
Stage 2												
Gross outstanding amount	41,676	39,596	47,923	22,988	1,760	6,564	27,699	21,499	3,972	993	478	**215,148**
Loss allowance	-2,760	-4,708	-3,431	-2,197	-241	-435	-2,460	-1,377	-425	-89	-28	**-18,152**
Net outstanding amount	38,916	34,888	44,492	20,791	1,519	6,128	25,240	20,121	3,547	904	451	**196,996**
Stage 3												
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	**133,166**
Loss allowance	-17,908	-10,780	-12,489	-5,646	-1,321	-1,765	-3,308	-7,865	-3,317	-1,072	-907	**-66,377**
Net outstanding amount	16,751	9,658	13,751	5,323	216	1,404	6,901	8,822	2,955	549	457	**66,788**
POCI												
Gross outstanding amount	326	656	-	217	-	16	917	392	27	22	1	**2,572**
Loss allowance	-171	-88	-	-	-	-16	-633	-9	-11	-22	-1	**-951**
Net outstanding amount	155	568	-	217	-	-	283	383	16	-	-	**1,622**
Total												
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	**5,924,410**
Loss allowance	-31,449	-24,402	-24,791	-9,583	-3,819	-5,250	-7,665	-12,146	-8,241	-2,349	-1,750	**-131,444**
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	**5,792,966**

** 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.

in '000 EUR	31.12.2022 < EUR 50,000	EUR 50,000 – 250,000	EUR 250,000 – 500,000	EUR 500,000 – 1,500,000	> EUR 1,500,000	Total
Business loans	**386,631**	**1,803,199**	**1,222,174**	**1,394,098**	**746,088**	**5,552,189**
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
Private loans	**195,395**	**301,518**	**50,477**	**8,147**	**–**	**555,537**
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
Gross outstanding amount	**582,026**	**2,104,717**	**1,272,651**	**1,402,244**	**746,088**	**6,107,726**

in '000 EUR	31.12.2021 < EUR 50,000	EUR 50,000 – 250,000	EUR 250,000 – 500,000	EUR 500,000 – 1,500,000	> EUR 1,500,000	Total
Business loans	**405,015**	**1,804,543**	**1,170,158**	**1,358,369**	**703,816**	**5,441,901**
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
Private loans	**187,334**	**247,316**	**39,131**	**8,729**	**–**	**482,509**
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
Gross outstanding amount	**592,349**	**2,051,859**	**1,209,289**	**1,367,098**	**703,816**	**5,924,410**

** 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	67.1	1,215,034	64.7
Mandatory reserve	*642,300*		*565,798*	
of which covered by insurance	*-190,000*		*-190,000*	
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*	
Total	**2,351,259**	**100.0**	**1,879,346**	**100.0**

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	
Ratings	**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	-	-
Central bank balances	**1,771,117**	**-3,098**	**1,405,779**	**-745**

in '000 EUR	31.12.2022		31.12.2021	
Ratings	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	-	-
Loans and advances to banks	**281,174**	**-721**	**252,654**	**-5**

in '000 EUR	31.12.2022		31.12.2021	
Ratings	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	-	-
Investment securities	**480,225**	**-167**	**410,421**	**-101**

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.

in '000 EUR	Up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Maturity not applicable	Gross nominal inflow/ outflow
	31.12.2022						
Assets							
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
Total assets	**2,655,958**	**524,914**	**2,021,531**	**2,978,096**	**1,209,025**	**6,023**	**9,395,545**
Liabilities							
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
Total liabilities	**4,648,863**	**311,267**	**1,409,248**	**1,533,168**	**212,673**	**-2,708**	**8,112,512**
Contingent liabilities							
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
Contractual liquidity surplus (+)/gap (-)	**-3,009,047**	**213,646**	**612,282**	**1,444,928**	**996,351**	**8,730**	

	31.12.2021						
in '000 EUR	Up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Maturity not applicable*	Gross nominal inflow/ outflow
Assets							
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
Total assets	**2,164,586**	**432,025**	**1,805,660**	**3,020,745**	**1,345,519**	**12,351**	**8,780,887**
Liabilities							
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
Total liabilities	**4,132,576**	**288,808**	**1,444,063**	**1,193,543**	**420,731**	**-1,955**	**7,477,765**
Contingent liabilities							
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
Contractual liquidity surplus (+)/gap (-)	**-2,954,566**	**143,217**	**361,597**	**1,827,202**	**924,789**	**14,306**	

** 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: ● customer credit risk ● counterparty risk ● country risk	Portfolio model based on a Monte Carlo simulation (VaR)
Foreign currency risk	Monte Carlo simulation (VaR)
Interest rate risk	Historical simulation (VaR)
Operational risk	Quantitative model based on a Monte Carlo simulation
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.

	31.12.2022	31.12.2021
in EUR m	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
Total	**593.9**	**604.2**
Total limit used in %	**75.2%**	**73.1%**

** 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%
Total capital ratio	**14.3%**	**15.3%**

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
Leverage ratio	**8.9%**	**9.3%**

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

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

Primary responsibility for the internal control system and risk management system in the financial reporting process, and thus for its effectiveness and monitoring, lies with the Management. The Management establishes the general principles and defines areas of responsibility. 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[15]

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/).

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

Above: Femetal - manufacture and installation of products combining stainless steel with wood, stone and glass; client ProCredit Bank Bosnia and Herzegovina
Below: Lamex - production, construction and sale of wooden furniture, wood-based materials and laminates, interior doors, sanitary units and rain shelters; client of ProCredit Bank Serbia

ProCredit Holding Supervisory Board Report

Dear Shareholders,

In the following, I would like to inform you about the work undertaken by the Supervisory Board (**"Supervisory Board"**) of ProCredit Holding AG & Co. KGaA (**"ProCredit Holding"** or **"Company"**) in the 2022 financial year.

In the 2022 financial year, the Supervisory Board and its committees (**"Committees"**, each a **"Committee"**) performed their respective tasks as defined by the law, the Company's Articles of Association and the Supervisory Board's and the Committees' Internal Rules of Procedure, in particular:

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

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

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

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

In the 2022 financial year, the Supervisory Board and the Committees regularly advised the General Partner on the management of ProCredit Holding and continuously supervised its conduct of business. The Supervisory Board concluded that the management of the Company was lawful, proper and appropriate.

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

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

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

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

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

Supervisory Board meetings during 2022

Attendance of the Supervisory Board members at the meetings in 2022

	Plenary Assembly		Committees		Total	
Number of meetings/ Participation in%	Quantity	in%	Quantity	in%	Quantity	in%
Dr Klaus-Peter Zeitinger	6/7	86	4/5	80	10/12	83
Rainer Ottenstein	11/11	100	8/8	100	19/19	100
Dr H.P.M. (Ben) Knapen	11/11	100	9/9	100	20/20	100
Helen Alexander	4/4	100	4/4	100	8/8	100
Marianne Loner	8/11	73	7/9	78	15/20	75
Jovanka Joleska Popovska	11/11	100	8/8	100	19/19	100
Dr Jan Martin Witte	9/11	82	8/8	100	17/19	89

In the financial year 2022, the Supervisory Board of the Company held eleven meetings that were conducted as hybrid meetings – taking place in presence, with the possibility of participation via video link – owing to risks and restrictions imposed as consequences of the COVID-19 pandemic. There were two written votes in the financial year 2022.

Based on the quarterly Management Board reports, group-wide risk reports and the reports of the group Internal Audit Department, the Supervisory Board received timely and detailed reports from the General Partner on the current business and financial performance of the ProCredit group, including analysis in relation to planning, as well as analysis of the group risk position and risk management, internal audit findings and significant personnel and organisational issues. In the context of the war in Ukraine, particular attention was given to the situation of ProCredit Bank Ukraine and to the effect of the war on the financial and the overall situation of the Company and the ProCredit group. Between March and June 2022, the Supervisory Board members were updated in regular and irregular meetings of the identically composed supervisory board of the General Partner initially weekly and then later bi-weekly by Management on this particular topic. In the context of the on-going COVID-19 pandemic, particular attention was always given to indicators and initiatives which relate to operational risk, credit risk, liquidity planning, regulatory changes and other fields likely to become affected by the COVID-19 pandemic. In 2022, the Supervisory Board also adjusted the remuneration system of the Supervisory Board members to be more in line with market standards. As in previous years, the Supervisory Board has always given due consideration to the environmental, impact and ethical aspects of our operations, and not just the financial results.

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

The members of the Supervisory Board essentially take care self-responsibly of their training and further education measures required for their work. In the financial year 2022, the members of the Supervisory Board asked for training on ICAAP models and certain IT-related questions. This said, the Company has offered to support the Supervisory Board members upon their appointment with training and professional development measures as needed.

In its **meeting on 11 February 2022**, the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 11 February 2022 and provided its unanimous acknowledgement. In addition to the routine agenda points, the supervisory board of the General Partner had been presented by the Management the Management Report (focussing on business development and IT Support, the development of human resources, credit risk, the financial results of the business year 2021, including the preliminary financial results from the financial year 2021, and investor relations activities) for 2021. The supervisory board of the General Partner, following the recommendation of its Nomination Committee, had further appointed Huber Spechtenhauser to the Management Board for a term of three years, with his term beginning on 1 March 2022. Further, the Supervisory Board referred to the discussions of the Supervisory Board's Risk and Audit Committee of the same day, in which the Risk and Audit Committee's members had been informed by the Management on the 2022 Strategies for Group Business, Group Risk and Group IT. The Risk and Audit Committee had further been presented the Group Risk Report and the Group and PCH Audit Report, both for the fourth quarter 2021. Finally, Management informed the Supervisory Board on non-audit services contracted in the year 2021.

In its **meeting dated 7 March 2022** the Supervisory Board elected Mr Rainer Peter Ottenstein as replacement for Dr Klaus-Peter Zeitinger as chairperson for the period until the Company's Shareholders' Meeting 2022.

In its **meeting dated 18 March 2022** and its written vote dated 22 March 2022 the Supervisory Board acknowledged the Management Board's update of the General Partner's supervisory board on the situation in Ukraine and its effects on ProCredit Bank Ukraine's business, its financial and liquidity situation and staff, and on the Company and the ProCredit group, in particular their financial and liquidity situation, and resolved on recommendations to the Management Board to avoid conflicts of interest and to maintain good corporate governance following the resignation of Dr Klaus-Peter Zeitinger from the chairmanship of the Supervisory Board.

In its **meeting on 23 March 2022**, the Supervisory Board acknowledged the discussions held, and the resolution proposals brought forward, by the General Partner's supervisory board meeting held on 23 March 2022. To start with, the supervisory board of the General Partner had been updated by Management on the business development in the first two months of the year 2022.

Further, in addition to the discussions held in the Risk and Audit Committee of the Supervisory Board, the supervisory board of the General Partner had further discussed the annual financial statements of the Company, the consolidated financial statements for the ProCredit group, and the Combined Management Report, each for the year 2021 (collectively **"Financials 2021"**), as well as the General Partner's proposal to the Ordinary Shareholders' Meeting of the Company not to pay a dividend out of the profits from the year 2021, and the results of the statutory audit of the Financials 2021. The supervisory board of the General Partner had further acknowledged the outcome of the review conducted by the Risk and Audit Committee dated 23 March 2022 of the (1) the Annual Report, (2) the Group Impact Report, (3) the Group Compliance Report and (4) the Group Anti-Money-Laundering Report, each for 2021. The Supervisory Board also referred to the Risk and Audit Committee's review of the afore-mentioned reports.

Moreover, the supervisory board of the General Partner had referred to (1) the presentation of the statutory auditor on the scope, approach and results of the statutory audit of the Financials 2021, and (2) to the presentation of the Management on the Financials 2021 to the Risk and Audit Committee of the same day; it had further discussed those presentations and then resolved to give its formal consent to the General Partner's approval to the adoption (*Feststellung*) of the Company's annual financial statements and the Combined Management Report 2021 by the Company's Shareholders' Meeting.

The Supervisory Board thereinafter, referring to, and discussing, the recommendations of its Risk and Audit Committee of the same day, which had been based on a presentation by the Management and on the statutory auditor's presentation on the scope, approach and results of the statutory audit resolved (1) to approve (*billigen*) the Financials 2021; (2) to approve the proposal of the General Partner concerning the appropriation of profits from the financial year 2021 (carry forward the entire profits (*Bilanzgewinn*) to new account), and (3) to approve the report of the Supervisory Board to be submitted in accordance with Article 171 German Stock Corporation Act (AktG).

Further, following the Risk and Audit Committee's recommendation, the Supervisory Board resolved to propose to the Shareholders' Meeting (1) to adopt (*feststellen*) the Financials 2021, (2) to resolve on the appropriation of the Company's profits of the financial year 2021 (carry forward the entire profits (*Bilanzgewinn*) to new account); and (3) to appoint BDO AG WPG as the statutory auditor for the financial year 2022.

Thereinafter, the Supervisory Board resolved to further propose to the Shareholders' Meeting (1) to formally ratify the acts of the General Partner for the financial year 2021; (2) to formally ratify the acts of the members of the Supervisory Board for financial year 2021; and (3) to approve the Remuneration Report to be submitted in accordance with Article 120a German Stock Corporation Act (AktG). The Supervisory Board resolved not to present to the Shareholders' Meeting for approval the remuneration system of the Management Board as the special legal characteristics of a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) did not require such presentation.

Making reference to the recommendation of the Supervisory Board's Nomination Committee of the same day, the Supervisory Board resolved to propose to the Company's Ordinary Shareholders' Meeting to re-elect Dr H.P.M. (Ben) Knapen, Ms Jovanka Joleska Popovska and Dr Jan Martin Witte, and to elect for the first time Mr Monish Dutt and Ms Helen Alexander, as members of the Supervisory Board with effect from the end of the Ordinary Shareholders' Meeting 2022 and ending with the conclusion of the Company's Shareholders' Meeting which decides whether to ratify the acts of the members of the Supervisory Board in the year 2027.

Finally, the Supervisory Board resolved (1) to approve the Compliance Statement (*Entsprechenserklärung*) regarding the German Corporate Governance Code, (2) to appoint Mr Florian Stahl as the chairperson (*Versammlungsleiter*) of the Company's Shareholders' Meeting 2022 and (3) to grant its approval to the General Partner to conduct that Shareholders' Meeting as a purely virtual assembly in accordance with the Act on measures in company, cooperative, association, foundation and residential property law to combat the effects of the COVID-19 pandemic.

In its written vote dated **21 April 2022** the Supervisory Board took the relevant preparatory resolutions for the authorisation of the issuance of AT1-Capital for a period of five years and for changes to the remuneration system of the Supervisory Board and the remuneration of the Supervisory Board members to be resolved upon by the General Meeting.

In **the first part** of its meeting **on 9 May 2022**, the Supervisory Board reviewed the discussions and decisions of its Risk and Audit Committee of the same day, which had comprised, among others, the presentation of the group financial results as of March 2022, and the assessment of the quality of the statutory auditors. The Supervisory Board further referred to the presentation, discussions and resolution of the Risk and Audit Committee regarding updated country limits for the ProCredit banks, the Group Risk Report and the Internal Audit Report for the Company and the group, both for the first quarter 2022.

The Supervisory Board finally reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 9 May 2022 and provided its acknowledgement. The General Partner's supervisory board had been provided Management Report for the first quarter of the year 2022, comprising the business development, an update on credit risk, the financial results and an update on the investor relations activities.

In the **second part** of its meeting **on 9 May 2022**, the Supervisory Board, based on the report of its Nomination Committee of the same day, and following its own examination, approved (1) the publication of an election proposal filed by the International Finance Corporation (IFC) in accordance with which Mr Monish Dutt should be replaced by Ms Marianne Loner as a candidate to the Supervisory Board in connection with the Company's Shareholders' Meeting 2022, and (2) the Supervisory Board's statement to that counter proposal.

In its **meeting on 20 May 2022** the Supervisory Board approved, following its examination (1) the publication of a counter proposal filed by Zeitinger Invest GmbH regarding the proposal to the Company's Shareholders' Meeting of a new remuneration system for the Supervisory Board as well as (2) the Supervisory Board's and the Management Board's joint statement to that counter proposal.

In its **meeting on 3 June 2022**, following the Company's Shareholders' Meeting, the Supervisory Board elected Mr Rainer Peter Ottenstein as chairperson and Dr H.P.M. (Ben) Knapen as deputy chairperson. It further appointed the members of the Supervisory Board's Risk and Audit Committee and Nomination Committee and adjusted the internal rules of procedures of these Committees in order for the corporate governance of each Committee to reflect a structure of three members and two deputy members.

In its **meeting on 15 July 2022** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 15 July 2022 and provided its unanimous acknowledgement. In addition to the routine agenda points, the supervisory board of the General Partner had been presented the Management Report for the first half of the year 2022. The Management Board had reported that the preliminary figures of the first half of the business year were marked by a strong business growth, despite the challenging situation in Ukraine.

In its **meeting on 8 August 2022** the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board meeting held on 8 August 2022 and provided its unanimous acknowledgement. The supervisory board of the General Partner had been provided the Management Report as of July 2022, and had acknowledged, based upon the information provided by Management to the Risk and Audit Committee of the same day for review, the final group financial results and the Interim Report, both as of 30 June 2022 (including the input of the statutory auditor regarding the review conducted on that Interim Report), the Group Risk Report and the Internal Audit Report, each for the first half 2022. The Supervisory Board further acknowledged the decision of the General Partner's supervisory board of 8 August

2022 according to which Mr Hubert Spechtenhauser had been appointed as the chairperson of the Management Board with effect from 1 October 2022.

In its **meeting on 9 November 2022** the Supervisory Board acknowledged the discussions held, and the resolution proposals brought forward, by the General Partner's supervisory board meeting held on 9 November 2022. To start with, the General Partner's supervisory board had been updated with the Management Report for Q3 2022, including the group business development, IT support, development on human resources, credit risk, financials, and investor relations. The General Partner's supervisory board had further been updated by Management in depth of the options at hand regarding the envisaged change of legal form of the Company. Further, the General Partner's supervisory board had been presented, and discussed, the preliminary business plan and the group strategy for 2023. The General Partner's supervisory board had further resolved, in each case, (1) on its intention to appoint Mr Christian Dagrosa to the Management Board for three years subject to all formalities having been fulfilled, (2) to ask Management to initiate the formal proceedings with BaFin relating to a nomination of Ms Eriola Bibolli to the Management Board, (3) to approve a new business distributions plan, and (4) to give its consent in line with sec. 88 German Stock Corporation Act (AktG) regarding Ms Sandrine Massiani's activities as the managing director (Geschäftsführerin) of ProCredit Academy GmbH.

Referring to the discussions and the proposals of the General Partner's Remuneration Control Committee of the same day, the supervisory board of the General Partner had further (1) approved a new remuneration system for the Management and its chairperson, (2) agreed to appropriately structure the remuneration system for the employees, and (3) assessed the impact of the new Management and staff remuneration systems on the risk, capital and liquidity situation of the Company.

Further, the Supervisory Board acknowledged, and referred to, the Management's presentations to, and the related discussions with, the Risk and Audit Committee of the same day, that had also been acknowledged by the supervisory board of the General Partner. The Supervisory Board's Risk and Audit Committee had been presented the group financial statements and the Interim Report, both as of 30 September 2022 as well as the Group Risk Report, and the Internal Audit Reports, each as of 30 September 2022. The Risk and Audit Committee had also discussed the focus areas for the next external audit of the Company.

Referring to the discussions and conclusions of its Nomination Committee of the same day, the Supervisory Board examined the efficiency of its own activities and those of its Committees. In this context, it confirmed its members and those of the Committees to be well-informed and able to fulfil their supervisory functions considering their experience and on the basis of regular contact and meetings with the members of the Management Board members and other managers and colleagues across the group. They further indicated that they would like to see a training on ICAAP models and certain IT-related questions.

Finally, the Supervisory Board confirmed that the General Partner's work processes in 2022 had been effective, and that they had acted in the best interest of the Company. This was in line with the assessment of the General Partner's supervisory board concerning the members of the Management Board.

Committee Work

The Risk and Audit Committee dealt in six meetings and one telephone conference with the monitoring of financial accounting, including the accounting process, and the effectiveness of the risk management system, in particular the overall risk appetite and risk strategy, with a focus on credit, liquidity, FX, interest rate, and operational risk. The Committee dealt in its meetings with the risk situation and risk management of the Company and the ProCredit group. In this regard, the discussions focused on the impact of the economic effects triggered by the pandemic and the Ukraine war on the group's risk areas as well as the measures to control and reduce them. The Committee also discussed the Group Business Strategy 2022, Group Risk Strategy 2022 and Group IT Strategy 2022, acknowledging the special attention which had been given therein to the ESG approach of including the relevant aspects of sustainability risk management. Other focal points of the Risk and Audit Committee in 2022 were the monitoring of the regulatory background, the discussion of a recommendation to the Supervisory Board regarding the proposal to the Shareholders' Meeting not to make any dividend payment in 2022 due to the developments in Ukraine, despite this not being in line with the existing dividend policy, the discussion of the results of the Bundesbank inspection pursuant to § 44 KWG and the increased emphasis on an appropriate deposit to loan ratio of the ProCredit banks.

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

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

The Risk and Audit Committee decided, after duly following the statutory selection process, to recommend to the Supervisory Board, and later to the Shareholders' Meeting, that BDO AG WPG be re-appointed as the Company's and the group's statutory auditor for the financial year 2022. In this context, it took into account the results of the independence audit, which did not reveal any indications of bias or threats to independence.

The Risk and Audit Committee further dealt with the preparatory measures for the audit of the annual financial statements and consolidated financial statements for 2022 and defined its own focal points for the audit for the financial year 2022. It also dealt with the particularly significant audit matters presented in the auditor's report, and in the separate non-financial report. Towards the end of the year, it further defined its focal points for the financial year 2023.

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

The Company's Nomination Committee convened five times in 2022. It recommended to the Supervisory Board to propose to the Shareholders' Meeting to re-elect Dr H.P.M. (Ben) Knapen, Ms Marianne Loner, Ms Jovanka Popovska and Dr Jan Martin Witte, and to elect for the first time Ms Helen Alexander, as suitable candidates to the Supervisory Board. In doing so, the Nomination Committee was guided by the statutory requirements, the objectives set by the Supervisory Board, the competence profile established for the body as a whole, potential conflicts of interest and the diversity of the members of the Supervisory Board. It also considered the balance and diversity of knowledge, skills and experience of all members of the Supervisory Board and discussed the independence of each proposed Supervisory Board member.

Further, the Nomination Committee supported the Supervisory Board regarding the yearly report on the annual assessment of the Supervisory Board.

Audit of ProCredit Holding AG & Co. KGaA

The annual financial statements for ProCredit Holding, the consolidated annual financial statements and the Combined Management Report for ProCredit Holding and the ProCredit group for financial year 2022 were audited by the statutory auditor BDO AG Wirtschaftsprüfungsgesellchaft, Hamburg, Germany. The external auditor granted an unqualified audit opinion in each case.

The Risk and Audit Committee also carefully examined the annual financial statements of ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the Combined Management Report and the Non-financial Report for the group for the financial year 2022. The external auditors participated via video in the respective meeting of the Risk and Audit Committee and in the corresponding Supervisory Board meeting at which the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the Combined Management Report and the Non-financial Report for financial year 2022 were discussed. In accordance with applicable law, the Non-financial Report was not subject to the statutory audit.

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

After conducting its own review and discussion of the annual financial statements, the consolidated annual financial statements, the Combined Management Report and the Non-financial Report for the group, the Supervisory Board acknowledged the findings of the auditor's report and stated that no objections would be submitted. In accordance with the recommendation of the Risk and Audit Committee, the Supervisory Board approved the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group for financial year 2022 and recommended that the Shareholders' Meeting adopt (*feststellen*) the annual financial statements for ProCredit Holding.

The Supervisory Board also examined the proposal of the General Partner concerning the appropriation of profits from the financial year 2022. It assented to the proposal of the General Partner and recommends the proposal to carry the entire profit (*Bilanzgewinn*) of EUR 60,250,867.82 from the financial year 2022 forward to new account in accordance with sec. 278 (3) and 58 (3) AktG (German Stock Corporation Act).

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

Following the Company's Ordinary Shareholders' Meeting on 31 May 2022 Dr H.P.M. (Ben) Knapen, Ms Jovanka Joleska Popovska, Dr Jan Martin Witte and Ms Marianne Loner were re-elected, and Ms Helen Alexander was elected for the first time, as members of the Supervisory Board. The Supervisory Board thereinafter re-elected Mr Rainer Peter Ottenstein as chairperson.

In the Risk and Audit Committee meeting dated 11 February 2022 Mr Rainer Peter Ottenstein resigned as chairperson, and Dr Ben Knapen was re-elected as chairperson as his mandate as interim Foreign Minister of the Netherlands had expired. Following the Company's Ordinary Shareholders' Meeting on 31 May 2022, the members of the Risk and Audit Committee re-elected Dr Ben Knapen as chairperson and the members of the Nomination Committee elected Mr Rainer Peter Ottenstein as chairperson.

The Supervisory Board acknowledged that Mr Hubert Spechtenhauser had been appointed on 11 February 2022 by the supervisory board of the General Partner, following the recommendation of its Nomination Committee, to the Management Board for a term of three years, with his term beginning on 1 March 2022, and in a later unanimous decision as the chairperson of the Management Board with effect from 1 October 2022. The Supervisory Board further acknowledged the General Partner's supervisory board's unanimous intention of 9 November 2022 to appoint Mr Christian Dagrosa to the Management Board for three years subject to the successful completion of the qualification programme requested by BaFin, which was to end on 31 December 2022. Mr Dagrosa following the successful completion of the qualification programme was appointed to the Management Board for a term of three years, with his term beginning on 1 January 2023.

Conflicts of Interests

In the financial year 2022 there were no conflicts of interest of individual members of the Supervisory Board.

Frankfurt am Main, 23 March 2023

Rainer Peter Ottenstein

Chairperson of the Supervisory Board of

ProCredit Holding AG & Co. KGaA

Above: Sera Noastra, cultivation of vegetables in greenhouse, client of ProCredit Bank Moldova
Below: Champicomp, production of compost for growing mushrooms, client of ProCredit Bank Serbia

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in '000 EUR	Note	1.1.–31.12.2022	1.1.–31.12.2021
Interest income (effective interest method)		384,326	310,438
Interest expenses		119,692	88,418
Net interest income	6	**264,634**	**222,020**
Fee and commission income		81,214	73,380
Fee and commission expenses		26,483	22,524
Net fee and commission income	7	**54,731**	**50,855**
Result from foreign exchange transactions	8	23,886	18,317
Result from derivative financial instruments and hedging relationships	17	3,531	629
Result on derecognition of financial assets measured at amortised cost		-221	1
Net other operating result	9	-6,713	-9,941
Operating income		**339,848**	**281,881**
Personnel expenses	10	101,726	90,096
Administrative expenses	11	115,702	90,763
Loss allowance	12	104,573	6,490
Profit before tax		**17,847**	**94,532**
Income tax expenses	22	1,350	14,890
Profit of the period		**16,497**	**79,642**
Profit attributable to ProCredit shareholders		*16,497*	*79,642*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in '000 EUR	Note	1.1.–31.12.2022	1.1.–31.12.2021
Profit of the period		**16,497**	**79,642**
Items that are or may be reclassified to profit or loss			
Change in revaluation reserve	18	-4,902	-714
Change in value not recognised in profit or loss		*-4,931*	*-738*
Change in loss allowance (recognised in profit or loss)		*29*	*24*
Change in deferred tax on revaluation reserve	18	167	56
Change in translation reserve	5	1,363	28,633
Change in value not recognised in profit or loss		*1,363*	*28,633*
Other comprehensive income of the period, net of tax		**-3,372**	**27,975**
Total comprehensive income of the period		**13,125**	**107,617**
Total comprehensive income attributable to ProCredit shareholders		*13,125*	*107,617*
Earnings per share* in EUR	14	0.28	1.35

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in '000 EUR	Note	31.12.2022	31.12.2021
Assets			
Cash	15	171,663	140,488
Central bank balances	4, 12, 15	1,768,019	1,405,034
Loans and advances to banks	4, 12, 16	280,453	252,649
Derivative financial assets	4, 17	12,729	1,343
Investment securities	4, 12, 18	480,168	410,400
Loans and advances to customers	4, 12, 19	5,892,796	5,792,966
Property, plant and equipment	20	133,703	137,536
Intangible assets	21	17,993	18,411
Current tax assets	22	4,323	3,472
Deferred tax assets	22	10,714	1,746
Other assets	4, 12, 23	53,564	51,855
Total assets		**8,826,125**	**8,215,901**
Liabilities and equity			
Liabilities to banks	4	1,318,647	1,313,666
Derivative financial liabilities	4, 17	614	360
Liabilities to customers	4, 25	6,289,511	5,542,251
Debt securities	4, 26	191,988	353,221
Other liabilities	27	40,248	41,629
Provisions	28	18,168	16,816
Current tax liabilities	22	2,028	3,614
Deferred tax liabilities	22	1,888	640
Subordinated debt	4, 26	93,597	87,390
Liabilities		**7,956,690**	**7,359,587**
Subscribed capital and capital reserve	31	441,277	441,277
Retained earnings		512,537	496,044
Translation reserve		-81,783	-83,145
Revaluation reserve		-2,596	2,139
Equity attributable to ProCredit shareholders		**869,434**	**856,314**
Total liabilities and equity		**8,826,125**	**8,215,901**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2022	**441,277**	**496,044**	**-83,145**	**2,139**	**856,314**
Profit of the period		16,497			16,497
Other comprehensive income of the period, net of tax			1,363	-4,735	-3,372
Total comprehensive income of the period		16,497	1,363	-4,735	13,125
Other changes		-4			-4
Balance as of 31.12.2022	**441,277**	**512,537**	**-81,783**	**-2,596**	**869,434**

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2021	**441,277**	**447,434**	**-111,779**	**2,797**	**779,729**
Profit of the period		79,642			79,642
Other comprehensive income of the period, net of tax			28,633	-658	27,975
Total comprehensive income of the period		79,642	28,633	-658	107,617
Distributed dividends		-31,216			-31,216
Other changes		185			185
Balance as of 31.12.2021	**441,277**	**496,044**	**-83,145**	**2,139**	**856,314**

CONSOLIDATED STATEMENT OF CASH FLOWS

in '000 EUR	Note	1.1.–31.12.2022	1.1.–31.12.2021
Profit of the period		16,497	79,642
Income tax expenses		1,350	14,890
Profit before tax		**17,847**	**94,532**
Non-cash items included in the profit of the period and transition to the cash flow from operating activities:			
Depreciation, impairment and appreciation of loans and advances, property, plant and equipment and financial investments		134,486	30,681
Increase / decrease of provisions		9,047	6,864
Gains / losses from disposal of fixed assets		-202	99
Other non-cash expenses and income		-265,115	-214,892
Subtotal		-103,938	-82,717
Net change in assets and liabilities from operating activities:			
Loans and advances to banks		78,661	-83,087
Loans and advances to customers		-196,102	-676,523
Other assets from operating activities		-42,596	-29,432
Liabilities to banks		5,409	78,610
Liabilities to customers		743,528	642,752
Debt securities	26	-174,045	72,453
Other liabilities from operating activities		9,234	-3,835
Interest received		377,481	314,083
Interest paid		-117,795	-88,522
Income tax paid		-12,900	-10,636
Cash flow from operating activities		**566,938**	**133,147**
Proceeds from disposal of fixed assets		8,743	4,049
Payments for purchase of fixed assets		-21,224	-17,492
Cash flow from investing activities		**-12,482**	**-13,443**
Dividends paid		0	-31,216
Proceeds from subordinated loans	26	4,000	0
Payments for subordinated loans	26	-5,304	-4,790
Cash flow from financing activities		**-1,304**	**-36,006**
Cash and cash equivalents at end of previous year		**1,398,793**	**1,279,229**
Cash flow from operating activities		566,938	133,147
Cash flow from investing activities		-12,482	-13,443
Cash flow from financing activities		-1,304	-36,006
Effects of exchange rate changes		5,986	35,867
Cash and cash equivalents at end of period	15	**1,957,931**	**1,398,793**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting principles

1 Basis of accounting

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. Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. The parent company of the group is ProCredit Holding AG & Co. KGaA ("ProCredit Holding"), domiciled at Rohmerplatz 33-37, 60486 Frankfurt am Main, Germany (Commercial Register Frankfurt, Section B No. 91858). We prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as applicable within the European Union.

Our consolidated financial statements as of 31 December 2022 comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes to the Consolidated Financial Statements. Further disclosures with regard to the nature and extent of risks arising from financial instruments are presented in our risk report as part of the Combined Management Report. The corporate governance statement, 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/).

The consolidated financial statements are presented in euros, which is also the group's functional currency. The financial year of the ProCredit group is the calendar year. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (EUR, %, etc.). The significant accounting policies have been consistently applied to all financial years presented, unless otherwise stated. Recognition and measurement is performed on a going-concern assumption.

In the course of preparing the consolidated financial statements, further assumptions, estimates and necessary management judgements were made. All estimates and assumptions required are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis and are based on past experience and other factors, including expectations with regard to future events, and are considered appropriate under the given circumstances. For a description of the effects of estimates and judgements, please refer to notes 4) Financial instruments, 12) Loss allowance, 21) Intangible assets, 22) Income taxes, 28) Provisions, 30) Fair value of financial instruments, as well as the Risk Report in the Combined Management Report.

2 Principles of consolidation

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

The following subsidiaries are included in the scope of consolidation as of 31 December 2022:

#	Name of institution	Company purpose	Principal place of business	Turnover in '000 EUR	Profit before tax in '000 EUR	Income tax expenses in '000 EUR	Staff No. 31.12.2022	Proportion of ownership interest	
								31.12.2022	31.12.2021
	EU member states								
1	ProCredit Bank (Bulgaria) E.A.D.	Credit institution with banking licence	Bulgaria	57,474	22,050	2,520	428	100.0	100.0
2	ProCredit Bank AG	Credit institution with banking licence	Germany	14,901	4,737	0	65	100.0	100.0
3	ProCredit Academy GmbH	Training academy	Germany	3,254	0	0	28	100.0	100.0
4	QUIPU GmbH	IT consulting and software company	Germany	42,639	-207	49	412	100.0	100.0
5	ProCredit Bank S.A.	Credit institution with banking licence	Romania	18,445	3,262	139	151	100.0	100.0
	Non-EU member states								
6	ProCredit Bank Sh.a	Credit institution with banking licence	Albania	10,519	1,155	262	140	100.0	100.0
7	ProCredit Bank d.d.	Credit institution with banking licence	Bosnia and Herzegovina	13,802	3,676	632	165	100.0	100.0
8	Banco ProCredit S.A.	Credit institution with banking licence	Ecuador	24,107	2,871	618	302	100.0	100.0
9	JSC ProCredit Bank	Credit institution with banking licence	Georgia	31,975	17,071	3,077	272	100.0	100.0
10	ProCredit Bank Sh.a	Credit institution with banking licence	Kosovo	37,994	22,740	2,086	301	100.0	100.0
11	ProCredit Bank A.D.	Credit institution with banking licence	North Macedonia	17,348	4,917	492	212	100.0	100.0
12	ProCredit Regional Academy Eastern Europe dooel	Training academy	North Macedonia	376	-50	0	4	100.0	100.0
13	BC ProCredit Bank S.A.	Credit institution with banking licence	Moldova	16,967	6,422	820	130	100.0	100.0
14	ProCredit Bank a.d. Belgrade	Credit institution with banking licence	Serbia	42,576	12,065	1,524	387	100.0	100.0
15	JSC ProCredit Bank	Credit institution with banking licence	Ukraine	48,983	-62,625	-10,872	305	100.0	100.0

Turnover corresponds to the position “Operating income”. The amounts shown above are based on the respective annual financial statements for each subsidiary (without eliminating transactions between group companies).

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

Significant restrictions

As of 31 December 2022, our group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which the banking subsidiaries operate. These frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets. Please refer to our disclosures in the risk report as part of the Combined Management Report. In some countries where the ProCredit group operates, payout of dividends is subject to the approval of local regulatory authorities. No dividends on ordinary shares may currently be distributed by ProCredit Bank Ukraine due to martial law. Furthermore, Ukrainian banks are not permitted to make early repayments to non-resident creditors or to shorten the terms of existing contracts. In addition, there are restrictions on our accounts in Russian rubles totalling EUR 703 thousand, for which we have established loss allowances in full. For information on currency translation, please refer to note 5).

3 Accounting developments

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

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

The following standards, amendments or interpretations were issued by the IASB and endorsed by the EU and had no impact on our consolidated financial statements: amendments to IFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”, amendments to IFRS 3: “Reference to the Conceptual Framework”, to IAS 16: "Property, Plant and Equipment – Proceeds before Intended Use" and to IAS 37: "Onerous Contracts – Cost of Fulfilling a Contract”.

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

- Amendments to IAS 1 and to IFRS Practice Statement 2: “Making Materiality Judgements” have a negligible impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8: “Definition of accounting estimates” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12: "Deferred Taxes related to Assets and Liabilities arising from a Single Transaction" have a minor impact on the measurement of deferred taxes. The amendments are effective for annual periods beginning on or after 1 January 2023.
- IFRS 17 “Insurance Contracts” will not have an impact on the consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 1: “Classification of Liabilities as Current or Non-Current” and “Non-current Liabilities with Covenants” have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2024.
- Amendments to IFRS 16: “Lease Liability in a Sale and Leaseback” have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2024.

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

4 Financial instruments

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

We differentiate between the following business models:

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

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

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

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

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

(a) Financial assets and liabilities at amortised costs

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

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

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the Consolidated Statement of Profit or Loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

(b) Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income

A financial asset is classified and recognised as "Fair Value through Other Comprehensive Income" ("FVOCI"), if the financial asset is allocated to the "hold to collect and sell" business model.

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

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

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

(c) Financial assets and financial liabilities at fair value through profit or loss

Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under "Derivative financial assets". Derivatives with a negative fair value are carried as financial liabilities and are reported under "Derivative financial liabilities". We designate certain derivatives as hedging instruments in qualifying hedging relationships (hedge accounting) in accordance with IFRS 9. At the inception of the hedging relationship, we formally document the relationship between the hedging instrument(s) and hedged item(s), including risk management objectives and strategies for undertaking the hedge, and the method of assessing effectiveness. We assess compliance with the effectiveness requirements both at the inception of the hedging relationship and on an ongoing basis.

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

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

5 Foreign currency translation

(a) Transactions in foreign currency

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

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

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

(b) Group companies

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

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

With 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. In addition, transactions on the interbank market may not exceed the fixed exchange rate plus 1%. We consider the Ukrainian hryvnia rate published by the National Bank of Ukraine to be appropriate for currency translation.

Result for the financial year

6 Net interest income

in '000 EUR	1.1.–31.12.2022	1.1.–31.12.2021
Interest income from		
Central bank balances	7,450	664
Loans and advances to banks	3,169	859
Derivative financial assets	1,170	384
Investment securities FVOCI	3,961	2,680
Investment securities AC	16,343	5,586
Loans and advances to customers	351,471	299,947
Prepayment penalty	762	319
Interest income (effective interest method)	**384,326**	**310,438**
Interest expenses on		
Liabilities to banks	41,306	27,711
Derivative financial liabilities	1,155	504
Liabilities to customers	62,162	43,400
Debt securities	6,711	7,406
Subordinated debt	5,766	5,029
Negative interest from assets	2,591	4,368
Interest expenses	**119,692**	**88,418**
Net interest income	**264,634**	**222,020**

Interest income from our green loan portfolio amounts to EUR 57.9 million (2021: EUR 44.9 million).

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

7 Net fee and commission income

in '000 EUR	1.1.–31.12.2022	1.1.–31.12.2021
Fee and commission income from		
Payment services	27,827	25,244
Debit/credit cards	17,749	13,388
Account maintenance fee	22,631	22,601
Letters of credit and guarantees	6,769	5,982
Others	6,238	6,165
Fee and commission income	**81,214**	**73,380**
Fee and commission expenses on		
Payment services	4,833	4,201
Debit/credit cards	16,222	11,773
Account maintenance fee	2,184	3,323
Letters of credit and guarantees	3,045	3,080
Others	198	147
Fee and commission expenses	**26,483**	**22,524**
Net fee and commission income	**54,731**	**50,855**

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

8 Result from foreign exchange transactions

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

in '000 EUR	1.1.-31.12.2022	1.1.-31.12.2021
Currency exchange	26,724	20,114
Net gains and losses from FX revaluation	-2,838	-1,797
Result from foreign exchange transactions	**23,886**	**18,317**

9 Net other operating income

in '000 EUR	1.1.-31.12.2022	1.1.-31.12.2021
Other operating income from		
Reversal of provisions	1,858	2,110
Reimbursement of expenses	390	461
Sale of repossessed properties	1,772	2,238
Sale of property, plant and equipment	692	628
IT-services	5,467	4,650
Rental of investment properties	780	827
Others	4,111	2,737
Other operating income	**15,069**	**13,651**
Other operating expenses for		
Deposit insurance	9,566	8,847
Reimbursement	543	423
Disposal of property, plant and equipment	490	727
Impairment of repossessed properties	2,270	3,625
Administration of repossessed properties	333	414
Credit recovery services and solvency checks	818	1,059
Impairment of goodwill	1,909	1,397
Litigation settlements	1,652	3,707
Provisions for non-financial contingent liabilities	-	202
Others	4,201	3,193
Other operating expenses	**21,782**	**23,592**
Net other operating result	**-6,713**	**-9,941**

The ProCredit group received public funding totalling EUR 142 thousand in the 2022 financial year (2021: EUR 86 thousand). In the previous period, staff of ProCredit Academy GmbH also received furlough compensation from the Federal Employment Agency in the amount of EUR 187 thousand, which was netted against personnel expenses presented below.

10 Personnel expenses and employees

in '000 EUR	1.1.-31.12.2022	1.1.-31.12.2021
Salary expenses	84,831	75,119
Social security expenses	11,945	9,751
Post-employment benefits plans (Defined contribution plans)	3,074	3,555
Post-employment benefits plans (Defined benefit plans)	372	374
Other employee benefits	1,504	1,298
Personnel expenses	**101,726**	**90,096**

During the reporting period, total compensation paid to the Management of ProCredit General Partner AG as the representative of ProCredit Holding comprises short-term benefits and amounted to EUR 857 thousand (2021: EUR 580 thousand). The total remuneration of ProCredit Holding's Supervisory Board for mandates within the group in the financial year amounts to EUR 193 thousand (2021: EUR 122 thousand). Further details on remuneration for the Management Board and Supervisory Board are provided in the remuneration report, which is published on the website of ProCredit Holding.

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

	2022		2021	
	Average	**Year end**	**Average**	**Year end**
South Eastern Europe	1,802	1,879	1,695	1,685
Eastern Europe	708	731	710	711
South America	271	302	242	243
Germany	528	525	524	539
Total	**3,309**	**3,437**	**3,171**	**3,178**

11 *Administrative expenses*

in '000 EUR	**1.1.–31.12.2022**	**1.1.–31.12.2021**
Depreciation fixed and intangible assets (incl. impairment)	28,490	22,576
IT expenses	20,504	18,606
Office space-related expenses	12,709	10,104
Non-profit tax	15,202	13,054
Legal and consulting fees	14,284	7,274
Marketing, advertising and representation	6,952	4,235
Transport	3,476	1,698
Recruitment and other personnel-related expenses	5,620	4,176
Insurances	2,671	2,717
Expenses for short-term leases	1,413	1,292
Expenses for leases of low-value items	403	353
Expenses for variable lease payments	228	255
Other administrative expenses	3,750	4,424
Administrative expenses	**115,702**	**90,763**

Of the total administrative expenses, EUR 7,360 thousand (2021: EUR 6,353 thousand) was incurred for staff training.

The higher depreciation of fixed and intangible assets (including impairment) resulted from non-recurring depreciation of office buildings owned by ProCredit Bank Ukraine (see also note 20). The increase in legal and consulting fees is mainly due to additional legal and consulting services resulting from the war in Ukraine.

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

in '000 EUR	**1.1.–31.12.2022**	**1.1.–31.12.2021**
Audit of financial statements	401	464
Tax advisory services	–	–
Other confirmatory services	6	6
Other services	–	–
Group auditor expenses	**407**	**470**

12 Loss allowance

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

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

in '000 EUR	**1.1.-31.12.2022**	**1.1.-31.12.2021**
Change in loss allowances	116,396	19,058
Recovery of written-off loans	-12,204	-12,816
Direct write-offs	381	248
Loss allowance	**104,573**	**6,490**

Change in loss allowances

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

- Stage 1: All financial assets are allocated to Stage 1 upon recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). We establish loss allowances in an amount equivalent to the expected credit losses during a maximum of 12 months following the balance sheet date, insofar as there is no significant increase in credit risk since initial recognition.
- Stage 2: If credit risk increases significantly, the assets are classified as Stage 2 and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- Stage 3: Impaired financial assets are classified as Stage 3 and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. For significant exposures, loss allowances are determined individually on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised on the net book value (with consideration of loss allowances).

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

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

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

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

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

13 Segment reporting

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

in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
	1.1.-31.12.2022					
Interest income (effective interest method)	191,339	145,769	45,752	26,120	-24,653	384,326
of which inter-segment	*1,306*	*1,873*	*7*	*21,468*		
Interest expenses	36,977	62,362	20,277	24,579	-24,502	119,692
of which inter-segment	*8,460*	*4,959*	*6,561*	*4,523*		
Net interest income	**154,363**	**83,407**	**25,475**	**1,541**	**-151**	**264,634**
Fee and commission income	60,838	14,971	2,085	15,027	-11,706	81,214
of which inter-segment	*327*	*10*	-	*11,369*		
Fee and commission expenses	25,780	8,288	1,842	2,299	-11,726	26,483
of which inter-segment	*7,120*	*3,952*	*497*	*156*		
Net fee and commission income	**35,058**	**6,683**	**243**	**12,727**	**20**	**54,731**
Result from foreign exchange transactions	14,153	10,126	163	-542	-14	23,886
of which inter-segment	*170*	*185*	-	*-341*		
Result from derivative financial instruments and hedging relationships	1,178	-	-	2,353	0	3,531
of which inter-segment	*7,575*	-	-	*-7,575*		
Result on derecognition of financial assets measured at amortised cost	2	-223	-	-	-	-221
Net other operating result	-3,332	-304	-1,775	72,871	-74,173	-6,713
of which inter-segment	*3,069*	*1,918*	-	*69,186*		
Operating income	**201,422**	**99,687**	**24,107**	**88,949**	**-74,318**	**339,848**
Personnel expenses	43,535	16,660	7,440	34,091	-	101,726
Administrative expenses	72,924	34,289	12,620	44,519	-48,650	115,702
of which inter-segment	*22,124*	*12,308*	*4,631*	*9,587*		
Loss allowance	14,756	88,145	1,175	497	-	104,573
Profit before tax	**70,208**	**-39,407**	**2,871**	**9,843**	**-25,668**	**17,847**
Income tax expenses	7,692	-6,965	618	4		1,350
Profit of the period	**62,516**	**-32,443**	**2,253**	**9,838**	**-25,668**	**16,497**
Profit attributable to ProCredit shareholders						*16,497*

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

in '000 EUR	Total assets excluding taxes	Total liabilities excluding taxes	Contingent liabilities
	31.12.2022		
South Eastern Europe	6,214,734	5,565,877	839,411
Eastern Europe	1,722,763	1,534,882	150,580
South America	625,581	573,941	21,617
Germany	2,108,173	1,369,230	4,534
Consolidation	-1,860,163	-1,091,155	-
Total	**8,811,088**	**7,952,774**	**1,016,143**

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

14 Earnings per share

in '000 EUR	1.1.–31.12.2022	1.1.–31.12.2021
Profit of the period	16,497	79,642
Profit attributable to ProCredit shareholders	*16,497*	*79,642*
Weighted average number of ordinary shares	58,898,492	58,898,492
Earnings per share* (in EUR)	**0.28**	**1.35**

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

Notes to the Consolidated Statement of Financial Position

15 Cash and central bank balances

in '000 EUR	31.12.2022	31.12.2021
Cash	171,663	140,488
Central bank balances	1,771,117	1,405,779
Loss allowances for central bank balances	-3,098	-745
Cash and central bank balances	**1,939,682**	**1,545,522**
Loss allowances for central bank balances	3,098	745
Loans and advances to banks with a maturity up to 3 months	274,057	248,000
Investment securities with a maturity up to 3 months	256,741	200,539
Central bank balance which do not qualify as cash for the statement of cash flows	-515,648	-596,014
Cash and central bank balances for the statement of cash flows	**1,957,931**	**1,398,793**

The changes in central bank balances and the respective loss allowances are presented in the following tables. In the previous year, all central bank balances were classified as Stage 1.

	2022					2021
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Gross outstanding amount as of 1.1.	**1,405,779**	**-**	**-**	**-**	**1,405,779**	**1,271,090**
New financial assets originated	326,995	-	-	-	326,995	52,718
Derecognition	-236,095	-15,231	-	-	-251,326	-71,977
Transfers between stages	-48,993	48,993	-	-	-	-
Change in exposure	265,771	8,659	-	-	274,430	142,443
Exchange rate movements	9,410	5,828	-	-	15,238	11,505
Gross outstanding amount as of 31.12.	**1,722,868**	**48,249**	**-**	**-**	**1,771,117**	**1,405,779**

	2022					2021
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Loss allowances as of 1.1.	**-745**	**-**	**-**	**-**	**-745**	**-599**
New financial assets originated	-350	-	-	-	-350	-84
Release due to derecognition	1	-	-	-	1	0
Transfers between stages	370	-370	-	-	-	-
Change in credit risk	-267.77	-1580.38	0	0	-1,848	-45.62
Exchange rate movements and others	16	-172	-	-	-156	-16
Loss allowances as of 31.12.	**-976**	**-2,123**	**-**	**-**	**-3,098**	**-745**

16 Loans and advances to banks

The changes in loans and advances to banks and the respective loss allowances are presented in the following tables. In the previous year, all loans and advances to banks were classified as Stage 1.

	2022					2021
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Gross outstanding amount as of 1.1.	**252,654**	**–**	**–**	**–**	**252,654**	**236,524**
New financial assets originated	387,853	–	–	–	387,853	260,684
Derecognition	-300,374	–	–	–	-300,374	-240,970
Transfers between stages	-345	-480	825	–	–	–
Change in exposure	-64,037	84	0	–	-63,953	-8,832
Exchange rate movements	4,719	396	-121	–	4,994	5,248
Gross outstanding amount as of 31.12.	**280,470**	**–**	**703**	**–**	**281,174**	**252,654**

	2022					2021
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Loss allowances as of 1.1.	**-5**	**–**	**–**	**–**	**-5**	**-5**
New financial assets originated	-7	–	–	–	-7	-10
Release due to derecognition	4	–	–	–	4	3
Transfers between stages	0	385	-385	–	–	–
Change in credit risk	-10	-171	-439	–	-620	7
Exchange rate movements and others	0	-215	121	–	-93	0
Loss allowances as of 31.12.	**-17**	**–**	**-703**	**–**	**-721**	**-5**

17 Derivative financial assets and liabilities

	31.12.2022			31.12.2021		
		Fair value			Fair value	
in '000 EUR	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Foreign exchange derivatives						
Swaps	109,048	35	587	152,544	941	206
Forwards	14,555	3	7	4,455	2	3
Interest rate derivatives						
Interest rate swaps (hedging instruments)	84,324	10,387	20	37,441	238	-
Interest rate swaps (others)	17,658	2,304	-	18,387	161	150
Derivative financial assets and liabilities	**225,585**	**12,729**	**614**	**212,827**	**1,343**	**360**

The "Result from derivative financial instruments and hedging relationships" is mainly attributable to changes in interest rates.

Derivatives are not netted in the statement of financial position. Under existing framework agreements for derivative trading, derivative financial assets and liabilities can be offset against each other if the counterparty defaults (global netting agreements). The following table presents the potential netting volume:

	31.12.2022		31.12.2021	
in '000 EUR	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Gross presentation	12,729	614	1,343	360
Potential netting volume	-31	-31	-	-
Potential net amount	12,698	583	1,343	360

We designate interest rate swaps as hedging instruments in hedging relationships (hedge accounting) in accordance with IFRS 9. These are used to hedge against changes in the fair value of fixed-interest loans or fixed-interest irrevocable loan commitments attributable to interest rate risk (micro fair value hedge). Gains or losses arising from changes in the fair value of interest rate swaps are recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". Gains or losses arising from changes in the fair value of hedged items attributable to interest rate risk are also recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". The carrying amount of hedged items is adjusted accordingly.

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

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

The main causes of possible hedge ineffectiveness are:

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

The remaining maturities of interest rate swaps as fair value hedges related to interest rate risk on loans and irrevocable loan commitments are broken down as follows:

	Remaining maturity as of 31.12.2022			**Remaining maturity as of 31.12.2021**		
in 000' EUR	**Up to 1 year**	**1-5 years**	**More than 5 years**	**Up to 1 year**	**1-5 years**	**More than 5 years**
Nominal amount	-	-	84,324	-	-	37,441
Average fixed interest rate	-	-	2.8%	-	-	3.1%

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

	31.12.2022			
		Carrying amount		
in '000 EUR	**Nominal amount**	**Assets**	**Liabilities**	**Change in fair value used for recognising hedge ineffectiveness for the period**
Hedging instruments				
Interest rate swaps	84,324	10,387	20	10,177

	31.12.2022		
	Assets		
in '000 EUR	**Carrying or nominal amount**	**Accumulated amount of fair value hedge adjustments included in the carrying amount**	**Change in value used for recognising hedge ineffectiveness for the period**
Hedged items			
Loans and irrevocable credit commitments	71,213	-9,931	-9,630

in '000 EUR	1.1.–31.12.2022
Hedge ineffectiveness recognised in profit or loss	548

	31.12.2021			
		Carrying amount		
in '000 EUR	Nominal amount	Assets	Liabilities	Change in fair value used for recognising hedge ineffectiveness for the period
Hedging instruments				
Interest rate swaps	37,441	238	-	277

	31.12.2021		
	Assets		
in '000 EUR	Carrying or nominal amount	Accumulated amount of fair value hedge adjustments included in the carrying amount	Change in value used for recognising hedge ineffectiveness for the period
Hedged items			
Loans and irrevocable credit commitments	37,192	-302	-302

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

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

18 Investment securities

	31.12.2022			31.12.2021		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Fixed interest rate securities	228,763	195,956	424,719	204,021	146,734	350,755
Variable interest rate securities	35,650	19,857	55,506	42,898	16,768	59,665
Loss allowance		-57	-57		-20	-20
Investment securities	**264,412**	**215,756**	**480,168**	**246,919**	**163,481**	**410,400**

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

	2022			2021		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Gross outstanding amount as of 1.1.	**246,919**	**163,498**	**410,417**	**197,524**	**138,987**	**336,511**
New financial assets originated	144,685	188,173	332,859	131,562	140,658	272,220
Derecognition	-112,717	-128,035	-240,752	-81,912	-129,010	-210,922
Change in exposure	-14,640	2,396	-12,244	-156	-3	-159
Exchange rate movements	165	-10,219	-10,054	-99	12,866	12,767
Gross outstanding amount as of 31.12.	**264,412**	**215,813**	**480,225**	**246,919**	**163,498**	**410,417**

in '000 EUR	2022 Investment securities at FVOCI	2022 Investment securities at AC	2022 Total	2021 Investment securities at FVOCI	2021 Investment securities at AC	2021 Total
Loss allowances as of 1.1.	**-81**	**-20**	**-101**	**-59**	**-35**	**-94**
New financial assets originated	-98	-55	-152	-55	-60	-115
Release due to derecognition	51	16	67	21	25	46
Change in credit risk	18	3	21	12	52	65
Exchange rate movements and others	0	-1	-1	0	-3	-3
Loss allowances as of 31.12.	**-110**	**-57**	**-167**	**-81**	**-20**	**-101**

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

in '000 EUR	2022	2021
Revaluation reserve as of 1.1.	**2,139**	**2,797**
Changes in fair value	-4,931	-738
Amount recognised in income statement	-	-
Change in loss allowance	29	24
Impairment	-	-
Deferred taxes	167	56
Revaluation reserve as of 31.12.	**-2,596**	**2,139**

19 Loans and advances to customers

in '000 EUR	31.12.2022 Gross outstanding amount	31.12.2022 Loss allowance	31.12.2022 Net outstanding amount	31.12.2022 %
Business loans	**5,552,189**	**-199,067**	**5,353,122**	**90.8%**
Wholesale and retail trade	1,504,750	-35,361	1,469,389	24.9%
Agriculture, forestry and fishing	1,110,101	-69,425	1,040,676	17.7%
Production	1,261,533	-45,136	1,216,396	20.6%
Transportation and storage	262,237	-10,351	251,886	4.3%
Electricity, gas, steam and air conditioning supply	319,074	-8,890	310,183	5.3%
Construction and real estate	505,703	-9,155	496,548	8.4%
Hotel, restaurant and catering	178,526	-6,648	171,877	2.9%
Other economic activities	410,267	-14,101	396,166	6.7%
Private loans	**555,537**	**-15,863**	**539,674**	**9.2%**
Housing	429,950	-10,479	419,471	7.1%
Investment loans	54,601	-2,574	52,027	0.9%
Consumer loans	70,986	-2,810	68,176	1.2%
Total	**6,107,726**	**-214,930**	**5,892,796**	**100.0%**

in '000 EUR	31.12.2021 Gross outstanding amount	Loss allowance	Net outstanding amount	%
Business loans	**5,441,901**	**-119,105**	**5,322,796**	**91.9%**
Wholesale and retail trade	1,510,747	-31,449	1,479,298	25.5%
Agriculture, forestry and fishing	1,120,215	-24,402	1,095,814	18.9%
Production	1,262,444	-24,791	1,237,654	21.4%
Transportation and storage	256,675	-9,583	247,092	4.3%
Electricity, gas, steam and air conditioning supply*	250,114	-3,819	246,295	4.3%
Construction and real estate*	457,834	-5,250	452,584	7.8%
Hotel, restaurant and catering*	172,724	-7,665	165,059	2.8%
Other economic activities*	411,146	-12,146	399,000	6.9%
Private loans	**482,509**	**-12,339**	**470,170**	**8.1%**
Housing*	374,515	-8,241	366,274	6.3%
Investment loans*	58,774	-2,349	56,425	1.0%
Consumer loans*	49,220	-1,750	47,471	0.8%
Total	**5,924,410**	**-131,444**	**5,792,966**	**100.0%**

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

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2022	**5,573,524**	**215,148**	**133,166**	**2,572**	**5,924,410**
New financial assets originated	2,095,302	128	19	825	2,096,273
Modification of contractual cash flows of financial assets	-333	-260	-214	-	-807
Derecognitions	-821,156	-71,157	-21,508	-	-913,822
Write-offs	-	-907	-24,070	-182	-25,159
Changes in interest accrual	4,371	1,193	4,378	99	10,041
Changes in the principal and disbursement fee	-837,041	-73,719	-22,529	-323	-933,612
Transfers to stage 1	287,114	-284,502	-2,612	-	-
Transfers to stage 2	-759,238	767,783	-8,545	-	-
Transfers to stage 3	-18,389	-117,605	135,994	-	-
Exchange rate movements and others	-64,092	11,892	2,642	-42	-49,599
Gross outstanding amount as of 31.12.2022	**5,460,063**	**447,993**	**196,721**	**2,949**	**6,107,726**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-45,964**	**-18,152**	**-66,377**	**-951**	**-131,444**
New financial assets originated	-17,191	-8	-21	-	-17,220
Release due to derecognition	4,618	3,071	9,582	-	17,272
Transfers to Stage 1	-8,236	8,055	181	-	-
Transfers to Stage 2	13,905	-14,947	1,042	-	-
Transfers to Stage 3	645	23,131	-23,775	-	-
Change in credit risk	-2,156	-43,473	-71,171	-451	-117,251
Usage of allowance	-	907	23,716	156	24,780
Exchange rate movements and others	1,426	2,834	4,670	3	8,933
Loss allowances as of 31.12.2022	**-52,952**	**-38,583**	**-122,154**	**-1,242**	**-214,930**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2021	**4,862,544**	**257,497**	**130,775**	**3,450**	**5,254,266**
New financial assets originated	2,396,756	22,403	19,513	509	2,439,180
Modification of contractual cash flows of financial assets	53	-208	-2	-	-157
Derecognitions	-846,847	-72,383	-30,125	-551	-949,906
Write-offs	-	-	-16,817	-620	-17,436
Changes in interest accrual	-69	-681	1,765	40	1,054
Changes in the principal and disbursement fee	-819,583	-56,155	-33,327	-725	-909,790
Transfers to stage 1	134,715	-132,568	-2,147	-	-
Transfers to stage 2	-231,142	237,619	-6,477	-	-
Transfers to stage 3	-18,116	-47,831	65,947	-	-
Exchange rate movements and others	95,214	7,456	4,059	470	107,199
Gross outstanding amount as of 31.12.2021	**5,573,524**	**215,148**	**133,166**	**2,572**	**5,924,410**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2021	**-42,955**	**-16,719**	**-62,084**	**-926**	**-122,684**
New financial assets originated	-24,546	-2,567	-6,313	-	-33,426
Release due to derecognition	4,757	2,629	11,658	450	19,495
Transfers to Stage 1	-2,195	2,070	125	-	-
Transfers to Stage 2	3,233	-4,181	948	-	-
Transfers to Stage 3	178	3,617	-3,795	-	-
Change in credit risk	16,397	-2,578	-20,813	-289	-7,283
Usage of allowance	-	-	16,579	602	17,180
Exchange rate movements and others	-834	-423	-2,683	-787	-4,727
Loss allowances as of 31.12.2021	**-45,964**	**-18,152**	**-66,377**	**-951**	**-131,444**

in '000 EUR	1.1.–31.12.2022	1.1.–31.12.2021
Amortised cost before modification	130,312	84,484
Net modification	-807	-157

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

20 Property, plant and equipment

in '000 EUR	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total PPE
Total acquisition costs as of 1.1.2022	**126,226**	**31,600**	**96,162**	**310**	**254,297**
Additions	4,922	10,342	10,522	115	25,901
Disposals	-8,402	-2,869	-6,874	-	-18,145
Exchange rate adjustments	1	-21	1,226	-	1,206
Total acquisition costs as of 31.12.2022	**122,747**	**39,051**	**101,036**	**425**	**263,260**
Accumulated depreciation as of 1.1.2022	**-32,760**	**-12,895**	**-70,951**	**-155**	**-116,761**
Depreciation	-9,919	-4,958	-8,825	-89	-23,790
Disposals	2,986	2,072	6,478	-	11,536
Appreciation	-	-	21	-	21
Exchange rate movements	482	71	-1,115	-	-562
Accumulated depreciation as of 31.12.2022	**-39,211**	**-15,709**	**-74,392**	**-244**	**-129,557**
Net book value	**83,536**	**23,342**	**26,644**	**180**	**133,703**

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

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

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

Management makes the discretionary decision to depreciate assets on a straight-line basis over the following expected useful lives (unchanged from previous year):

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

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

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

Due to the war against Ukraine, we conducted impairment testing on the property, plant and equipment of ProCredit Bank Ukraine during the past financial year. Based on external appraisals, impairment losses totalling EUR 6.2 million were recognised for land and buildings.

21 Intangible assets

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

(a) Software

	2022		2021	
in '000 EUR	Developed software	Acquired software	Developed software	Acquired software
Total acquisition costs as of 1.1.	**19,930**	**35,548**	**18,506**	**36,280**
Additions	1,582	4,382	1,424	3,277
Disposals	-	-2,504	-	-4,368
Changes in the scope of consolidation	-	-	-	105
Exchange rate movements	-	30	-	254
Total acquisition costs as of 31.12.	**21,512**	**37,457**	**19,930**	**35,548**
Accumulated depreciation as of 1.1.	**-14,704**	**-27,601**	**-12,551**	**-29,352**
Depreciation	-1,885	-2,813	-2,153	-2,397
Disposals	-	2,455	-	4,366
Exchange rate movements	-	2	-	-218
Accumulated depreciation as of 31.12.	**-16,589**	**-27,957**	**-14,704**	**-27,601**
Net book value	**4,923**	**9,500**	**5,226**	**7,947**

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

(b) Goodwill

in '000 EUR	31.12.2022	31.12.2021
Bulgaria	1,264	1,264
Georgia	1,306	1,073
Kosovo	614	614
North Macedonia	383	382
Serbia	-	1,142
Ukraine	-	758
Goodwill	**3,568**	**5,234**

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

Goodwill developed as follows:

in '000 EUR	2022	2021
Goodwill as of 1.1.	**5,234**	**6,428**
Gross amount as of 1.1.	13,172	12,657
Exchange rate movements	-240	515
Gross amount as of 31.12.	12,932	13,172
Accumulated impairment losses as of 1.1.	-7,938	-6,229
Additions	-1,909	-1,397
Exchange rate movements	482	-312
Accumulated impairment losses as of 31.12.	-9,365	-7,938
Goodwill as of 31.12.	**3,568**	**5,234**

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

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

	2022		2021	
	Discount Rate	Terminal Growth Rate	Discount Rate	Terminal Growth Rate
Bulgaria	10.2%	2.5%	7.2%	2.4%
Georgia	11.7%	3.7%	8.8%	3.6%
Kosovo	14.2%	2.9%	10.6%	3.0%
North Macedonia	12.3%	3.0%	9.1%	2.7%
Romania	11.6%	2.8%	9.7%	2.7%
Serbia	11.7%	3.1%	7.9%	2.9%
Ukraine	18.1%	1.2%	11.1%	3.0%

In the past financial year, there were write-downs of goodwill for ProCredit Bank Serbia in the amount of EUR 1.1 million and for ProCredit Bank Ukraine in the amount of EUR 0.8 million. This is primarily attributable to the increase in discount rates and the war in Ukraine.

For the other cash-generating units, goodwill would only be impaired if the discount rates were to increase by more than 0.5 percentage points or the terminal growth rates were to decrease by more than 1.5 percentage points.

22 Income taxes

In calculating both the current taxes on income and earnings and the deferred taxes, the respective country-specific tax rates are applied. The income tax rate applied for the reporting period was 3.1% (2021: 9.2%), calculated by dividing the total tax burden by the unconsolidated profits. The change in the applied tax rate primarily results from the loss recorded for ProCredit Bank Ukraine.

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

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

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

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

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

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

in '000 EUR	Tax depreciation	Loss allowance	Tax loss carried forward	Provisions	Other temporary differences	Deferred taxes
Net book value as of 1.1.2022	**365**	**264**	**17**	**150**	**311**	**1,106**
Considered in Profit or Loss	522	-408	9,322	54	-344	9,146
Considered in Other Comprehensive Income	-	-	-	-	167	167
Exchange rate movements	-199	-63	-1,223	-48	-59	-1,593
Net book value as of 31.12.2022	**688**	**-208**	**8,116**	**155**	**75**	**8,826**
thereof deferred tax assets	*1,490*	*881*	*8,116*	*167*	*61*	*10,714*
thereof deferred tax liabilities	*802*	*1,089*	*-*	*11*	*-14*	*1,888*

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

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

in '000 EUR	1.1.-31.12.2022	1.1.-31.12.2021
Profit before tax	17,847	94,532
Tax expected	1,537	19,346
Tax effects of items which are not deductible		
non-taxable income	-10,342	-20,655
non-tax deductible expenses	2,234	1,867
no tax asset built on tax loss carry-forwards	5,678	566
Current tax of prior periods	33	-19
Consolidation effects	2,210	13,785
Income tax expenses	**1,350**	**14,890**

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

Tax effects on unused loss carry-forwards largely comprise an amount of EUR 5.5 million for ProCredit Holding. ProCredit Holding does not establish deferred tax assets for losses carried forward, as it will not be possible to make use of these assets within the tax planning period. The accumulated tax loss carry-forwards for which no deferred tax assets were established as of the balance sheet date for ProCredit Holding are EUR 148.6 million (2021: EUR 131.4 million) for corporation income tax and EUR 65.5 million (2021: EUR 56.0 million) for trade tax. The loss carry-forwards are mainly accumulated due to dividend income of ProCredit Holding, 95% of which is non-taxable in Germany, and are adjusted for trade tax by special add-backs within the interest barrier.

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

in '000 EUR	1.1.-31.12.2022	1.1.-31.12.2021
Current tax	10,463	15,310
Current tax of prior periods	33	-19
Deferred tax relating to origination and reversal of temporary differences	-9,146	-401
Income tax expenses	**1,350**	**14,890**
Deferred tax on revaluation reserve (charged or credited directly to equity)	167	56
Total	**1,517**	**14,946**

23 Other assets

in '000 EUR	31.12.2022	31.12.2021
Non-financial instruments		
Repossessed properties	3,770	6,274
Investment properties	3,653	5,895
Inventory and assets to be sold	637	748
Financial instruments		
Prepayments	14,768	14,725
Accounts receivable (up to one year)	13,840	10,179
Shares	7,289	6,383
Others	11,229	9,375
Loss allowance	-1,622	-1,724
Other assets	**53,564**	**51,855**

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

in '000 EUR	31.12.2022	31.12.2021
South Eastern Europe	1,624	3,509
Eastern Europe	142	1,440
South America	2,004	1,325
Repossessed properties	**3,770**	**6,274**

Investment property comprises land and buildings leased to third parties. These are recognised using the acquisition cost model. Gains and losses on disposals (determined by comparing sale proceeds with carrying amount) are recognised in profit or loss at the time of disposal. As in the previous year, no impairment was recognised for investment properties during the 2022 financial year.

in '000 EUR	2022	2021
Total acquisition costs as of 1.1.	**6,962**	**6,566**
Additions	62	128
Disposals	-2,582	-
Exchange rate adjustments	391	268
Total acquisition costs as of 31.12.	**4,832**	**6,962**
Accumulated depreciation as of 1.1.	**-1,067**	**-809**
Depreciation	-157	-190
Disposals	111	-
Exchange rate movements	-66	-69
Accumulated depreciation 31.12.	**-1,180**	**-1,067**
Investment properties	**3,653**	**5,895**

The fair value of investment property amounts to EUR 4.0 million (2021: EUR 6.0 million), of which EUR 2.2 million (2021: EUR 4.4 million) was valued on the basis of external, qualified appraisals. The future minimum lease income of investment property breaks down as follows:

in '000 EUR	31.12.2022	31.12.2021
no later than 1 year	325	771
later than 1 year and no longer than 5 years	2,287	1,230
later than 5 years	183	187
Future minimum lease income	**2,795**	**2,187**

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

in '000 EUR	2022	2021
Gross outstanding amount as of 1.1.	**34,280**	**32,341**
New financial assets originated	6,559	5,858
Derecognition	-4,477	-3,728
Change in exposure	3,512	-530
Changes in the scope of consolidation	-	47
Exchange rate movements	-36	292
Gross outstanding amount as of 31.12.	**39,837**	**34,280**

in '000 EUR	2022	2021
Loss allowances as of 1.1.	**-1,724**	**-752**
New financial assets originated	-1,202	-208
Release due to derecognition	88	16
Change in credit risk	766	-1,005
Changes in the scope of consolidation	–	-1
Exchange rate movements and others	450	226
Loss allowances as of 31.12.	**-1,622**	**-1,724**

24 Pledged and transferred assets

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

in '000 EUR	31.12.2022	31.12.2021
Central bank balances	19,810	23,820
Loans and advances to banks	6,413	4,654
Loans and advances to customers	34,162	18,373
Other assets	1,408	1,701
Carrying amount of financial assets pledged as collateral	**61,793**	**48,548**

25 Liabilities to customers

in '000 EUR	31.12.2022	31.12.2021
Sight deposits	**2,816,556**	**2,578,030**
private individuals	806,836	726,272
legal entities	2,009,721	1,851,759
Saving deposits	**1,600,867**	**1,375,966**
private individuals	869,422	783,891
legal entities	731,445	592,075
Term deposits	**1,872,088**	**1,588,255**
private individuals	973,513	853,033
legal entities	898,576	735,222
Liabilities to customers	**6,289,511**	**5,542,251**

26 Debt securities and subordinated debt

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

in '000 EUR	2022	2021
Debt securities as of 1.1.	**353,221**	**266,858**
Cashflow		
Cash out	-175,452	-42,237
Cash in	–	115,000
Non-cashflow		
Deferred fees and accrued interest	6,711	7,406
Exchange rate movements	7,508	6,193
Debt securities as of 31.12.	**191,988**	**353,221**

in '000 EUR	2022	2021
Subordinated debt as of 1.1.	**87,390**	**84,974**
Cashflow		
Cash out	-5,304	-4,790
Cash in	4,000	-
Non-cashflow		
Deferred fees and accrued interest	5,766	5,029
Exchange rate movements	1,745	2,178
Subordinated debt as of 31.12.	**93,597**	**87,390**

27 Other liabilities

in '000 EUR	31.12.2022	31.12.2021
Lease liabilities	24,393	20,004
Deferred income	2,832	3,041
Liabilities for goods and services	6,850	9,926
Non-income tax liabilities	3,716	3,427
Others	2,457	5,232
Other liabilities	**40,248**	**41,629**

Lease liabilities are recognised at the present value of the lease payments not yet made at the reporting date. The lease payments are discounted at the lessee's incremental borrowing rate of interest. The interest expense for leasing liabilities during the period amounts to EUR 673 thousand (2021: EUR 655 thousand). They are subsequently measured at amortised cost using the effective interest method.

in '000 EUR	31.12.2022	31.12.2021
no later than 1 year	5,354	5,592
later than 1 year and no later than 5 years	14,632	10,594
later than 5 years	4,407	3,818
Lease liabilities	**24,393**	**20,004**

28 Provisions

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

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period. Multi-year obligations are discounted at an average interest rate of 5.1% (2021: 2.3%). Unwinding is recognised as interest expense over time.

The development of provisions is as follows:

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2022	**2,953**	**5,002**	**2,336**	**1,763**	**3,222**	**1,540**	**16,816**
Used	-2,643	-575	-1,868	-	-64	-25	**-5,176**
Releases	-248	-786	-342	-80	-770	-345	**-2,570**
Change in credit risk	-	-	-	-	-23	-	**-23**
Additions	3,477	336	2,785	414	1,925	78	**9,015**
Unwinding	-	91	-	156	-	14	**262**
Exchange rate movements	-3	-68	-81	76	-96	17	**-155**
Book Value as of 31.12.2022	**3,536**	**4,000**	**2,829**	**2,328**	**4,195**	**1,279**	**18,168**

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2021	**2,847**	**3,748**	**2,521**	**1,276**	**2,733**	**1,751**	**14,875**
Used	-2,406	-531	-1,799	-	0	-422	**-5,158**
Releases	-379	-713	-601	-75	-1,351	-351	**-3,469**
Change in credit risk	-	-	-	-	-151	-	**-151**
Additions	2,860	2,346	2,150	374	1,903	532	**10,165**
Unwinding	4	90	-	99	-	2	**196**
Exchange rate movements	26	62	65	89	88	28	**359**
Book Value as of 31.12.2021	**2,953**	**5,002**	**2,336**	**1,763**	**3,222**	**1,540**	**16,816**

Provisions for unbilled services are established for services which have been provided but not yet invoiced as of the reporting date. Provisions for legal risks are mainly established for legal cases. Provisions for untaken vacation are established for employee vacation days still outstanding as of the reporting date. Provisions for post-employment benefits include obligations for staff pensions. Provisions for contingent liabilities include provisions for financial and non-financial off-balance sheet transactions.

29 Maturities of assets and liabilities

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

in '000 EUR	Short-term	Long-term	31.12.2022	Short-term	Long-term	31.12.2021
Assets						
Cash	171,663	-	171,663	140,488	-	140,488
Central bank balances	1,751,395	16,624	1,768,019	1,382,477	22,557	1,405,034
Loans and advances to banks	280,153	300	280,453	252,349	300	252,649
Derivative financial assets	38	12,691	12,729	944	399	1,343
Investment securities	339,852	140,317	480,168	270,896	139,505	410,400
Loans and advances to customers	2,386,387	3,506,409	5,892,796	2,051,416	3,741,550	5,792,966
Property, plant and equipment	-	133,703	133,703	-	137,536	137,536
Intangible assets	-	17,993	17,993	-	18,411	18,411
Current tax assets	4,142	181	4,323	2,651	821	3,472
Deferred tax assets	-	10,714	10,714	-	1,746	1,746
Other assets	46,315	7,249	53,564	44,477	7,379	51,855
Total assets	**4,979,944**	**3,846,181**	**8,826,125**	**4,145,698**	**4,070,203**	**8,215,901**
Liabilities						
Liabilities to banks	341,209	977,438	1,318,647	355,292	958,373	1,313,666
Derivative financial liabilities	594	20	614	210	150	360
Liabilities to customers	5,879,301	410,211	6,289,511	5,258,085	284,166	5,542,251
Debt securities	44,988	147,000	191,988	160,221	193,000	353,221
with fixed interest rate	*44,988*	*137,000*	*181,988*	*160,221*	*183,000*	*343,221*
with variable interest rate	-	*10,000*	*10,000*	-	*10,000*	*10,000*
Other liabilities	21,130	19,118	40,248	26,955	14,674	41,629
Provisions	10,907	7,261	18,168	13,893	2,923	16,816
Current tax liabilities	2,028	-	2,028	3,614	-	3,614
Deferred tax liabilities	-	1,888	1,888	-	640	640
Subordinated debt	1,595	92,002	93,597	1,137	86,254	87,390
with fixed interest rate	*1,120*	*38,000*	*39,120*	*887*	*38,000*	*38,887*
with variable interest rate	*475*	*54,002*	*54,477*	*250*	*48,254*	*48,503*
Total liabilities	**6,301,753**	**1,654,937**	**7,956,690**	**5,819,406**	**1,540,180**	**7,359,587**

30 Fair value of financial instruments

		31.12.2022				
in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Central bank balances	AC	1,768,019	1,768,019	-	1,768,019	-
Loans and advances to banks	AC	280,453	280,453	-	280,453	-
Derivative financial assets	FV	12,729	12,729	-	12,729	-
Investment securities	FVOCI	264,412	264,412	88,904	175,509	-
Investment securities	AC	215,756	215,975	-	215,975	-
Loans and advances to customers	AC	5,892,796	5,866,242	-	-	5,866,242
Other assets (Shares)	FVOCI	7,289	7,289	3,158	2,413	1,717
Other assets (Financial instruments)	AC	38,216	38,216	-	37,891	324
Total		**8,479,669**	**8,453,335**	**92,062**	**2,492,989**	**5,868,284**
Financial Liabilities						
Liabilities to banks	AC	1,318,647	1,277,060	-	79,647	1,197,413
Derivative financial liabilities	FV	614	614	-	614	-
Liabilities to customers	AC	6,289,511	6,289,073	-	4,552,843	1,736,230
Debt securities	AC	191,988	176,583	-	-	176,583
Subordinated debt	AC	93,597	89,060	-	-	89,060
Other liabilities	AC	40,248	40,756	-	39,054	1,702
Total		**7,934,606**	**7,873,146**	**-**	**4,672,158**	**3,200,989**

Categories: FV - at Fair Value through Profit or Loss; AC - at Amortised cost; FVOCI - at Fair Value through Other Comprehensive Income

in '000 EUR	Category	31.12.2021 Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Central bank balances	AC	1,405,034	1,405,034	-	1,405,034	-
Loans and advances to banks	AC	252,649	252,649	-	252,649	-
Derivative financial assets	FV	1,343	1,343	-	1,343	-
Investment securities	FVOCI	246,919	246,919	108,813	138,106	-
Investment securities	AC	163,481	163,504	-	163,504	-
Loans and advances to customers	AC	5,792,966	5,797,839	-	-	5,797,839
Other assets (Shares)	FVOCI	6,383	6,383	3,134	2,396	853
Other assets (Financial instruments)	AC	32,556	32,556	-	31,193	1,363
Total		**7,901,332**	**7,906,227**	**111,947**	**1,994,225**	**5,800,055**
Financial liabilities						
Liabilities to banks	AC	1,313,666	1,304,827	-	53,508	1,251,319
Derivative financial liabilities	FV	360	360	-	360	-
Liabilities to customers	AC	5,542,251	5,541,915	-	4,107,783	1,434,131
Debt securities	AC	353,221	363,348	-	-	363,348
Subordinated debt	AC	87,390	91,707	-	-	91,707
Other liabilities	AC	41,629	41,713	-	39,861	1,852
Total		**7,338,516**	**7,343,869**	**-**	**4,201,512**	**3,142,357**

Categories: FV - at Fair Value through Profit or Loss; AC - at Amortised cost; FVOCI - at Fair Value through Other Comprehensive Income

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

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

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

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

(a) Level 1 Inputs

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

(b) Level 2 Inputs

Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value of similar instruments and valuation techniques using observable market parameters. Each subsidiary applies individual observable interest and exchange rates that are provided by the local central banks, among other bodies.

(c) Level 3 Inputs

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

31 Equity

(a) Subscribed capital

The share capital, unchanged since the previous year, amounts to EUR 294,492,460 and is divided into 58,898,492 non-par value shares. All issued shares are non-par value shares and fully paid. Each holder of ordinary shares is entitled, subject to a corresponding resolution of the General Meeting, to receive dividends and is entitled to one vote per share. At the next General Meeting, the Management Board intends, against the backdrop of the current conflict situation in Eastern Europe, to propose that no dividends be distributed but instead to carry forward the profit for the year to new account.

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

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

(b) Capital reserve

Premiums from the issue of shares are shown in the capital reserve, which amounted to EUR 146.8 million (2021: EUR 146.8 million). The costs for issuing new shares are offset against capital reserve.

(c) Retained earnings

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

(d) Translation reserve

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

(e) Revaluation reserve

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

Additional Notes

32 Regulatory own funds

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

As of 31 December 2022, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 820 million, which is EUR 28 million higher than the previous year. This increase is due to the recognition of the overall result for the 2021 financial year following the Annual General Meeting in May 2022. Due to the war in Ukraine, the (Common Equity) Tier 1 capital does not include any interim profits for the 2022 financial year. Tier 2 capital as of 31 December 2022 stood at EUR 48 million, a decrease of EUR 16 million from the previous period that can largely be attributed to the diminished capacity to recognise existing subordinated debt.

in '000 EUR	**31.12.2022**	**31.12.2021**
Common equity Tier 1 capital	820,244	791,990
Additional Tier 1 capital	-	-
Tier 2 capital	48,194	64,426
Total capital	**868,438**	**856,415**
Risk weighted assets	**6,087,042**	**5,600,891**

Our risk-weighted assets grew during the year by EUR 486 million or 9%, reaching a total amount of EUR 6.1 billion. This increase was caused by higher deposits with central banks, the downgrade of Ukraine's rating in February 2022, and growth in the loan portfolio.

For assessing the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes. The amount of credit risk increased in 2022 by EUR 454 million, ending the period at EUR 5.0 billion.

Since the ProCredit group consists only of non-trading book institutions, the market risks are limited to foreign currency risk. This arises almost exclusively as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. The amount for foreign currency risk as of 31 December 2022 was EUR 598 million, which represents an increase of EUR 8 million.

We also apply the standardised approach to quantify operational risk. The amount for operational risk at year-end was EUR 458 million.

Given the small volume of derivatives held by the group, the risk arising from credit valuation adjustment (CVA) is insignificant. The standard method is used for the calculation, with counterparty default risk being calculated using the original exposure method pursuant to art. 282 CRR for derivative positions. The amount for CVA risk as of 31 December 2022, was EUR 14 million.

in '000 EUR	31.12.2022 Risk-weighted assets	31.12.2022 Minimum capital requirements	31.12.2021 Risk-weighted assets	31.12.2021 Minimum capital requirements
Credit risk	5,016,083	401,287	4,562,109	364,969
Market risk	598,397	47,872	590,744	47,259
Operational risk	458,331	36,666	433,221	34,658
Credit Valuation Adjustment risk	14,231	1,138	14,818	1,185
Total	**6,087,042**	**486,963**	**5,600,891**	**448,071**

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6% for the Tier 1 capital ratio and 8% for the total capital ratio. In addition, various capital buffers consisting of CET1 capital must be maintained: The capital conservation buffer introduced in stages has been 2.5% since 2019. An individual capital add-on pursuant to the Supervisory Review and Evaluation Process (SREP) was set for the ProCredit group based on total capital. This add-on was reduced in 2020 from 2.5% to 2.0% and again confirmed by the regulator during the financial year. The institution-specific countercyclical capital buffer amounted to 0.2% as of 31 December 2022. Overall, this results (taking into account the capital buffers) in a minimum capital requirement of 8.3% for the CET1 capital ratio, 10.2% for the T1 capital ratio and 12.7% for the total capital ratio of ProCredit group.

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

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

	31.12.2022	31.12.2021
Common equity Tier 1 capital ratio	13.5%	14.1%
Tier 1 capital ratio	13.5%	14.1%
Total capital ratio	**14.3%**	**15.3%**

33 Contingent liabilities

in '000 EUR	31.12.2022	31.12.2021
Credit commitments (revocable)	656,384	681,697
Payment guarantees	144,208	134,198
Performance guarantees	192,738	145,532
Credit commitments (irrevocable)	18,539	22,423
Letters of credit	4,274	2,727
Total	**1,016,143**	**986,577**

The table above discloses the contractually agreed maximum amounts of contingent liabilities, without consideration of collateral. We currently have no information about the future utilisation of the guarantees, but we expect that the most significant portion will expire without being drawn upon. It is not practicable to estimate the future use of the credit commitments.

34 Related party transactions

Legal entities or natural persons are considered to be related parties if they are in a relationship with ProCredit group and if these have the ability to directly or indirectly control or exercise significant influence in making financial or operational decisions. All transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third party counterparts. The group's related parties include key management personnel, close family members of key management personnel, ProCredit General Partner AG, Frankfurt am Main, as the direct parent company and ultimate controlling party, subsidiaries and entities which are controlled or significantly influenced by key management personnel or their close family members (Zeitinger Invest GmbH, Frankfurt am Main, until 31 May 2022).

in '000 EUR	Management Board	Supervisory Board	Family members of key personnel	ProCredit General Partner AG	Zeitinger Invest GmbH	31.12.2022
Income	-	1	-	1	3	**6**
Expenses	7	210	47	1,125	0	**1,390**
Assets	-	20	-	-	-	**20**
Liabilities	123	213	60	-	0	**396**

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

The expenses for ProCredit General Partner AG consist mainly of remuneration of the members of the Management Board. Expenses and liabilities to the Supervisory Board mainly result from the remuneration of the Supervisory Board members. The liabilities largely comprise deposits.

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

in '000 EUR	31.12.2022	31.12.2021
Income	5	37
Expenses	1,077	938
Assets	2,877	552
Liabilities	443	423

The expenses consist mainly of personnel expenses of ProCredit Reporting DOOEL, North Macedonia. The assets mainly include a loan to Pro Energy L.L.C., Kosovo, with a term of 19.5 years at a fixed interest rate of 2.9%. In addition, the assets include the investments in these companies.

35 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

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

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

Frankfurt am Main, 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of ProCredit Holding AG & Co. KGaA, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the management report of ProCredit Holding AG & Co. KGaA and the Group (combined management report) for the financial year from 1 January 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 consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion regarding the combined management report does not extend to the content of the components of the combined management report mentioned in the "*Other Information*".

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

Basis for the Opinions

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

Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

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

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

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

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

Calculation of the model-based risk provision for non-defaulted loans and advances to customers without impaired credit

Description of matter

The group presents gross loans and advances to customers in the amount of kEUR 6,107,726 in the consolidated financial statements as at 31 December 2022. Of this amount, kEUR 5,460,063 relates to loans and advances that are classified as Stage 1 in the risk provisioning model under IFRS 9 and for which loss allowances of kEUR 52,952 were recognized. The loss allowances for loans and advances of kEUR 447,993, which are classified as Stage 2 in the IFRS 9 risk provisioning model, accounted for kEUR 38,583.

The calculation of the loss allowances for loans and advances to customers without impaired credit is based on a Group-wide risk provisioning model for estimating the following valuation parameters: Probability of default (PD), loss given default (LGD) and expected exposure at the time of default taking into account the effects of the Ukraine war. In accordance with IFRS 9, the valuation parameters are used both in the application of the stage transfer requirements and in the measurement of the amount of the allowance for losses on loans and advances. The risk provisioning model incorporates both historical information and forward-looking forecast information on various macroeconomic variables, such as inflation or unemployment, whose relevance may vary in the individual countries in which the ProCredit group operates. Furthermore, the risk provisioning model is based on three scenarios, a baseline scenario, an optimistic scenario and a pessimistic scenario, which are included in the aggregation with different weights. As the estimation of the valuation parameters, the forward-looking forecast information and the weighting of the respective scenarios are subject to uncertainties and discretionary scope, and due to the increased economic uncertainties resulting from the Ukraine war, this matter was of particular importance in the context of our audit.

The key policies for the accounting and measurement of loans and advances to customers without impaired credit according to IFRS 9 are explained in note "4) Financial instruments", "12) Loss allowance" and "19) Loans and advances to customers" in the notes to the consolidated financial statements. For information on impairment under IFRS 9 please refer to the section on "Loss allowances" in the Risk Report in the combined management report.

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

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

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

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

Identification and measurement of loans and advances to customers with impaired credit on individual basis

Description of matter
In the Company's consolidated financial statements, loans and advances to customers of kEUR 6,107,726 were recognised as at 31 December 2022, of which kEUR 196,721 were classified as loans and advances to customers with impaired credit (Stage 3). To this end, the Company recognised loss allowances of kEUR 122,154. Of the loans and advances to customers with impaired credit, a significant portion relates to receivables for which the loss allowances is determined individually on the basis of the recoverable cash flows.

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

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

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

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

We used a conscious selection of individual exposures based on materiality and risk considerations to identify the loans and advances to customers with impaired credit. In particular, we assessed whether the assessment made by management regarding the occurrence of the objective evidence of impairment and the fulfillment of the debt service are appropriate. To this end, we assessed the economic circumstances of the borrowers. In addition, we discussed the suitability of the objective evidence used for the identification of loans and advances to customers with impaired credit with the responsible parties and assessed it in the light of actual defaults in the past.

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

Recognition and measuremnet of deferred tax assets attributable to tax loss carryforwards

Description of matter
As of December 31, 2022, the Group has deferred tax assets of EUR 10.7 million. Of this amount, EUR 8.1 million relates to tax loss carryforwards, which exclusively concern JSC ProCredit Bank, Kyiv/Ukraine (PCB Ukraine).

The recognition and measurement of deferred tax assets is discretionary and requires estimates of the future taxable income situation and the usability of tax loss carryforwards. This assessment is based in particular on assumptions about future business results, which are based on the approved business plan.

Due to the existing scope for discretion in estimating future taxable income and the usability of tax loss carryforwards and the uncertainties in the adopted business plan of PCB Ukraine as a result of the war in

Ukraine, we consider the recognition and measurement of deferred tax assets attributable to tax loss carryforwards to be a key audit matter.

The key policies for the recognition and measurement of deferred tax assets are explained in section "22) Income taxes" of the notes to the consolidated financial statements.

Auditor's response
We obtained an understanding of the process to determine whether unused tax loss carryforwards in the relevant jurisdiction have been identified and measured in accordance with the tax rules and regulations for deferred tax accounting under IAS 12.

In doing so, we assessed the assumptions in the adopted business plan of PCB Ukraine, which serves as the basis for estimating the future taxable income of PCB Ukraine.

In addition, we assessed the recognition of deferred tax assets on the tax loss carryforwards of PCB Ukraine by analyzing the significant assumptions made to estimate future taxable income. We assessed the estimates used in the earnings forecast by comparing the underlying key assumptions with externally available historical data and forecasts. Furthermore, we computationally verified the underlying calculation.

In assessing the assumptions underlying the deferred tax assets in the context of the impairment test, we consulted our tax experts as well as internal specialists with particular expertise in the field of business valuation.

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 consolidated 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 statements of the legal representatives and the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our audit opinion

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

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

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

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

Group Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Opinion
We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the electronic rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file „ProCreditHolding_KA_2022.zip" 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 consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this rendering nor any other information contained in the above-mentioned electronic file.

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

Basis for the opinion
We conducted our assurance work of the rendering of the consolidated financial statements and the combined group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW 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 (06.2022)). 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 consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

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

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

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

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

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

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

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the management report converted to the ESEF format - including the versions to be entered in the company register - are merely electronic renderings of the audited consolidated financial statements and the audited management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is 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 ± 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.