ProCredit
HOLDING

QUARTERLY REPORT AS OF 30 SEPTEMBER

2023

Contents

Quarterly Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our strategy

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

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

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 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 encompasses both internal and external dimensions, enabling us to manage the impact of our own business activities, and that of our customers, on the environment. Internal measures include controlling and reducing the environmental footprint of the individual ProCredit institutions. Key external aspects of environmental management are the strict application of our Exclusion List in lending business and, as part of the credit risk assessment, an annual review of sustainability factors regarding the impact of our client's operations on the environment and society. We believe that our banks can make an important contribution with these measures 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.

On 27 September 2023, the change in legal form of the ProCredit parent company from a partnership limited by shares (KGaA) to a stock corporation (AG) was completed with the entry of ProCredit Holding AG in the commercial register. The Annual General Meeting held on 5 June 2023 had already resolved with a very large majority to approve the change in legal form. The conversion into a stock corporation is intended to further expand investor acceptance, especially among international market participants, while at the same time simplifying the corporate structure. The business focus of ProCredit Holding, and in particular its emphasis on South Eastern and Eastern Europe and its commitment to impact orientation, will remain unchanged.

REPORT ON THE ECONOMIC POSITION

Course of business operations

Our business performance was positive in the first nine months of the year, particularly with regard to the very good financial results. Nonetheless, we view these developments in the context of the war in Ukraine, which continues to preoccupy us on a human level and in business terms. In Ukraine, we are selectively reducing our loan portfolio and restricting new business primarily to our existing customers outside the conflict zone. At the same time, we find the good financial results and solid credit risk indicators of our Ukrainian bank to be very encouraging. In addition to the war in Ukraine and the banking crises in the USA and Switzerland at the beginning of the year, the overall economic environment is also characterised by high inflation, high interest rates and further geopolitical tensions. Nevertheless, in this environment our banks are able to report almost exclusively positive, in some cases very positive, financial figures, helping to achieve a return on equity at the end of the third quarter that already underscores our medium-term ambitions.

in EUR m

Statement of Financial Position	30.9.2023	31.12.2022	Change
Loan portfolio	6,226.3	6,107.7	118.6
Deposits	6,938.3	6,289.5	648.8

Statement of Profit or Loss	1.1.–30.9.2023	1.1.–30.9.2022	Change
Net interest income	244.7	192.1	52.6
Net fee and commission income	43.2	40.2	3.0
Operating income	301.2	246.6	54.5
Personnel and administrative expenses	176.9	149.8	27.1
Loss allowance	9.0	79.1	-70.1
without contribution of PCB Ukraine	*2.9*	*6.1*	*-3.2*
Profit of the period	94.0	17.3	76.6
without contribution of PCB Ukraine	*77.6*	*60.6*	*17.0*

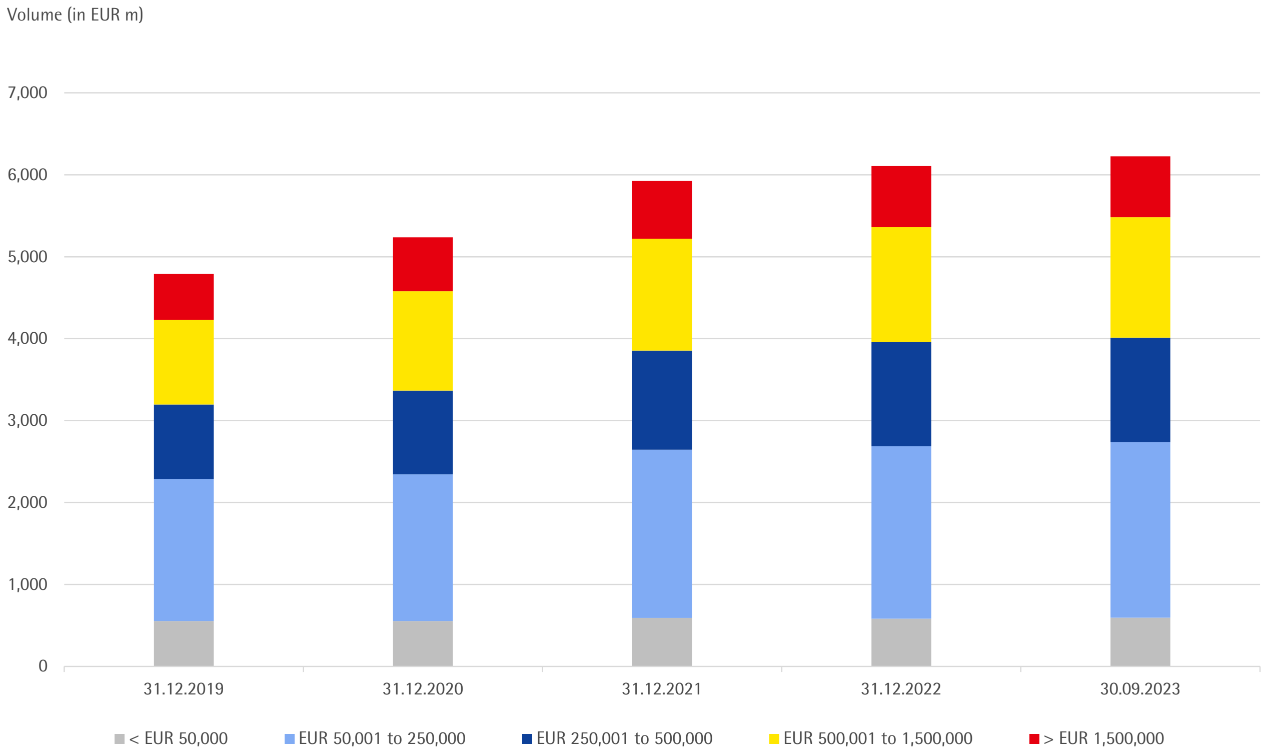
Key performance indicators	1.1.–30.9.2023	1.1.–30.9.2022	Change
Change in loan portfolio	1.9%	6.2%	-4.3 pp
without contribution of PCB Ukraine	*2.9%*	*8.5%*	*-5.6 pp*
Cost-income ratio	58.7%	60.7%	-2.0 pp
Return on equity (annualised)	13.6%	2.7%	10.9 pp
without profit contribution of PCB Ukraine	*11.0%*	*9.2%*	*1.8 pp*

	30.9.2023	31.12.2022	Change
Common Equity Tier 1 capital ratio	14.9%	13.5%	1.4 pp

Additional indicators	30.9.2023	31.12.2022	Change
Deposits to loan portfolio	111.4%	103.0%	8.5 pp
Net interest margin (annualised)	3.6%	3.1%	0.5 pp
Cost of risk (annualised)	20 bp	174 bp	-154 bp
without contribution of PCB Ukraine	*7 bp*	*33 bp*	*-27 bp*
Share of defaulted loans	3.0%	3.3%	-0.3 pp
without contribution of PCB Ukraine	*2.3%*	*2.4%*	*-0.1 pp*
Stage 3 loans coverage ratio	59.5%	61.8%	-2.3 pp
without contribution of PCB Ukraine	*51.1%*	*50.0%*	*1.1 pp*
Green loan portfolio	1,256.6	1,231.1	*2.1%*

Assets

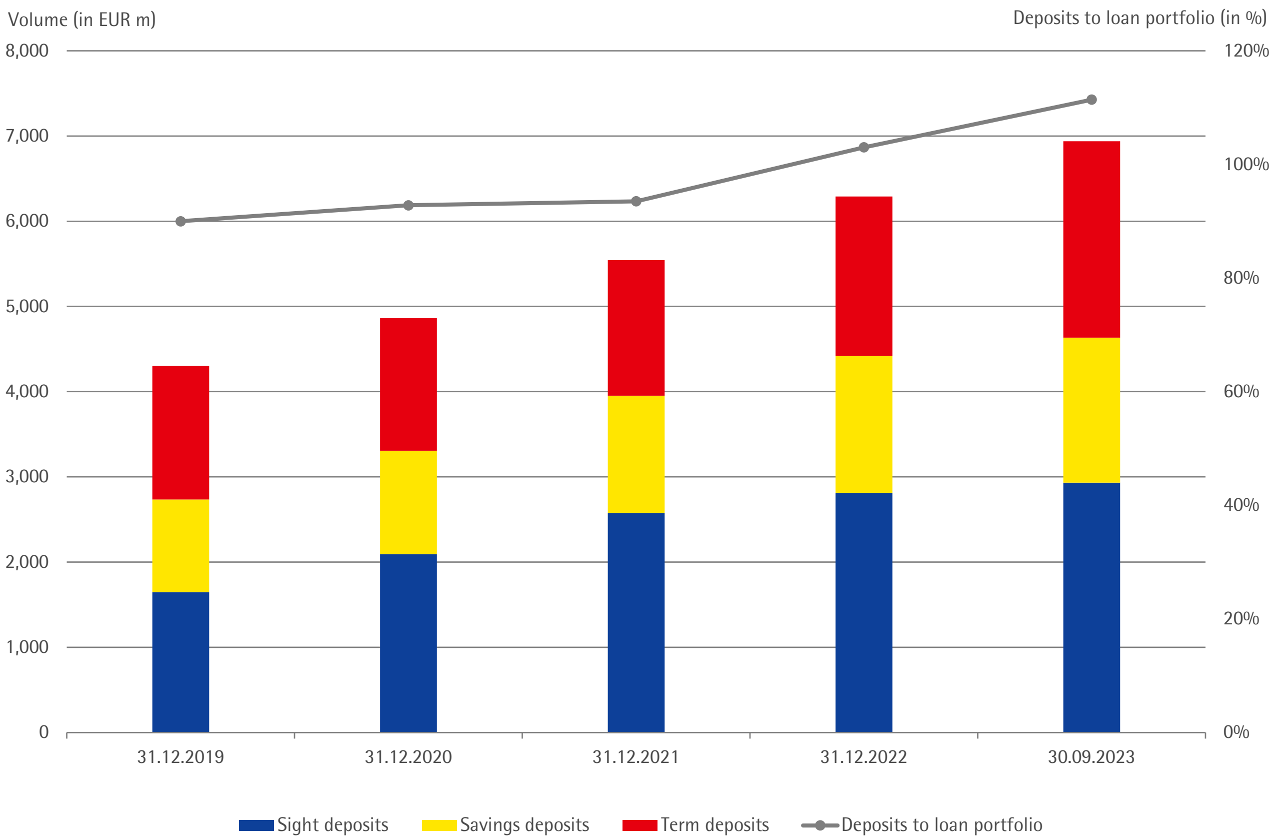
As of 30 September 2023, total assets had increased by EUR 662.5 million, or 7.5%, compared to year-end 2022. This is mainly due to additional investment securities, central bank balances, loans and advances to customers and loans and advances to banks. Our loan portfolio increased by EUR 118.6 million compared with the end of the year.



Loan portfolio development, by loan volume

Liabilities and equity

The total portfolio of our liabilities increased by EUR 557.5 million since the beginning of the year, mainly due to the positive development of deposits. Customer deposits are also the most important source of funding for our group. The total increase in deposits of EUR 648.8 million, or 10.3%, was mainly generated by additional term deposits from business and private clients and by additional savings account balances and sight deposits from businesses. The deposit-to-loan ratio improved by 8.5 percentage points from year-end 2022 to 111.4%.



Deposit development

We had a solid liquidity position at all times during the reporting period. At the end of the third quarter 2023, the liquidity coverage ratio (LCR) stood at 183% (31 December 2022: 155%).

Equity increased by EUR 105.0 million compared to year-end 2022, mainly on the basis of the current consolidated result. The Common Equity Tier 1 capital ratio (CET1 fully loaded) is 14.9% as of 30 September 2023, up 1.4 percentage points from the year-end 2022 level. The group's capitalisation continues to be stable.

Result of operations

We consider the results in the first nine months to be very positive overall. Our profit of the period of EUR 94.0 million corresponds to a return on equity of 13.6% and is significantly higher than our result for the same period last year, which had been heavily impacted by the war of aggression against Ukraine. The current profit of the period is above our guidance for the current financial year (return on equity of 8-10%) and even exceeds our medium-term target (return on equity of approx. 12%). Against this background, we have adjusted our guidance for the current financial year (see the "Outlook" section). This reflects the steady development of our banks, as characterised by loan portfolios that are generally showing growth, rising net interest income and net fee and commission income, and improved return on equity and cost-income ratios, all of which highlights the group's strong earning potential. At the same time, the overall environment in which we do business is being shaped by the war in Ukraine and all its repercussions, which continues to preoccupy us in both human and business terms. ProCredit Bank Ukraine was able to report positive profit of

EUR 16.4 million for the first nine months of 2023, following high expenses for loss allowances in the 2022 financial year. This corresponds to an annualised return on equity of 33.4%.

Our net interest income showed a clear overall increase of EUR 52.6 million or 27.4% over the previous year's period. Interest income increased by EUR 109.5 million, while interest expenses grew by EUR 56.9 million. The growth in interest income is primarily due to key interest rate increases, which had an impact on our loan portfolio and also led to higher interest rates on central bank balances and bonds. The rise in interest expenses is mainly attributable to higher interest rates on savings and term deposits for business and private clients and on liabilities to banks. The net interest margin was 3.6%, which is 0.5 percentage points above the margin for the whole of 2022.

Net fee and commission income also increased by EUR 3.0 million or 7.4%. In particular, income from payment transactions and from debit and credit card transactions improved. The result from foreign exchange transactions improved by EUR 3.7 million or 22.8%; the result from derivative financial instruments and hedging relationships decreased by EUR 5.2 million due to extraordinary income during the previous year's period. Overall, we were able to report a clear increase of EUR 54.5 million or 22.1% in operating income.

Personnel and administrative expenses grew by EUR 27.1 million or 18.1%. Higher expenses for salaries, IT, marketing and taxes, as well as the generally inflationary environment, were the main drivers here. In addition, there were extraordinary legal and consulting expenses amounting to EUR 1.7 million, in particular in connection with the change in legal form for ProCredit Holding. Overall, the group's profit before tax and loss allowances increased significantly by EUR 27.4 million or 28.3% to EUR 124.3 million. Our cost-income ratio improved, moving 2.0 percentage points to 58.7%.

Loss allowances declined by EUR 70.1 million to a total of EUR 9.0 million, mainly because the previous year's expenses were heavily influenced by the war in Ukraine. Loss allowances as of 30 September 2023 correspond to a cost of risk of 20 basis points, which is significantly lower than the previous year's level (174 basis points). The unilateral termination of the "Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian ports" on 17 July 2023 resulted in additional loss allowances of EUR 7.4 million during the financial year (see the "Credit Risk" section of our Risk report).

Overall, our profit of the period increased by EUR 76.6 million compared to the same period in the previous year up to EUR 94.0 million, in particular due to lower expenses for loss allowances as well as higher net interest income; this corresponds to an annualised return on equity of 13.6%. The profit of the period excluding the contribution from ProCredit Bank Ukraine also improved by EUR 17.0 million or 28.0% to a level of EUR 77.6 million, in particular due to the increase in operating income; this corresponds to a return on equity of 11.0%.

The share of defaulted loans improved, declining by 0.3 percentage points compared to year-end 2022. Also from a group perspective, excluding the contribution of ProCredit Bank Ukraine, the share of defaulted loans improved slightly, declining by 0.1 percentage point below the previous year's level. The Stage 3 loans coverage ratio decreased by 2.3 percentage points to 59.5%.

Segment overview

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

in '000 EUR	1.1.-30.9.2023	1.1.-30.9.2022
South Eastern Europe	72,358	52,500
Eastern Europe	36,334	- 27,921
South America	- 1,369	2,037
Germany*	- 13,369	- 9,276
Profit of the period	**93,954**	**17,340**

* *Segment Germany includes consolidation effects*

South Eastern Europe

in EUR m

Statement of Financial Position	30.9.2023	31.12.2022	Change
Loan portfolio	4,550.0	4,395.7	154.3
Deposits	4,981.5	4,566.3	415.1

Statement of Profit or Loss	1.1.-30.9.2023	1.1.-30.9.2022	Change
Net interest income	157.9	111.6	46.3
Net fee and commission income	27.6	25.8	1.8
Operating income	192.6	145.7	46.9
Personnel and administrative expenses	102.1	82.2	19.9
Loss allowance	8.0	4.9	3.1
Profit of the period	72.4	52.5	19.9

Key performance indicators	1.1.-30.9.2023	1.1.-30.9.2022	Change
Change in loan portfolio	3.5%	6.6%	-3.1 pp
Cost-income ratio	53.0%	56.4%	-3.4 pp
Return on equity (annualised)	14.2%	11.4%	2.8 pp

Additional indicators	30.9.2023	31.12.2022	Change
Deposits to loan portfolio	109.5%	103.9%	5.6 pp
Net interest margin (annualised)	3.3%	2.6%	0.7 pp
Cost of risk (annualised)	24 bp	35 bp	-11 bp
Share of defaulted loans	1.7%	1.8%	-0.1 pp
Stage 3 loans coverage ratio	57.3 %	55.2 %	2.1 pp
Green loan portfolio	994.8	945.6	5.2 %

Loan portfolio and deposits are presented without intercompany accounts.

South Eastern Europe is the group's largest segment. The segment's loan portfolio increased by 3.5% to a total of EUR 4.6 billion. Almost all of our banks achieved growth in this area, with only the bank in Serbia reporting a small portfolio contraction. The green loan portfolio grew by 5.2%, with above-average growth at our banks in North Macedonia and Bulgaria. The share of defaulted loans declined slightly to 1.7%, and the Stage 3 loans coverage ratio improved by 2.1 percentage points from year-end to a total of 57.3%.

Deposits increased by EUR 415.1 million, with particularly strong growth rates at our banks in Bulgaria, Albania, Serbia, Romania and North Macedonia.

The profit of the period stood at EUR 72.4 million, a significant increase of EUR 19.9 million compared to the same period in the previous year, primarily due to a rise of EUR 46.3 million in net interest income. Operating income increased by EUR 46.9 million overall, while personnel and administrative expenses grew by EUR 19.9 million. Cost of risk stood at a typical low level of 24 basis points. The segment's cost-income ratio improved by 3.4 percentage points to 53.0%, while return on equity rose by 2.8 percentage points to 14.2%.

Eastern Europe

in EUR m

Statement of Financial Position	30.9.2023	31.12.2022	Change
Loan portfolio	1,118.1	1,159.9	-41.7
Deposits	1,285.6	1,116.5	169.1

Statement of Profit or Loss	1.1.-30.9.2023	1.1.-30.9.2022	Change
Net interest income	69.6	59.9	9.6
Net fee and commission income	5.2	5.0	0.2
Operating income	80.9	71.5	9.3
Personnel and administrative expenses	34.9	32.7	2.2
Loss allowance	1.2	73.4	-72.2
without contribution of PCB Ukraine	*-5.0*	*0.3*	*-5.3*
Profit of the period	36.3	-27.9	64.3
without contribution of PCB Ukraine	*19.9*	*15.3*	*4.6*

Key performance indicators	1.1.-30.9.2023	1.1.-30.9.2022	Change
Change in loan portfolio	-3.6%	-1.3%	-2.3 pp
without contribution of PCB Ukraine	*-0.5%*	*9.6%*	*-10.0 pp*
Cost-income ratio	43.2%	45.8%	-2.6 pp
Return on equity (annualised)	23.0%	-16.2%	39.1 pp
without profit contribution of PCB Ukraine	*11.6%*	*8.5%*	*3.1 pp*

Additional indicators	30.9.2023	31.12.2022	Change
Deposits to loan portfolio	115.0%	96.3%	18.7 pp
Net interest margin (annualised)	5.2%	4.7%	0.4 pp
Cost of risk (annualised)	14 bp	712 bp	-698 bp
without contribution of PCB Ukraine	*-115 bp*	*26 bp*	*-140 bp*
Share of defaulted loans	6.5%	7.4%	-1.0 pp
without contribution of PCB Ukraine	*2.7%*	*2.9%*	*-0.3 pp*
Stage 3 loans coverage ratio	74.8%	79.2%	-4.4 pp
without contribution of PCB Ukraine	*61.0%*	*59.6%*	*1.4 pp*
Green loan portfolio	158.3	182.8	-13.4%

Deposits are presented without intercompany accounts.

In the Eastern Europe segment, the loan portfolio decreased by EUR 41.7 million or 3.6%, in particular due to a targeted reduction of the loan portfolio in Ukraine. The share of defaulted loans declined by 1.0 percentage point to 6.5%. Outside Ukraine, the share is stable at a low level of 2.7%. The Stage 3 loans coverage ratio in the segment decreased by 4.4 percentage points compared to the end of the year, yet remains at a higher level of 74.8% due to the elevated risk provisioning for the Ukrainian portfolio. Deposits increased by EUR 169.1 million or 15.1% compared to the end of the year, with particularly strong growth at our bank in Ukraine. As a result, our deposit-to-loan ratio increased by 18.7 percentage points to 115.0%.

The profit of the period improved substantially, growing by EUR 64.3 million to EUR 36.3 million. The performance of ProCredit Bank Ukraine in particular contributed to this development. The result contribution from ProCredit Bank Ukraine in the previous year's period had been strongly negative (EUR -43.2 million) due to high expenses for loss allowances, whereas the bank is making a positive contribution to profit in the reporting period (+EUR 16.4 million). The other banks in the segment also achieved profit growth totalling EUR 4.6 million for the period. Operating income increased by EUR 9.3 million or 13.1%, while personnel and administrative expenses stood at EUR 34.9 million, slightly above the previous year's level. The cost-income ratio thus improved by 2.6 percentage points to 43.2%. Expenditures for loss allowances amounted to

EUR 1.2 million, which corresponds to an annualised cost of risk of 14 basis points. The profit of the period represents a substantially improved annualised return on equity of 23.0%.

South America

in EUR m

Statement of Financial Position	30.9.2023	31.12.2022	Change
Loan portfolio	510.0	498.1	11.9
Deposits	384.3	343.0	41.3

Statement of Profit or Loss	1.1.-30.9.2023	1.1.-30.9.2022	Change
Net interest income	14.8	19.3	-4.5
Net fee and commission income	0.1	0.0	0.2
Operating income	14.2	17.7	-3.5
Personnel and administrative expenses	14.8	14.1	0.7
Loss allowance	0.2	0.6	-0.4
Profit of the period	-1.4	2.0	-3.4

Key performance indicators	1.1.-30.9.2023	1.1.-30.9.2022	Change
Change in loan portfolio	2.4%	26.9%	-24.5 pp
Cost-income ratio	103.7%	79.5%	24.3 pp
Return on equity (annualised)	-3.5%	5.1%	-8.6 pp

Additional indicators	30.9.2023	31.12.2022	Change
Deposits to loan portfolio	75.4%	68.9%	6.5 pp
Net interest margin (annualised)	3.1%	4.5%	-1.4 pp
Cost of risk (annualised)	5 bp	26 bp	-20 bp
Share of defaulted loans	6.9%	6.7%	0.2 pp
Stage 3 loans coverage ratio	32.9%	33.5%	-0.6 pp
Green loan portfolio	90.0	90.3	-0.3%

Deposits are presented without intercompany accounts.

The loan portfolio of ProCredit Bank Ecuador expanded slightly, growing by EUR 11.9 million to EUR 510.0 million. Deposits increased by 12.0% to a total of EUR 384.3 million.

The profit of the period decreased by EUR 3.4 million, mainly due to lower net interest income caused by a tighter net interest margin as well as rising personnel and administrative expenses. The net interest margin declined due to regulatory lending rate caps in Ecuador, which prevented existing financial instruments from being repriced in the current environment of rising interest rates. The cost-income ratio increased by 24.3 percentage points to 103.7%, while the return on equity dropped to -3.5%.

Germany

in EUR m

Statement of Financial Position	30.9.2023	31.12.2022	Change
Loan portfolio	48.1	54.0	-5.8
Deposits	286.9	263.7	23.2

Statement of Profit or Loss	1.1.-30.9.2023	1.1.-30.9.2022	Change
Net interest income	2.3	1.3	1.0
Operating income	96.6	47.3	49.3
Personnel and administrative expenses	64.4	55.4	9.0
Loss allowance	-0.4	0.3	-0.6
Profit of the period	30.5	-8.4	38.9
Profit of the period and consolidation effects	-13.4	-9.3	-4.1

Loan portfolio and deposits are presented without intercompany accounts.

The development of the Germany segment is essentially based on the operations of ProCredit Holding, ProCredit Bank Germany and QUIPU.

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. The loan portfolio decreased slightly compared to 31 December 2022, whereas deposits grew by EUR 23.2 million. Operating income was dominated by dividend payments from subsidiary banks to ProCredit Holding, IT services performed by QUIPU and the operating activities of ProCredit Bank Germany. Compared to the previous year's period, the result for ProCredit Bank Germany improved by EUR 4.6 million to EUR 8.0 million, which is largely attributable to the EUR 5.5 million increase in net interest income.

The segment's profit of the period increased compared to the previous year's period, in particular as the growth of operating income far outpaced that of personnel and administrative expenses. The increase in personnel and administrative expenses was due, among other things, to non-recurring legal, auditing and consulting costs in connection with the transformation of ProCredit Holding's legal form as well as additional expenditures for software. Income from dividends derives from fully consolidated subsidiaries and at the same time does not affect the consolidated result of the group. The segment's contribution to the consolidated result declined by EUR 4.1 million, primarily due to higher personnel and administrative expenses resulting from an increase in the number of staff and higher salaries.

Events after the reporting period

On 26 October, we raised our guidance for the current financial year (see the "Outlook" section). Beyond that, no significant events arose after the reporting date.

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 principles of risk management and the risk strategy of the ProCredit group have not changed compared to year-end. The information provided in the 2022 Combined Management Report are still generally valid. If any fundamental changes in the methodology and processes involved in risk management have occurred during the current financial year, these are highlighted in this section. The group's overall risk profile remains suitable despite the war in Ukraine and uncertainties resulting from the current macroeconomic and geopolitical environment.

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. 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.

Our loan portfolio is monitored continuously for possible risk-relevant developments. The riskiness of our clients is determined using a range of indicators, including the risk classification, restructuring status and client compliance with contractual payment requirements. The forward-looking 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 it is updated on an ongoing basis. Our credit exposures are allocated among three stages, with a distinct provisioning methodology applied to each group. 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.

In risk assessment, the key aspects from the first half of the year continued. The macroeconomic environment remains tense. The conflict in Ukraine has had only a limited impact on clients in our countries of operation outside of Ukraine. We also see persistent high inflation, rising interest rates and other market disruptions, such as in energy supply and pricing, as having a negative impact on credit risk and the repayment capacity of our clients.

The conflict in Ukraine has a significant and lasting impact on our Ukrainian loan portfolio. The risk classifications for these exposures are reassessed on an ongoing basis in order to ensure early identification and adequate reflection of potential increases in default risk and, if necessary, to make modifications to the repayment plans. Due to the termination of the Black Sea Grain Initiative involving Russia and Ukraine, we have made adjustments to the risk classifications of clients in the Ukrainian agricultural sector. To this end, we analysed the potential impact of a non-continuation of the grain deal at customer level and reassessed the corresponding probability of default for individual exposures. In cases where a significant increase in credit risk was identified, transfers from Stage 1 to Stage 2 occurred, amounting to a EUR 68 million loan portfolio. As a result of these adjustments and stage transfers, there was an increase in loss allowances amounting to EUR 7.4 million. Overall, at the end of the third quarter 10.5% of the bank's loan portfolio was classified as defaulted; this generally includes all exposures to clients in currently occupied territories.

In Ecuador, we saw a temporary easing of political risk following an incident-free runoff election for the presidency. The development of quality indicators for the bank's loan portfolio remained stable during the third quarter.

Due to the sharp rise in interest rates this year, we are still paying particular attention to the potential negative impact of elevated interest charges on our clients. The primary goal is the early identification of customers for whom further interest rate increases could lead to limited repayment capacity. These are monitored more closely as part of a "watch list", with further measures being considered in order to prevent possible defaults. As a result, a loan portfolio of EUR 45.1 million was transferred to Stage 2 in the first half of 2023 and a further EUR 9.0 million in the third quarter.

Overall, with the exception of the points noted above, we were unable to identify any significant change in riskiness in our banks at the end of the third quarter. We continue to take these effects into account as part of a general negative outlook.

During the reporting period, on-balance-sheet loss allowances decreased overall by EUR 4.6 million (previous year's period +EUR 70.7 million), with the largest decline in Stage 3 by EUR 12.2 million. Relatively low portfolio growth in the banks and the decrease in Stage 3 loans were the main drivers of this development. In Stage 2, the loss allowances increased by EUR 9.7 million, mainly in connection with the termination of the grain deal in Ukraine in the third quarter, as well as stage transfers made for customers with elevated interest charges from the first half of the year.

in '000 EUR	30.9.2023 Stage 1	Stage 2	Stage 3	POCI	Total
South Eastern Europe					
Gross outstanding amount	4,198,536	271,930	78,493	1,064	**4,550,022**
Loss allowances	-35,663	-16,122	-45,100	-481	**-97,365**
Net outstanding amount	4,162,872	255,809	33,393	584	**4,452,657**
Eastern Europe					
Gross outstanding amount	806,585	239,438	71,212	909	**1,118,144**
Loss allowances	-12,199	-31,007	-53,353	-599	**-97,159**
Net outstanding amount	794,386	208,431	17,858	310	**1,020,985**
South America					
Gross outstanding amount	439,292	35,664	34,388	686	**510,030**
Loss allowances	-2,648	-1,123	-11,464	-64	**-15,300**
Net outstanding amount	436,644	34,540	22,924	622	**494,730**
Germany					
Gross outstanding amount	46,189	1,932	-	-	**48,121**
Loss allowances	-436	-29	-	-	**-465**
Net outstanding amount	45,752	1,904	-	-	**47,656**
Total					
Gross outstanding amount	5,490,601	548,964	184,093	2,659	**6,226,317**
Loss allowances	-50,947	-48,280	-109,917	-1,143	**-210,288**
Net outstanding amount	5,439,654	500,684	74,175	1,515	**6,016,029**
Financial contingent liabilities					
Nominal amount	814,027	67,691	1,020	-	**882,739**
Provisions	-2,954	-2,033	-499	-	**-5,486**

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**

The retrospectively long-term development of portfolio quality is attributable to a clear focus on small and medium-sized businesses, as well as careful credit analysis and customer service. Close relationships with our clients enable us to gain a good understanding of their individual circumstances. This is particularly important in times of crisis and enables credit risks to be identified at an early stage and appropriate measures to be taken. At the end of the third quarter, the share of defaulted loans had declined slightly compared to year-end 2022, decreasing from 3.3% to 3.0%, mainly due to derecognitions, write-offs and repayments in Stage 3. The Stage 3 loans coverage ratio decreased from 61.8% to 59.5%.

Capital management

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

As of 30 September 2023, the Common Equity Tier 1 and Tier 1 capital ratios of the ProCredit group stood at 14.9%. The total capital ratio was 16.1%. Our capitalisation is thus comfortably above the regulatory requirements, which are currently set at 9.2% for the Common Equity Tier 1 capital ratio, 11.4% for the Tier 1 capital ratio and 14.2% for the total capital ratio.

in EUR m	**30.9.2023**	**31.12.2022**
Common equity (net of deductions)	907.4	820.2
Additional Tier 1 (net of deductions)	-	-
Tier 2 capital	74.5	48.2
Total capital	981.9	868.4
RWA total	6,110.3	6,087.0
Credit risk	4,941.0	5,016.1
Market risk	648.9	598.4
Operational risk	508.4	458.3
Credit Valuation Adjustment risk	12.0	14.2
Common Equity Tier 1 capital ratio	14.9%	13.5%
Total capital ratio	16.1%	14.3%
Leverage ratio (CRR)	9.3%	8.9%

In the first nine months of the year, the ProCredit group's capital base in the economic and normative perspectives was always ensured, as was its stress resistance level.

OUTLOOK

On the basis of the strong financial result in the first nine months of the year and due to the ongoing positive development of key earnings drivers, we decided on 26 October 2023 to raise the guidance for the 2023 financial year. For the 2023 financial year we now expect return on equity to be at the level of our medium-term guidance of approximately 12%, with a range of plus or minus one percentage point (previously: 8% - 10%). The guidance for return on equity was based on an assumed cost of risk of up to 30 basis points. We expect the cost-income ratio to be between 60% and 62% (previously: 62% - 64%), with loan portfolio growth, however, in the low to mid single-digit percentage range (previously: mid single-digit percentage range).

This outlook is subject to adverse assumptions for the remainder of the year, in particular to continue to take into account the ongoing combat activities in Ukraine and the associated uncertainties. As before, we expect a Common Equity Tier 1 ratio of over 13% and a leverage ratio of around 9% at year-end 2023.

The currently very good earnings situation underlines our medium-term goals and at the same time highlights the potential of our business model. We confirm our medium-term targets of a cost-income ratio around 57% and a return on equity of around 12%. We also expect the loan portfolio to show annual growth in the mid to upper single-digit percentage range, and the share of our green loans in the total portfolio to increase to 25%.

The potential expansion of the war to further areas of Ukraine and the suspension of the Black Sea Grain Initiative represent significant risk factors for our guidance and could be reflected in increased cost of risk. Additional risk factors include negative economic impacts related to major disruptions in our countries of operation, intensified supply-chain and energy-sector disruptions, adverse changes in our funding markets, significant changes in foreign trade or monetary policy, a deterioration in interest rate margins particularly in countries with rate ceilings (Bosnia and Herzegovina, Ecuador and Kosovo) insofar as increased funding costs cannot be fully passed on to clients due to the interest rate ceiling, increasing inflationary pressures, pronounced exchange rate fluctuations and the conflict in the Middle East.

SELECTED FINANCIAL INFORMATION

Consolidated statement of profit or loss

in '000 EUR	**1.1.–30.9.2023**	**1.1.–30.9.2022**
Interest income (effective interest method)	384,277	274,740
Interest expenses	139,610	82,672
Net interest income	**244,667**	**192,068**
Fee and commission income	64,618	59,436
Fee and commission expenses	21,372	19,187
Net fee and commission income	**43,246**	**40,249**
Result from foreign exchange transactions	19,884	16,188
Result from derivative financial instruments and hedging relationships	-143	5,048
Result on derecognition of financial assets measured at amortised cost	-334	-237
Net other operating result	-6,169	-6,678
Operating income	**301,152**	**246,637**
Personnel expenses	87,781	72,527
Administrative expenses	89,114	77,250
Loss allowance	9,039	79,133
Profit before tax	**115,218**	**17,727**
Income tax expenses	21,264	388
Profit of the period	**93,954**	**17,340**
Profit attributable to ProCredit shareholders	*93,954*	*17,340*

Consolidated statement of other comprehensive income

in '000 EUR	1.1.–30.9.2023	1.1.–30.9.2022
Profit of the period	**93,954**	**17,340**
Items that are or may be reclassified to profit or loss		
Change in revaluation reserve from investment securities*	2,856	-5,521
*Change in value not recognised in profit or loss**	*2,873*	*-5,525*
Change in loss allowance (recognised in profit or loss)	*-17*	*4*
Change in deferred tax on revaluation reserve	-98	227
Change in translation reserve	7,794	18,705
Change in value not recognised in profit or loss	*7,794*	*18,705*
Items that will not be reclassified to profit or loss		
Change in revaluation reserve from shares*	484	-546
Other comprehensive income of the period, net of tax	**11,035**	**12,865**
Total comprehensive income of the period	**104,989**	**30,205**
Total comprehensive income attributable to ProCredit shareholders	*104,989*	*30,205*
Earnings per share** in EUR	1.60	0.29

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

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

Consolidated statement of financial position

in '000 EUR	30.9.2023	31.12.2022
Assets		
Cash	174,481	171,663
Central bank balances	1,963,082	1,768,019
Loans and advances to banks	369,491	280,453
Derivative financial assets	13,292	12,729
Investment securities	722,918	480,168
Loans and advances to customers	6,016,029	5,892,796
Property, plant and equipment	135,566	133,703
Intangible assets	20,512	17,993
Current tax assets	4,963	4,323
Deferred tax assets	5,813	10,714
Other assets	62,508	53,564
Total assets	**9,488,654**	**8,826,125**
Liabilities and equity		
Liabilities to banks	1,202,095	1,318,647
Derivative financial liabilities	98	614
Liabilities to customers	6,938,287	6,289,511
Debt securities	181,778	191,988
Other liabilities	45,951	40,248
Provisions	21,288	18,168
Current tax liabilities	6,951	2,028
Deferred tax liabilities	1,563	1,888
Subordinated debt	116,223	93,597
Liabilities	**8,514,233**	**7,956,690**
Subscribed capital and capital reserve	441,277	441,277
Retained earnings	606,488	512,537
Translation reserve	-73,988	-81,783
Revaluation reserve	645	-2,596
Equity attributable to ProCredit shareholders	**974,421**	**869,434**
Total liabilities and equity	**9,488,654**	**8,826,125**

ProCredit Holding AG
Rohmerplatz 33-37
60486 Frankfurt am Main
Germany

Tel. +49 69 951 437 0
PCH.info@procredit-group.com
www.procredit-holding.com

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.