DISCLOSURE REPORT

2021

Contents

Disclosure Report

1 INTRODUCTION

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

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

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

We aim to be the "Hausbank" for our clients, and thus to be their first point of contact for financing and deposits as well as for account and payment services. Our SME clients typically have financing needs ranging from EUR 50.000 to the single-digit millions. As specialists in financing SMEs, we understand the particular challenges these clients face and the specific needs they have, often going well beyond just loans. We offer all banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, we offer efficient solutions for trade finance business and international payments through our network of banks.

Our target group comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to make a contribution to creating jobs, enhancing capacity for innovation, and encouraging investments in ecological projects. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture. Our approach is based on a careful and critical selection of clients, with solvency, transparency and social responsibility at the heart of the lending process.

In addition to serving SMEs, the ProCredit group also pursues a direct banking strategy for private clients, particularly the growing middle class. Our comprehensive range of online services creates the foundation for long-term client relationships. Our clients can conduct their banking transactions directly via our digital channels, and individual customer enquiries are processed in a focused way through our call centres. In general, we do not offer counter and cash transactions, which meant that the changes in contact and distance rules introduced in the time of the pandemic were relatively easy for us to implement and had virtually no impact on business operations. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

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

With this disclosure report, ProCredit Holding complies with the disclosure requirements for the ProCredit group as of 31 December 2021, particularly as set forth in Part Eight of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR) as amended. Disclosures in this report are carried out at group level. The information is based on the audited financial statements of the individual ProCredit institutions and the audited consolidated financial statements of the ProCredit group as reported in the 2021 Annual Report. The disclosure report has been approved by the Management of ProCredit Holding.

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

As a supplement to this 2021 disclosure report, information on the ProCredit group is available in ProCredit Holding's Annual Report as well as the Impact Report, both of which are published on the website. Information on country-specific disclosure pursuant to Section 26a KWG is available in ProCredit Holding's Annual Report for 2021.

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

Events after 31 December 2021

We are all watching the Russian invasion of Ukraine, which began in late February, with great concern. Of course, this concern goes far beyond the ProCredit group and its bank in Ukraine. The loss of life and damage to cities and critical infrastructure is already very high. An end to the conflict is not currently in sight. The ProCredit group stands behind its bank in Ukraine. In order to support the bank in the current situation, we think primarily in the long term, while also staying in close exchange with our bank's Management Board in order to be able to make decisions quickly in a very dynamic environment. We believe that we have an important function to perform as ProCredit in Ukraine and we trust that the international community as a whole will also act in a wise and prudent manner.

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

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

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

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

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

2 SCOPE OF CONSOLIDATION

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

The subsidiaries of ProCredit Holding and their regulatory treatment as well as their treatment in the consolidation under IFRS are listed in the following template as of 31 December 2021. There are no entities which are proportionally consolidated.

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

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

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

		a	b	c	d	e	f	g
				Carrying values of items				
31.12.2021 in EUR m		**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to own funds requirements or subject to deduction from own funds**
	Breakdown by asset class according to the balance sheet in published financial statements							
1	Cash and cash equivalents	140	140	140	–	–	65	–
2	Balances at central banks	1,405	1,405	1,405	–	–	502	–
3	Loans and advances to banks	253	253	253	–	–	146	–
4	Derivative financial assets	1	1	–	1	–	133	–
5	Investment securities	410	410	410	–	–	287	–
6	Loans and advances to customers	5,793	5,801	5,801	–	–	2,763	–
7	Property, plant and equipment and investment property	138	128	128	–	–	101	–
8	Intangible assets	18	18	–	–	–	–	21
9	Current tax assets	3	3	3	–	–	1	–
10	Deferred tax assets	2	2	2	–	–	1	0
11	Other assets	52	56	56	–	–	43	–
12	**Total assets**	**8,216**	**8,218**	**8,198**	**1**	**–**	**4,043**	**21**
	Breakdown by liability class according to the balance sheet in published financial statements							
13	Liabilities to banks	1,314	1,314	–	–	–	381	–
14	Derivative financial liabilities	0	0	–	–	–	37	–
15	Liabilities to customers	5,542	5,543	–	–	–	2,917	–
16	Debt securities	353	353	–	–	–	81	–
17	Other liabilities	42	41	–	–	–	18	–
18	Provisions	17	17	–	–	–	11	–
19	Current tax liabilities	4	4	–	–	–	4	–
20	Deferred tax liabilities	1	1	–	–	–	1	–
21	Subordinated debt	87	87	–	–	–	28	–
22	Equity	856	857	–	–	–	–	–
23	**Total liabilities**	**8,216**	**8,218**	**–**	**–**	**–**	**3,478**	**–**

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

		a	b	c	d	e
		Total	Items subject to			
31.12.2021 in EUR m			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Asset carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**8,218**	**8,198**	**-**	**1**	**4,043**
2	**Liability carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**8,218**	**-**	**-**	**-**	**3,478**
3	**Total net amount under the scope of prudential consolidation**	**-**	**8,198**	**-**	**1**	**565**
4	**Off-balance-sheet amounts**	**987**	**987**	**-**	**-**	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	987	-	-	-	
8	*Differences due to use of credit risk mitigation techniques (CRMs)*	-	-	-	-	
9	*Differences due to credit conversion factors*	218	-	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	-	-	-	-	
12	**Exposure amounts considered for regulatory purposes**	**8,444**	**8,444**	**-**	**16**	**591**

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

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

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

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

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

EU LIB: Other qualitative information on the scope of application

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

At year-end, there were no known material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among ProCredit Holding and its subsidiaries, in accordance with Article 436 (f) CRR. Dividend payments could be subject to certain restrictions in some countries where the ProCredit group operates, insofar as the regulatory authorities retain the right to approve of the dividend payout and may impose time constraints. Against the backdrop of the COVID-19 pandemic, some national regulators have expressed an expectation during the 2021 financial year that banks will forgo dividend payments.

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

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

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

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

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

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

The aggregate amount by which the actual own funds are less due to subsidiaries not included in the consolidation is EUR 0.9 million. This amount is broken down as:

- ProCredit Academy, Germany, EUR 0.6 million
- ProCredit Academy, North Macedonia, EUR 0.2 million

3 RISK MANAGEMENT

EU OVA: Institution risk management approach

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

The principles of our business activity, as listed below, provide the foundation for our risk management.[2] The consistent application of these principles reduces the risks to which the group is exposed.

1 *In addition, LLC Quipu GmbH, a subsidiary of Quipu GmbH, Germany, is included neither in the regulatory nor in the IFRS scope of consolidation. It does not reach the size criteria set forth in Article 19 (1) CRR. LLC Quipu GmbH provides IT consulting and software development in Ukraine.*

2 *For further information on our business model, please refer to the introduction to the Disclosure Report as well as the Annual Report.*

Focus on core business

Our business model is clear and straightforward: the ProCredit institutions focus on the provision of financial services to small and medium-sized businesses as well as to private clients. They apply strict selection criteria and use a holistic approach with our customers. Accordingly, income is generated primarily in the form of interest income from lending and fee income from account operations and payments. All of the banks' other operations are performed mainly in support of the core business. ProCredit banks therefore assume mainly credit risk[3], interest rate risk, operational risk and liquidity risk[4] in the course of their day-to-day operations. At group level, foreign currency risk is furthermore relevant due to the investments made by ProCredit Holding in the equity capital of its subsidiaries. At the same time, ProCredit avoids or largely limits all other risks involved in banking operations.[5]

Diversification and transparent services

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

Careful staff selection and intensive training

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

An informed and transparent approach to risk management is a central component of our socially responsible business model. This is also reflected in our risk culture and our risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view. By following a consistent group-wide approach to managing risks, we aim to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate at all times, as well as to achieve steady results. This risk culture is an integral part of how we work and is reflected in the group's Code of Conduct.

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

3 Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk.
4 This refers to both short-term and long-term liquidity risk (funding risk).
5 This includes the risks arising from money laundering, terrorist financing and other acts punishable by law, as well as business risk and model risk.

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

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

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

The health and economic crisis continues, despite clear signs of economic recovery during 2021. Rising energy prices, bottlenecks in supply chains and increasing inflation, particularly towards the end of 2021, caused further uncertainty. This situation was exacerbated by the Russian military's full-scale invasion of Ukraine, which began at the end of February 2022. Please also refer to chapter 1, section "Events after 31 December 2021". We will thus continue to closely monitor the situation in our countries of operation in order to assess the impact and, if necessary, take measures. These developments will shape the focus of our risk management activities in 2022.

The group complied with all internal limits and applicable regulatory requirements at all times during the 2021 financial year. Even in light of the above-mentioned uncertainties, the group's overall risk profile remains appropriate. This is based on an overall assessment of the individual risks. Key risk indicators, which provide a comprehensive overview of the risk profile of the group, are presented in the individual sections of the disclosure report on the material risks and in the explanations regarding capital adequacy.

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

Row b - Information on the risk governance structure

The Management of ProCredit Holding bears overall responsibility for the risk management of the ProCredit group. It sets the guidelines for risk management, regularly analyses the group's risk profile and decides on measures to be taken. In this context, Ms Sandrine Massiani bore particular responsibility for risk management throughout the 2021 financial year. She also headed the Risk Control Function in accordance with MaRisk.[6] The Compliance function and Internal Audit report directly to the Management. There were no changes in the leadership of these functions during the 2021 financial year.

Risk management at group level is supported conceptually and implemented operationally by various risk management and finance teams.

The risk management teams of ProCredit Holding, Group Credit Risk Management, Group Financial Risk Management, Group Risk Data and Operational Risk Management, Fraud Prevention and Compliance & Group and PCH AML and Group & PCH Risk Control are operationally responsible for all aspects of the respective risks, including capital adequacy in the economic perspective. This includes, among other things, the preparing decision documents for the Management on the design of risk management approaches, calculating indicators at group level, and risk reporting. These teams, as well as Internal Audit, report to Ms Massiani, who bears responsibility within the Management of ProCredit Holding for the back-office area.

The Finance teams that support risk management at group level, in particular Supervisory Reporting & Capital Planning and Group Funding, report to Mr Gabriel Schor, one of two managers with responsibility for the front-office area. These two teams are responsible, among other things, for capital planning in the normative perspective and longer-term liquidity risk (funding risk).

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

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and capitalisation at the level of individual institutions and the group.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, coordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.

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

- The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus ensuring implementation of legal requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.

6 *Since 1 March 2022, Mr Hubert Spechtenhauser and Ms Sandrine Massiani have been responsible for risk management. Mr Hubert Spechtenhauser is responsible for the Risk Control Function in accordance with MaRisk.*

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

Appropriate processes and procedures are in place at all ProCredit institutions, which should 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 home-office regulations brought about by the COVID-19 pandemic, all ProCredit banks pay particular attention to the adequacy of controls when reviewing their processes. The first line of defence is performed by the functions responsible for the respective process. They are supported in their controls by the risk management functions, the second line of defence, in each bank.

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

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

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

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

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

Row d - Disclosure of the scope and nature of risk disclosure and/or measurement systems
At the individual bank level, risk positions are regularly analysed, discussed intensively and documented in standardised reports. The risk departments of each bank report regularly to ProCredit Holding, and the respective supervisory board is informed on at least a quarterly basis about all risk-relevant developments.

Each month ProCredit Holding prepares an aggregate risk report, with the Supervisory Board also receiving reports on a quarterly basis. A quarterly report on stress testing is also prepared. Monitoring of both the individual banks' risk situation and the group's overall risk profile, including potential risk concentrations, is carried out, particularly by the Group Risk Management Committee, through a review of these reports and of additional information generated by individual banks and at group level. The Management is thus kept regularly and comprehensively informed within the framework of the Group Risk Management Committee.

Furthermore, the Management of ProCredit Holding has also defined risk events that require ad hoc reporting. If necessary, additional topic-specific ad hoc reporting occurs. The aim is to achieve transparency on the material risks and to be aware at an early stage if potential problems might be arising. For details on the level of capital and the risk measurement systems for the main risks, please refer to sections 5 to 10.

On the basis of regulatory requirements, the group-wide recovery plan was prepared during the 2020 financial year. Among other things, it outlines the options for action and the potential for restructuring that the group has at its disposal in the event of a crisis, thus enabling the group to overcome a crisis through its own efforts. This plan is currently undergoing a scheduled update and should be completed by the end of April 2022.

Row e - Disclosure of information on key features of risk disclosure and measurement systems
In principle, the risk strategy is reviewed and updated at least annually based on the business strategy. This also includes the risk reporting and measurement systems.

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

Row f - Strategies and processes to manage risks for each separate category of risk
In accordance with our simple, transparent and sustainable business strategy, our risk strategy is a conservative one. By following a consistent group-wide approach to managing risks, we aim to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate, as well as to achieve steady results.

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

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

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

- The risk strategy addresses all of the material risks in the group arising from the implementation of the business strategy and defines the objectives and measures of risk management. The strategies are reviewed annually by the Management, following thorough discussion with the Supervisory Board.

- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, considered in the strategies and risk management processes.
- All risks assumed are managed to ensure an adequate level of capital of the group and all ProCredit institutions, in both the normative and economic perspective, as well as adequate liquidity levels.
- All ProCredit companies apply a single common risk management framework, which defines group-wide minimum standards. The risk management policies and standards are approved by the Management of ProCredit Holding and are updated at least annually. These specify the responsibilities at bank and group level, and establish minimum requirements for managing, monitoring and reporting.
- Monitoring and control of material risks and possible risk concentrations is carried out using comprehensive analysis tools. For all material risks, early warning indicators (reporting triggers) and limits are set and the corresponding utilisation is monitored. The effectiveness of the chosen measures, limits and methods is continuously checked.
- Stress tests are performed for material risks at least quarterly; stress tests are carried out for each individual risk category as well as across all risk categories.[7]
- Regular and ad-hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Suitable processes and procedures for an effective internal control system have been established. This is built around the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level; this ensures that risk management and risk control are performed independently of front-office functions.
- All new or significantly changed products/services, business processes, instruments, IT systems or organisational structures undergo a thorough analysis (New Risk Approval process) before being implemented or used for the first time. This also applies to activities in new markets and via new distribution channels. This ensures that new risks are assessed and all necessary preparations and tests are completed prior to the introduction of a new or significantly changed product for the first time.

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

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

The material risks for the ProCredit group are credit risk, market risks (foreign currency risk and interest rate risk), liquidity risk (short term and long term), operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk. A separate risk type "sustainability/environmental, social and corporate governance (ESG) risks" has deliberately not been taken into account, as it would hardly be possible to isolate such a risk. ESG risks can have a material impact on the identified risk types, contributing as a factor in their materiality.

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

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

4 MANAGEMENT BODY

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

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

EU OVB: Disclosure on governance arrangements

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

As a general rule, the members of the Management of ProCredit Holding do not hold supervisory or management positions outside of the group.[8]

The tables below indicate the number of positions held by the Management[9] and Supervisory Board, including their positions at ProCredit Holding.[10]

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

31.12.2021	Management positions within the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Gian Marco Felice	1	8	-
Ms Sandrine Massiani	3	5	-
Dr Gabriel Schor	1	3	-

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

31.12.2021	Management positions outside of the group	Supervisory positions within the group	Supervisory positions outside of the group
Dr Claus-Peter Zeitinger (Chairman)	-	2	-
Rainer Ottenstein (Deputy Chairman)	-	7	-
Dr H.P.M. (Ben) Knapen	-	2	-
Marianne Loner	-	1	3
Jovanka Joleska Popovska	-	4	-
Dr Jan Martin Witte	1	1	1

8 Ms Sandrine Massiani also fulfils management member tasks of a group-external company, albeit only mandatory, non-time-consuming duties.
9 Ms Sandrine Massiani is, in addition to her position as manager of ProCredit Holding, manager of ProCredit Reporting DOOEL, domiciled in North Macedonia, and, since 1 January 2021, interim management board member of ProCredit Bank AG.
10 The positions at ProCredit Holding AG & Co. KGaA and ProCredit General Partner AG are presented together in the tables.

The management body of ProCredit Holding at the end of 2021 comprised the three members of the Management[11] and the six members of the Supervisory Board.[12]

The composition of the Management changed as of 1 March 2022: since that date, Mr Hubert Spechtenhauser has been the fourth member of the Management Board of the general partner of ProCredit Holding. In addition, the composition of the Supervisory Board will change in the financial year, as Dr Claus-Peter Zeitinger will retire from the Supervisory Board due to his age (see also row c). On 7 March 2022, the chairmanship of the Supervisory Board passed from Dr Claus-Peter Zeitinger to Rainer Ottenstein.

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

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

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

Furthermore, the Supervisory Board has determined that its members shall include persons who, in addition to a sound knowledge of banking, also have:

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

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

11 Mr Hubert Spechtenhauser has been the fourth member of the Management Board of the general partner of ProCredit Holding since 1 March 2022.
12 The terms of office of Mr Christian Krämer and Mr Petar Slavov both ended on 27 May 2021 as a result of resignation from office. On 27 May 2021, Ms Jovanka Joleska Popovska and Dr Jan Martin Witte were elected to the Supervisory Board.

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

In the process for selecting the members of the Management and of the Supervisory Board, the aim is to ensure an appropriate degree of diversity. As a result, both bodies comprise individuals representing diverse nationalities, professional and educational (university) backgrounds. The Supervisory Board established its goal of including at least one woman as a member of the Supervisory Board in the event that the Management has one or fewer women among its members. At the end of the 2021 financial year, the Supervisory Board had two female members and the Management Board had one female member. Furthermore, the Management has established a 25% gender quota for the first two organisational levels below the Management. Moreover, the general rule for the maximum permissible age of Supervisory Board members is set at 75. Both of these requirements have also been met.

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

The members of the Supervisory Board devote sufficient time to their duties. On the basis of the limited size of the Supervisory Board, the simple balance sheet structure of the group, its transparent risk profile and a remuneration structure which largely avoids variable remuneration elements, the Supervisory Board has thus far largely decided against the formation of committees. Committees pursuant to section 25d KWG have been established for the 2021 financial year, including a separate risk committee, the Risk and Audit Committee. The committees are composed of all members of the Supervisory Board.

Nine virtual meetings of the Supervisory Board were held in the 2021 financial year. Seven meetings of the Risk and Audit Committee were held. In addition, three meetings of the Nomination Committee and two meetings of the Remuneration Committee were held.[13]

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

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

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

13 Formally, the Risk and Audit Committee is a committee of the Supervisory Board of ProCredit Holding AG & Co. KGaA, while the Nomination Committee and Remuneration Committee are committees of the Supervisory Board of ProCredit General Partner AG.

5 CAPITAL ADEQUACY

5.1 Capital management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may incur greater risks than they are able to bear. To ensure adequate capitalisation (ICAAP), the group applies both the normative and economic perspective.

Our capital management framework has the following objectives:

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

Capital adequacy is monitored using different indicators, for which early warning indicators and limits have been established. In the framework of monitoring the risk profile and capital adequacy in the normative perspective, the material components of integrated performance and risk management of the ProCredit group include capital ratios, the leverage ratio and utilisation of the large exposure limits. The Group Risk Management Committee is informed monthly about the development of capitalisation and also receives indicator forecasts for the subsequent four quarters. On the basis of this information, early measures can be taken, if necessary, to manage risks.

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.

Methods for the calculation of capital adequacy vary between countries, but most jurisdictions where the ProCredit group operates base their calculation methods on the recommendations of the Basel Committee on Banking Supervision. Compliance with supervisory requirements is monitored for each ProCredit institution on the basis of the respective national requirements, and all group banks have to ensure that they satisfy their respective regulatory requirements regarding capitalisation. The indicators for each individual ProCredit bank include, in addition to regulatory standards in each country, a capital adequacy calculation in accordance with CRR requirements, a Tier 1 leverage ratio in accordance with CRR and a calculation of capitalisation in the economic perspective.

5.2 Structure of own funds

Own funds are calculated on the basis of CRR and KWG. A detailed presentation of the composition of own funds of the ProCredit group as of 31 December 2021 is provided in the table below.

EU CC1: Composition of regulatory own funds

31.12.2021 in EUR m		a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation[14]
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	441	No. L 23
	of which: Instrument type 1	294	No. L 23
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	416	No. L 24
3	Accumulated other comprehensive income (and other reserves)	-83	No. L 25
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	40	No. L 24
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**814**	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	0	
8	Intangible assets (net of related tax liability) (negative amount)	-21	No. A 8
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	

continued next page

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

31.12.2021 in EUR m		a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation[14]
continued			
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
EU-27a	Other regulatory adjustments	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-22**	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	**792**	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
EU-42a	Other regulatory adjustments to AT1 capital	-	

continued next page

31.12.2021 in EUR m		a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation[14]
continued			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–**	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	**–**	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	**792**	Sum of rows 29 and 44
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	64	No. L 21
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	**64**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	**64**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**856**	Sum of rows 45 and 58
60	**Total Risk exposure amount**	**5,601**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	14.1404%	
62	Tier 1 capital	14.1404%	
63	Total capital	15.2907%	
64	Institution CET1 overall capital requirements	8.1952%	
65	of which: capital conservation buffer requirement	2.5000%	
66	of which: countercyclical capital buffer requirement	0.0702%	

continued next page

31.12.2021 in EUR m		a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation[14]
continued			
67	of which: systemic risk buffer requirement	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	-	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**5.2907%**	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan. 2014 and 1 Jan. 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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

As of 31 December 2021, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 792 million. The CET1 capital of the ProCredit group is mainly composed of subscribed capital and reserves. Deductions are made for intangible assets, deferred tax assets which are conditional on future profitability and do not result from temporary differences, and additional valuation adjustments for fair-valued positions.

Compared to the previous year, the Common Equity Tier 1 of the ProCredit group increased by EUR 86 million. This is mainly due to the positive development of the translation reserve and the recognition of profits. The Common Equity Tier 1 capital reported as of 31 December 2021 includes interim profits as of 30 September 2021, less foreseeable charges and dividends. The full impact of IFRS 9 has been recognised in the CET1 capital of the group since the first application of IFRS 9. The respective transitional arrangements are not applied.

The ProCredit group issued no AT1 instruments. Therefore, as of 31 December 2021 the total amount of Tier 1 capital of the ProCredit group consisted of Common Equity Tier 1 capital.

A total amount of EUR 64 million is recognised as Tier 2 capital. This item consists of subordinated liabilities acquired since 2014 which, in the event of insolvency or liquidation, are not repaid until all non-subordinated creditors have been satisfied. Tier 2 capital decreased by EUR 11 million compared with the previous year, mainly due to the diminished capacity to recognise existing subordinated debt. No new subordinated debt instruments were issued in 2021.

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

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

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

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

31.12.2021 in EUR m		a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end	c Reference[15]
Assets – Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash and cash equivalents	140	140	
2	Balances at central banks	1,405	1,405	
3	Loans and advances to banks	253	253	
4	Derivative financial assets	1	1	
5	Investment securities	410	410	
6	Loans and advances to customers	5,793	5,801	
7	Property, plant and equipment and investment property	138	128	
8	Intangible assets	18	18	No. 8
9	Current tax assets	3	3	
10	Deferred tax assets	2	2	
11	Other assets	52	56	
12	**Total assets**	**8,216**	**8,218**	
Liabilities – Breakdown by liability class according to the balance sheet in the published financial statements				
13	Liabilities to banks	1,314	1,314	
14	Derivative financial liabilities	0	0	
15	Liabilities to customers	5,542	5,543	
16	Debt securities	353	353	
17	Other liabilities	42	41	
18	Provisions	17	17	
19	Current tax liabilities	4	4	
20	Deferred tax liabilities	1	1	
21	Subordinated debt	87	87	No. 46
22	**Total liabilities**	**7,360**	**7,360**	
Shareholders' Equity				
1	Subscribed capital and capital reserve	441	441	No. 1
2	Retained earnings, incl. legal reserves	496	497	No. 2, No. EU-5a
3	Translation reserve	-83	-83	No. 3
4	Revaluation reserve	2	2	
5	**Total shareholders' equity**	**856**	**857**	

15 Cross-reference to the corresponding rows in the template EU CC1.

5.4 Adequacy of own funds

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

EU OV1: Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
in EUR m		31.12.2021	31.12.2020	31.12.2021
1	Credit risk (excluding CCR)	4,569	4,367	366
2	of which: standardised approach	4,569	4,367	366
3	of which: Foundation IRB (F-IRB) approach	-	-	-
4	of which: slotting approach	-	-	-
EUR 4a	of which: equities under the simple risk-weighted approach	-	-	-
5	of which: Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	22	6	2
7	of which: standardised approach	-	-	-
8	of which: internal model method (IMM)	-	-	-
EU 8a	of which: exposures to a CCP	-	-	-
EU 8b	of which: credit valuation adjustment - CVA	15	2	1
9	of which: other CCR	7	4	1
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	of which: SEC-IRBA approach	-	-	-
18	of which: SEC-ERBA (including IAA)	-	-	-
19	of which: SEC-SA approach	-	-	-
EU 19a	of which: 1250%/deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	591	528	47
21	of which: standardised approach	591	528	47
22	of which: IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	433	432	35
EU 23a	of which: basic indicator approach	-	-	-
EU 23b	of which: standardised approach	433	432	35
EU 23c	of which: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	2	2	0
29	**Total**	**5,615**	**5,333**	**449**

For determining the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes.

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

The ProCredit group applies the standardised approach to quantify operational risk. Compared to the regulatory minimum capital requirements for operational risk, which amount to EUR 35 million, the average annual net loss according to data recorded in the Risk Event Database for the last three years amounted to about EUR 1.45 million.

Given the small volume of derivatives held by the group, the risk arising from Credit Valuation Adjustment (CVA)[16] is insignificant. The ProCredit group uses the standardised approach to calculate the capital requirements to cover CVA risk. However, the amount for CVA risk increased during the year and, as of 31 December 2021, was EUR 15 million. This is due to the introduction of CRR II and thus to the adjusted calculation of counterparty default risk in accordance with the original exposure method under Art. 282 CRR for derivative positions.

Solid loan portfolio growth of EUR 670 million in 2021 was largely offset in risk-weighted assets by the recognition of North Macedonia's and Bosnia's banking regulation as CRR-equivalent by the EU Commission, the full implementation of the SME support factor, and the application of Deep and Comprehensive Free Trade Area (DCFTA) guarantees. The regulatory capital ratios are calculated by dividing the relevant capital components by the sum of all risk-weighted assets. To calculate the CET1 capital ratio, only those capital components qualifying as CET1 capital are taken into account; for the calculation of the Tier 1 capital ratio, CET1 and AT1 capital are considered; for the calculation of the total capital ratio all regulatory capital components are considered.

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

EU KM1: Key metrics template

		a	c	e
in EUR m		**31.12.2021**	**30.06.2021**	**31.12.2020**
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	792	737	706
2	Tier 1 capital	792	737	706
3	Total capital	856	809	782
Risk-weighted exposure amounts				
4	Total risk exposure amount	5,601	5,373	5,325
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14.1404%	13.7136%	13.2649%
6	Tier 1 ratio (%)	14.1404%	13.7136%	13.2649%
7	Total capital ratio (%)	15.2907%	15.0528%	14.6907%

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16 The CRR introduced a capital requirement to cover the CVA risk arising from over-the-counter (OTC) derivatives. In contrast to counterparty default risk, this risk refers to the danger that the market value is reduced because the credit risk premium for the counterparty increases, without a default occurring.

in EUR m		a 31.12.2021	c 30.06.2021	e 31.12.2020
continued				
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.1250%	1.1250%	1.1250%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.3750%	0.3750%	0.3750%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.5000%	0.5000%	0.5000%
EU 7d	Total SREP own funds requirements (%)	10.0000%	10.0000%	10.0000%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution-specific countercyclical capital buffer (%)	0.0702%	0.0710%	0.0731%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2.5702%	2.5710%	2.5731%
EU 11a	Overall capital requirements (%)	12.5702%	12.5710%	12.5732%
12	CET1 available after meeting the total SREP own funds requirements (%)	296	271	-
Leverage ratio				
13	Total exposure measure	8,506	7,903	7,602
14	Leverage ratio (%)	9.3107%	9.3227%	9.2924%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	-	-	-
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (weighted value - average)	1,072	920	879
EU 16a	Cash outflows - total weighted value	994	934	843
EU 16b	Cash inflows - total weighted value	316	324	269
16	Total net cash outflows (adjusted value)	678	610	574
17	Liquidity coverage ratio (%)	157.9916%	150.9172%	153.1296%
Net Stable Funding Ratio				
18	Total available stable funding	6,417	5,895	-
19	Total required stable funding	4,528	4,329	-
20	NSFR ratio (%)	141.7397%	136.1029%	-

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the total capital ratio. A capital add-on pursuant to the Supervisory Review and Evaluation Process (SREP) is set for the ProCredit group in relation to total capital. This add-on was reduced in 2020 from 2.5% to 2.0%, and confirmed by supervisory authorities in 2021. The capital conservation buffer is currently 2.5%. The institution-specific countercyclical capital buffer amounted to 0.1% as at 31 December 2021. This buffer will be addressed in detail in the following section. Overall, this results in a minimum capital requirement of 8.2% for the CET1 capital ratio, 10.1% for the T1 capital ratio and 12.6% for the total capital ratio, taking into account the capital buffers.

With a Common Equity Tier 1 capital ratio of 14.1%, a Tier 1 capital ratio of 14.1% and a total capital ratio of 15.3% as of 31 December 2021, the ProCredit group's ratios clearly exceed the current regulatory requirements.

5.5 Countercyclical capital buffer

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

The Bulgarian National Bank retained the countercyclical capital buffer of 0.5% during the reporting period. As the responsible supervisory authority, BaFin kept the countercyclical capital buffer for Germany at 0% for all of 2021. For all other countries relevant for ProCredit, a 0% countercyclical capital buffer was applicable or no buffer was defined for 2021. The buffer requirement for the ProCredit group as of 31 December 2021 was EUR 4 million; therefore, the countercyclical capital buffer of 0.1% currently plays only a minor role.

The already announced increases in countercyclical capital buffer requirements in 2022 and 2023 for Bulgaria, Romania and Germany will have only a marginal impact on the group's capital requirements. As a result, the ProCredit group's countercyclical capital buffer requirements will increase slightly at the beginning of 2023 and will be around 0.3%.

The following table presents, as of 31 December 2021, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer and the institution-specific rate for the requirement.

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
	31.12.2021 in EUR m	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading-book exposures for SA	Value of trading-book exposures for internal models	Securitisation exposures – Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit risk exposures – Market risk	Relevant credit risk exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
010	**Breakdown by country:**													
	Serbia	1,058	-	-	-	-	1,058	56	-	-	56	715	16.6824%	0.0000%
	Bulgaria	958	-	-	-	-	958	47	-	-	47	607	14.0438%	0.5000%
	Ukraine	743	-	-	-	-	743	40	-	-	40	520	12.0179%	0.0000%
	Kosovo	602	-	-	-	-	602	34	-	-	34	443	10.2396%	0.0000%
	North Macedonia	507	-	-	-	-	507	24	-	-	24	321	7.3237%	0.0000%
	Ecuador	457	-	-	-	-	457	26	-	-	26	335	7.8486%	0.0000%
	Germany	413	-	-	-	-	413	17	-	-	17	47	5.1833%	0.0000%
	Georgia	408	-	-	-	-	408	21	-	-	21	279	6.2740%	0.0000%
	Romania	359	-	-	-	-	359	17	-	-	17	213	4.9838%	0.0000%
	Greece	293	-	-	-	-	293	18	-	-	18	227	5.4427%	0.0000%
	Bosnia and Herzegovina	274	-	-	-	-	274	13	-	-	13	165	3.7751%	0.0000%
	Albania	237	-	-	-	-	237	12	-	-	12	154	3.5101%	0.0000%
	Moldova	176	-	-	-	-	176	8	-	-	8	98	2.2753%	0.0000%
	United States of America	29	-	-	-	-	29	1	-	-	1	3	0.2037%	0.0000%
	Belgium	6	-	-	-	-	6	0	-	-	0	1	0.0361%	0.0000%
	United Kingdom	6	-	-	-	-	6	0	-	-	0	0	0.0270%	0.0000%
	Cook Islands	2	-	-	-	-	2	0	-	-	0	2	0.0520%	0.0000%
	The Netherlands	2	-	-	-	-	2	0	-	-	0	1	0.0269%	0.0000%
	Italy	1	-	-	-	-	1	0	-	-	0	1	0.0185%	0.0000%
	Other	2	-	-	-	-	2	0	-	-	0	2	0.0356%	-
020	**Total**	**6,532**	**-**	**-**	**-**	**-**	**6,532**	**334**	**-**	**-**	**334**	**4,134**	**100.0000%**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer

31.12.2021 in EUR m		**a**
1	Total risk exposure amount	5,601
2	Institution-specific countercyclical capital buffer rate	0.0702%
3	Institution-specific countercyclical buffer requirement	4

5.6 Leverage ratio

EU LRA: Disclosure of LR qualitative information

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

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. The ratio represents a non-risk-based model to address the growing risk of excessive leverage in the banking sector. The requirements for determining the leverage ratio are set out in Part 7 of CRR. A mandatory minimum ratio of 3% was introduced in June 2021 with CRR II.

The leverage ratio is calculated on a monthly basis. The internally selected early warning threshold is currently 6%. As of year-end 2021 the ProCredit group reported a comfortable leverage ratio of 9.3%.

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

Compared with the previous year, the leverage ratio remained unchanged at 9.3%. The total risk exposure amount for the ProCredit group increased in the course of 2021 by EUR 906 million. This development was due primarily to loan portfolio growth. The simultaneous increase in T1 capital by EUR 86 million had a positive effect, with the result that the leverage ratio remained at the same level. This rise in T1 capital is mainly attributable to the recognition of interim profits and the positive development of the translation reserve.

EU LR2: Leverage ratio common disclosure

in EUR m		CRR leverage ratio exposures a 31.12.2021	b 31.12.2020
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	8,224	7,353
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are organised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-21	-23
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**8,203**	**7,330**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (i.e. net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	16	7
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**16**	**7**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFTs assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	987	-
20	(Adjustments for conversion to credit equivalent amounts)	700	-
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance-sheet exposures**	**287**	**265**

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		CRR leverage ratio exposures	
		a	b
in EUR m		**31.12.2021**	**31.12.2020**
continued			
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited with triparty agents)	-	-
EU-22h	(Excluded CSD-related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD-related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**792**	**706**
24	**Total exposure measure**	**8,506**	**7,602**
Leverage ratio			
25	Leverage ratio (%)	9.3107%	9.2924%
EU-25	Leverage ratio (excluding the impact of the exemption of public-sector investments and promotional loans) (%)	9.3107%	9.2924%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.3107%	9.2924%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	-
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.0000%	-
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	-	-
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-

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		CRR leverage ratio exposures	
		a	b
in EUR m		31.12.2021	31.12.2020
continued			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,506	7,602
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,506	7,602
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.3107%	9.2924%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.3107%	9.2924%

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

		a
31.12.2021 in EUR m		**Applicable amount**
1	Total assets as per published financial statements	8,216
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	2
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	16
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	287
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-14
13	**Total exposure measure**	**8,506**

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

		a
31.12.2021 in EUR m		**CRR leverage ratio exposures**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**8,224**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	8,224
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,846
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	0
EU-7	Institutions	57
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	3,185
EU-10	Corporates	2,588
EU-11	Exposures in default	80
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	468

5.7 Capitalisation in the economic perspective

EU OVC: ICAAP information

Row a - Approach to assessing the adequacy of internal capital

For information on the principles of capital management, please refer to section 5.1. Ensuring that the group as a whole and each individual bank maintains sufficient capitalisation in the economic perspective is a key element of ProCredit's group-wide risk management and capital management processes. In the context of the economic perspective, the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is sufficient. Capitalisation in the economic perspective was adequate at all times during the course of 2021.

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

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

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

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

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

Capitalisation in the economic perspective

	Limit in EUR m	**Limit utilisation** in EUR m	**Limit utilisation** (in %)
Credit risk	420	301	71.7
Interest rate risk	140	101	72.3
Foreign currency risk	150	110	73.5
Operational risk	30	23	75.4
Business risk	28	21	75.1
Funding risk	11	8	72.4
Model risk	47	40	N/A
Total 2021	**826**	**604**	**73.1**
Total 2020	745	564	75.6

Stress tests

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

A range of stress scenarios are adopted and tested in order to analyse the impact of extraordinary but plausible events. The scenarios apply to both historical and hypothetical stress situations. They are based on, among other things, assumptions depicting significant deterioration of worldwide macroeconomic conditions and include an analysis of a severe economic downturn. The selection of the scenarios takes account for the group's strategic orientation and the economic environment. The macroeconomic stress scenario we have analysed exceeds current expectations for the impact of the COVID-19 pandemic. Against the backdrop of the current war in Ukraine, we are analysing further stress scenarios. The results of stress testing show that the capitalisation of the group in the economic perspective would be adequate under the defined stress conditions.

6 CREDIT RISK

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

6.1 Customer credit risk

EU CRA: General qualitative information about credit risk[17]

Row a - How the business model translates into the components of the institution's credit risk profile.
The business strategy of the ProCredit group is based on being a "Hausbank" for SME clients and serving selected private clients. This allows a clear focus of the operating business and thus ensures that the credit exposures of the ProCredit banks are with clients who have the desired profile, so that risks can be managed effectively. In our main business, i.e. serving SMEs, we apply an individual approach to client assessment. This includes the recording and assessment of the risk profile, a thorough evaluation of the financial structure and the income-generating activities, and finally the possibility of mitigating risks through collateral or guarantees. As with all material risks of the ProCredit group, customer credit risk is managed by means of a uniform group-wide strategy. See also section 3, EU OVA row a.

Row b - The criteria and approach used for defining the credit risk management policy and for setting credit risk limits.
The key objectives of credit risk management are to achieve high loan portfolio quality, low risk concentrations within the loan portfolio and appropriate coverage of credit risks with loss allowances. The diversification of our business activities across 12 countries spread over four regions and the experience we have gained in these markets over the past decades form the basis for limiting customer credit risk effectively.

17 This table is presented three times in total, for the three sub-portfolios of credit risk: Customer credit risk, counterparty risk including issuer risk, and country risk.

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

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

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

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

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

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 a reduction in the value of the collateral is detected at an early stage and appropriate measures can be taken, annual plausibility checks of collateral value are a fixed component of the monitoring process for exposures. The assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff.

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

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

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

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

Credit risk at the portfolio level is assessed regularly. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, coverage level and concentration risk. Developments are monitored and reported regularly, i.e. at least monthly, based on a system of risk indicators with early warning thresholds and limits. At group level, a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also quantified and reported (at least quarterly).[18] The risk models used are subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

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

When we offered our clients moratoria, the issue of which was permissible until March 2021, it was only as a temporary measure to address short-term liquidity problems. Therefore, the share of the loan portfolio in

18 These are defined for the combination of all three sub-portfolios of credit risk, i.e. customer credit risk, counterparty risk including issuer risk, and country risk.

moratorium was already below 2% at the end of 2020, and below 0.1% by the end of 2021. In line with the EBA's interpretations, applying these moratoria did not in itself automatically lead to forbearance measures or allocation to a worsened risk class. After the moratoria expired, restructuring measures were taken if the borrower's individual situation necessitated it. This was mainly observed in the first half of the year. Towards the end of the year, we see a continuous reduction of the restructured portfolio.

Based on our intensive monitoring in 2021, we assess the impact of the COVID-19 pandemic on our loan portfolio thus far to be low. This is also reflected in observations regarding the quality indicators implemented for the loan portfolio.

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 12 banks likewise makes a significant impact in terms of diversification. 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 Tier 1 capital of the respective ProCredit bank) require the approval of the bank's Supervisory Board and the Group Risk Management Committee. No individual large credit exposure may exceed 25% of regulatory (Tier 1) capital of a bank, and the sum of all large credit exposures of a bank may not exceed 150% of its regulatory capital.

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

At group level, the following organisational units in particular are entrusted with customer credit risk:

- The Management of ProCredit Holding approves the group credit risk management policies and defines the scope of activities and responsibilities of the Group Credit Risk Management team as well as an appropriate organisational structure.
- The tasks of the Group Risk Management Committee with regard to customer credit risk include: Approving group standards and other group documents governing credit risk management, setting appropriate credit risk exposure limits, regularly reviewing the credit risk report and ensuring that significant credit risks are identified, assessed, treated, monitored and communicated, taking appropriate action based on a review of key credit risk metrics (with respect to the lending business of specific banks or the group's credit strategy), approving the implementation of new credit facilities, approving exposures equal to or exceeding 10% of a bank's regulatory capital, deciding on requests for exceptions to the policies and standards.
- The Group and PCH Model Committee discusses the credit risk quantification models (including the Expected Credit Loss (ECL) model for the calculation of loss allowances) as well as the validations.

- The Group Credit Risk Management team has the following responsibilities, among others: Issuing a second risk opinion for individual credit exposures that exceed approval limits of individual banks, reviewing submissions from banks and issuing opinions and/or approving general and individual exceptions to the principles and standards, assessing the development of the credit portfolio, developing a methodology for quantifying credit risk and determining the level of loss allowances at group level, drafting and revising policies and other group documents governing credit risk management and monitoring their implementation at the banks.

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

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

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

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

Row d - The relationships between credit risk management, risk control, compliance and internal audit functions.
The Group Credit Risk Management team is responsible for customer credit risk management in the ProCredit group; see also the previous explanations in row c. This includes responsibility for ensuring that policies and risk processes at group level comply with all relevant regulatory and supervisory requirements. In addition, Group

Credit Risk Management monitors the implementation of group policies and standards in the banks, controls the quality of risk assessment by issuing second opinions for individual exposures, and performs regular ex-post controls of relevant exposures and processes. The team is itself audited by ProCredit Holding's Internal Audit function; in addition, Group Credit Risk Management monitors the audit results of the banks' Internal Audit functions in order to support the implementation of agreed actions.

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

6.2 Counterparty risk, including issuer risk

EU CRA: General qualitative information about credit risk[19]

Row a - How the business model translates into the components of the institution's credit risk profile.
The business model of the ProCredit group is to provide loans and banking services to small and medium-sized enterprises and private clients. Counterparty risk in the ProCredit group therefore mainly arises from keeping highly liquid assets for the purpose of managing liquidity. As with all material risks of the ProCredit group, it is managed by means of a uniform group-wide strategy. See also section 3, EU OVA row a.

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

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

19 This table is presented three times in total, for the three sub-portfolios of credit risk: Customer credit risk, counterparty risk including issuer risk, and country risk.

work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms (typically overnight) and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. Within the ProCredit group, it is prohibited to engage in speculative trading. Liquidity in domestic currency is predominantly invested in central bank papers or sovereign bonds in the respective country. EUR or USD, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals with a high international rating. The impact of market price changes on the group is limited, because the volume of securities is rather low, their maturities are typically short and issuers are carefully selected based on conservative risk criteria.

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for customer credit risk. ProCredit banks conclude transactions only with counterparties that have previously been analysed and for which a limit has been approved. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. The typical maximum maturity of our term deposits is three months, but usually shorter; longer maturities are subject to approval. Approval is likewise required before any investments in securities, except for central bank papers in the domestic currency of the respective country with a remaining maturity of up to three months. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%. Essentially, these comprise transactions in the framework of ordinary business activities with regulated commercial banks in those countries where we operate whose banking regulations are not aligned with CRR/CRD.

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

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

Due to the careful selection of the counterparties, none of the exposures listed was past due nor showed any signs of impairment as of 31 December 2021 (they are thus assigned to Stage 1 (*performing*)).

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

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

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

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

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

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

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

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

31.12.2021 in EUR m		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total exposure value**
1	Central governments or central banks	-	-	-	-	-	-	-	-	0	-	-	0
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	4	6	-	-	-	-	-	10
7	Corporates	-	-	-	-	-	-	-	-	1	-	-	1
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	1	4	-	-	-	0	-	5
10	Other items	-	-	-	-	0	0	-	-	-	-	-	-
11	**Total exposure value**	**-**	**-**	**-**	**-**	**5**	**10**	**-**	**-**	**1**	**0**	**-**	**16**

EU CCR5: Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
31.12.2021 in EUR m		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	-	-	-	-	-	-	-	-
2	Cash - other currencies	-	-	-	0	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**-**	**-**	**0**	**-**	**-**	**-**	**-**

6.3 Country risk

EU CRA: General qualitative information about credit risk[20]

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

The country risk of the ProCredit group arises from the cross-border operations of ProCredit Holding and the ProCredit Bank in Germany. As with all material risks of the ProCredit group, country risk is managed by means of a uniform group-wide strategy. See section 3, EU OVA row a, and the next section.

Economic development in the countries in which we operate continued to be impacted by the COVID-19 pandemic in 2021. Moreover, rising energy prices, bottlenecks in supply chains and increasing inflation, particularly towards the end of 2021, caused further uncertainty. The war in Ukraine and the associated political and macroeconomic uncertainty represent substantial country risk. We closely follow the developments in Ukraine and in all other 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.

Ratings agencies maintained the sovereign ratings for our countries of operation in 2021. At year-end 2021, two countries where we operate (Romania and North Macedonia) still had a 'negative' outlook from Fitch (if no Fitch rating, then Moody's or S&P). The outlook was changed for three countries during the year: Georgia was

20 This table is presented three times in total, for the three sub-portfolios of credit risk: Customer credit risk, counterparty risk including issuer risk, and country risk.

changed from “negative” to “stable”, Bulgaria from “stable” to “positive”, and Ukraine from “stable” to “positive”. Due to the war, Ukraine’s rating was downgraded from „B“ to „CCC“ in February 2022. The outlook for the other countries in which we operate remained “stable” in each case.

Row b - The criteria and approach used for defining the credit risk management policy and for setting credit risk limits.
The ProCredit group defines country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to convertibility or transfer restrictions on its cross-border obligations. Country risk thus arises solely from cross-border transactions.

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

Country limits are set in order to diversify cross-border transactions as much as possible. These country limits are defined taking into account both the risk perspective and the strategic business perspective. All cross-border transactions and developments in ProCredit countries of operation are monitored regularly. Among other things, internal indicators, external ratings and country-specific information are used for this purpose.

Row c - Structure and organisation of the credit risk management and control function
Country risks exist at ProCredit Holding and the ProCredit Bank in Germany. In particular, the following organisational units are entrusted with country risk management at group level: the Supervisory Board of ProCredit Holding, the Management of ProCredit Holding, Group ALCO, the Group Risk Management Committee, Group and PCH Model Risk Committee and the Group Financial Risk Management team.

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

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

6.4 Loss allowances and credit quality

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

Row a - The scope and definitions of "past-due" and „impaired" exposures used for accounting purposes and the differences, if any, between the definitions past due and default for accounting and regulatory purposes as specified by the EBA guidelines on the application of the definition of default in accordance with Article 178 CRR.
Exposures are considered past due when they are more than 90 days overdue and the amount overdue is considered significant. Significance is determined using an absolute threshold and a relative threshold for the size of the exposure in accordance with the regulatory technical standards (Delegated Regulation (EU) 2018/171). If both significance thresholds are exceeded, the counting of days past due begins.

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

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

Row c - Description of methods used for determining general and specific credit risk adjustments.
The ProCredit group establishes appropriate risk provisions for credit risk. Loss allowances for the customer portfolio and counterparty portfolio are established in line with the defined group standards, which are based on IFRS 9.[21]

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

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

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

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

- Stage 1 comprises exposures for which credit risk has not significantly increased since initial recognition, and for which there is thus no indication of a trigger for allocation to Stage 2 or Stage 3; this also includes exposures which have been re-assigned to Stage 1 from other stages. Generally, all exposures are allocated to Stage 1 upon initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). For Stage 1 exposures, the expected credit losses arising from possible default events within a period of up to 12 months following the reporting date are recognised in expenses. For receivables with a remaining term of less than 12 months, the shorter contractual maturity is applied.
- Stage 2 comprises exposures for which credit risk has significantly increased since initial recognition, but for which there are no objective indications of impairment; this also includes exposures which have been re-assigned to Stage 2 from Stage 3. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- Stage 3 includes all defaulted exposures (except POCI); i.e. as of the reporting date, there are objective indications of impairment. The respective calculation of loss allowances is performed based on the expected credit losses over the entire remaining maturity considering 100% probability of default.
- POCI exposures refer to defaulted exposures; however, they are recorded separately and are differentiated from other exposures in Stage 3 in the recognition of loss allowances.

Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk (SICR). The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over that remaining time period at initial recognition. A significant increase in credit risk is deemed to exists if the difference between these two PDs exceeds an internally defined threshold. This limit is set by the Management, based on an analysis of historical data on the risk characteristics of the loan portfolio. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk is no longer significantly elevated. In addition, qualitative criteria are used for SICR decisions. A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

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

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

Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. No migration between stages is possible for POCI exposures.

When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure. For exposures of any size, the banks carry out an individual assessment of the justified feasibility of repayments. Based on the assessment, the bank may decide to write off the exposure or continue to actively manage the exposure in order to allow for further repayment of the loan.

Changes in the assumptions can lead to changes in the calculated loss allowances over time. The ProCredit group acknowledges that discretionary decisions of the Management and estimation uncertainties can have a significant impact on the establishment of loss allowances for collectively and individually assessed exposures. The establishment of loss allowances for the 2021 financial year was also impacted by the COVID-19 pandemic. In anticipation of the continued increased uncertainty due to the COVID-19 pandemic, also in the longer term, appropriate adjustments have been made to the fundamental macroeconomic factors used to determine the ECL model parameters.

Row d - The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.
The ProCredit group uses an institution-specific definition for the restructuring of an existing exposure. Any changes in the contractual conditions for customers with financial difficulties are considered restructuring (forbearance). This definition is consistent with the definition of a forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014. The ProCredit group uses qualitative and quantitative factors to determine when the exposure is classified as defaulted or impaired.

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
31.12.2021 in EUR m			of which stage 1	of which stage 2		of which stage 2	of which stage 3		of which stage 1	of which stage 2		of which stage 2	of which stage 3		On performing exposures	On non-performing exposures
005	**Cash balances at central bank and other demand deposits**	**1,531**	**1,531**	**–**	**–**	**–**	**–**	**-1**	**-1**	**–**	**–**	**–**	**–**		**190**	**–**
010	**Loans and advances**	**5,940**	**5,726**	**215**	**136**	**–**	**133**	**-64**	**-46**	**-18**	**-68**	**–**	**-67**	**-5**	**4,122**	**56**
020	Central banks	83	83	–	–	–	–	0	0	–	–	–	–	–	–	–
030	General governments	0	0	–	–	–	–	0	0	–	–	–	–	–	0	–
040	Credit institutions	44	44	–	–	–	–	0	0	–	–	–	–	–	–	–
050	Other financial corporations	22	22	0	0	–	0	0	0	0	0	–	0	–	4	–
060	Non-financial corporations	5,357	5,149	208	128	–	126	-58	-40	-18	-64	–	-63	-4	3,808	53
070	of which: SME	5,031	4,827	204	125	–	124	-54	-37	-17	-62	–	-61	–	3,625	52
080	Households	434	427	7	8	–	7	-6	-6	0	-4	–	-4	0	310	3
090	**Debt securities**	**394**	**394**	**–**	**–**	**–**	**–**	**0**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100	Central banks	117	117	–	–	–	–	0	0	–	–	–	–	–	–	–
110	General governments	267	267	–	–	–	–	0	0	–	–	–	–	–	–	–
120	Credit institutions	4	4	–	–	–	–	0	0	–	–	–	–	--	–	
130	Other financial corporations	4	4	–	–	–	–	0	0	–	–	–	–	–	–	–
140	Non-financial corporations	3	3	–	–	–	–	0	0	–	–	–	–	–	–	–
150	**Off-balance-sheet exposures**	**986**	**972**	**12**	**2**	**1**	**1**	**3**	**2**	**0**	**0**	**0**	**0**		**–**	**–**
160	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170	General governments	0	0	–	–	–	–	0	0	–	–	–	–		–	–
180	Credit institutions	1	–	–	–	–	–	–	–	–	–	–	–		–	–
190	Other financial corporations	3	3	–	–	–	–	0	0	–	–	–	–		–	–
200	Non-financial corporations	959	946	11	2	1	1	3	2	0	0	0	0		–	–
210	Households	23	23	0	0	0	0	0	0	0	0	0	0		–	–
220	**Total**	**7,321**	**7,091**	**226**	**139**	**1**	**134**	**-61**	**-44**	**-18**	**-67**	**0**	**-67**	**-5**	**4,122**	**56**

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
31.12.2021 in EUR m		On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	1,211	576	2,185	1,972	-	5,945
2	Debt securities	-	253	135	6	-	394
3	**Total**	**1,211**	**828**	**2,320**	**1,979**	**-**	**6,338**

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
31.12.2021 in EUR m				of which defaulted	of which impaired				of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central bank and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	125	76	76	76	-12	-34	138	36
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	121	72	72	72	-12	-33	132	34
070	Households	4	4	4	4	0	-2	5	2
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1	1	0	0	0	0	-	-
100	**Total**	**126**	**77**	**76**	**76**	**-12**	**-34**	**138**	**36**

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
	31.12.2021 in EUR m		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
005	Cash balances at central bank and other demand deposits	1,531	1,531	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	5,940	5,924	17	136	59	20	15	23	14	4	2	136
020	Central banks	83	83	-	-	-	-	-	-	-	-	-	-
030	General governments	0	0	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	44	44	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	22	22	-	0	-	-	0	-	-	-	-	0
060	Non-financial corporations	5,357	5,341	16	128	55	19	14	22	13	4	2	128
070	of which: SME	5,031	5,014	16	125	53	19	13	21	12	4	2	125
080	Households	434	433	0	8	4	1	1	1	1	0	0	8
090	Debt securities	394	394	-	-	-	-	-	-	-	-	-	-
100	Central banks	117	117	-	-	-	-	-	-	-	-	-	-
110	General governments	267	267	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	4	4	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	4	4	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	3	3	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	986			2								1
160	Central banks	0			-								-
170	General governments	0			-								-
180	Credit institutions	1			-								-
190	Other financial corporations	3			-								-
200	Non-financial corporations	959			2								1
210	Households	23			0								0
220	**Total**	**7,321**	**6,318**	**17**	**139**	**59**	**20**	**15**	**23**	**14**	**4**	**2**	**138**

EU CQ4: Quality of non-performing exposures by geography

31.12.2021 in EUR m		a	b	c	d	e	f	g
		Gross carrying amount/nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which non-performing		of which subject to impairment			
				of which defaulted				
010	**On-balance-sheet exposures**	**6,470**	**136**	**136**	**6,470**	**-132**		**-**
020	Serbia*	1,746	34	34	1,746	-32		-
030	Bulgaria	992	16	15	992	-14		-
040	Ukraine	849	11	11	849	-22		-
050	North Macedonia	506	8	8	506	-7		-
060	Ecuador	455	27	27	455	-12		-
070	Other countries	1,923	40	40	1,923	-44		-
080	**Off-balance-sheet exposures**	**987**	**2**	**1**			**3**	
090	Serbia*	278	1	1			1	
100	Bulgaria	212	1	0			0	
110	Ukraine	131	0	0			1	
120	North Macedonia	95	0	0			0	
130	Ecuador	51	0	0			0	
140	Other countries	220	1	0			1	
150	**Total**	**7,457**	**139**	**137**	**6,470**	**-132**	**3**	**-**

* The entry "Serbia" contains exposure from both, Serbia and Kosovo.

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

31.12.2021 in EUR m		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which non-performing		of which loans and advances subject to impairment		
				of which defaulted			
010	Agriculture, forestry and fishing	1,040	19	19	1,040	-22	-
020	Mining and quarrying	19	0	0	19	0	-
030	Manufacturing	1,271	28	28	1,271	-25	-
040	Electricity, gas, steam and air conditioning supply	246	2	2	246	-4	-
050	Water supply	24	0	0	24	0	-
060	Construction	388	3	3	388	-5	-
070	Wholesale and retail trade	1,546	37	37	1,546	-35	-
080	Transport and storage	257	11	11	257	-8	-
090	Accommodation and food service activities	189	11	11	189	-8	-
100	Information and communication	69	7	7	69	-4	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	129	1	1	129	-2	-
130	Professional, scientific and technical activities	75	3	3	75	-2	-
140	Administrative and support service activities	76	3	3	76	-2	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	48	1	1	48	-1	-
170	Human health services and social work activities	63	1	1	63	-1	-
180	Arts, entertainment and recreation	7	0	0	7	0	-
190	Other services	39	2	2	39	-2	-
200	**Total**	**5,486**	**128**	**128**	**5,486**	**-122**	**-**

EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession	
31.12.2021 in EUR m		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0	-
020	Other than PP&E	12	-5
030	Residential immovable property	2	-1
040	Commercial immovable property	9	-5
050	Movable property (auto, shipping, etc.)	0	0
060	Equity and debt instruments	-	-
070	Other collateral	0	0
080	**Total**	**12**	**-5**

6.5 Default risk arising from derivative positions

EU CCRA: Qualitative disclosure related to CCR

Row a - Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties.
The currently existing derivatives of the ProCredit group are treated as OTC products and the calculation of the capital requirements for counterparty default risk is based on the standardised approach. There is no reduction in capital requirements due to intermediation of central counterparties. See also row b.

Rows b/d - Description of policies related to guarantees and other credit risk mitigants, other risk management objectives, and relevant policies related to CCR.
In the ProCredit group, derivatives are utilised to a very limited extent. They are only used to hedge foreign currency and interest rate risk, to obtain liquidity or on behalf of clients; they may not be engaged in for the purposes of proprietary or speculative trading. The following derivatives are relevant for the ProCredit group:

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

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

In 2021, the ProCredit group held no derivatives on shares, credit or commodities, or other derivatives.

Row c - Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CCR.
Due to the low volume of derivatives in the ProCredit group, possible correlations between counterparty/issuer risk and market risks are negligible.

Row e - The amount of collateral the institution would have to provide if its credit rating was downgraded
Requirements pursuant to Article 439 (d) CRR to provide additional collateral in connection with rating downgrades are currently not applicable for ProCredit Holding.

EU CCR1: Analysis of CCR exposure by approach

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

31.12.2021 in EUR m		a Replacement cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for computing regulatory exposure value	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU-1	EU - Original Exposure Method (for derivatives)	1	10		1.4	16	16	16	7
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	1.4	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting rates			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**16**	**16**	**16**	**7**

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

31.12.2021 in EUR m		a Exposure value	b RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3x multiplier)		-
3	(ii) stressed VaR component (including the 3x multiplier)		-
4	Transactions subject to the Standardised method	16	15
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**16**	**15**

EU CCR6: Credit derivatives exposures

31.12.2021 in EUR m		a Protection bought	b Protection sold
Notionals			
1	Single-name credit default swaps	-	-
2	Index credit default swaps	-	-
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	**Total notionals**	-	-
Fair values			
7	Positive fair value (asset)	-	-
8	Negative fair value (liability)	-	-

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

EU CRD: Qualitative disclosure requirements related to standardised approach

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

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

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

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

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

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

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

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

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
31.12.2021 in EUR m		**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
Exposure classes		**a**	**b**	**c**	**d**	**e**	**f**
1	Central governments or central banks	1,791	-	1,670	-	378	22.6567%
2	Regional government or local authorities	55	-	55	-	0	0.0330%
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	-	-	633	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions[22]	57	1	57	1	15	26.8234%
7	Corporates	2,588	245	2,318	67	1,949	81.7365%
8	Retail	3,185	742	2,951	150	1,893	61.0516%
9	Secured by mortgages on immovable property	-	-	-	-	-	-
10	Exposures in default	79	-	73	0	88	120.7468%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	128	-	128	-	52	40.6595%
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	9	-	9	-	9	100.0000%
16	Other items	317	-	317	-	177	55.7055%
17	**Total**	**8,210**	**987**	**8,210**	**218**	**4,562**	**54.1328%**

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

EU CR5: Standardised approach

31.12.2021 in EUR m		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1,286	–	–	–	9	–	0	–	–	372	–	2	–	–	–	1,670	1,446
2	Regional government or local authorities	55	–	–	–	–	–	–	–	–	0	–	–	–	–	–	55	55
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Multilateral development banks	633	–	–	–	–	–	–	–	–	–	–	–	–	–	–	633	633
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	–	–	–	–	62	–	6	–	–	–	–	–	–	–	–	68	60
7	Corporates	–	–	–	–	–	–	–	–	–	2,386	–	–	–	–	–	2,386	2,386
8	Retail exposures	–	–	–	–	–	–	–	–	3,101	–	–	–	–	–	–	3,101	3,101
9	Exposures secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Exposures in default	–	–	–	–	–	–	–	–	–	43	30	–	–	–	–	73	73
11	Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Exposures to institutions and corporates with a short-term credit assessment	–	–	–	–	105	–	4	–	–	15	10	–	–	–	–	133	81
14	Units or shares in collective investment undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Equity exposures	–	–	–	–	–	–	–	–	–	9	–	–	–	–	–	9	10
16	Other items	140	–	–	–	–	–	–	–	–	177	–	–	–	–	–	317	317
17	**Total**	**2,114**	**–**	**–**	**–**	**176**	**–**	**10**	**–**	**3,101**	**3,002**	**40**	**2**	**–**	**–**	**–**	**8,444**	**8,160**

EU CRC: Qualitative disclosure requirements related to CRM techniques

Row a - A description of the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.
The ProCredit group does not make use of on-balance sheet and off-balance sheet netting agreements.

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

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

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

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

The mandatory minimum reserves are inevitable exposures driven by the group's business strategy, which is based on financing loans in transition economies mainly through deposits. The ProCredit group has therefore chosen to insure this exposure against the risk of default and expropriation. As of 31 December 2021, EUR 184 million of the EUR 409 million in total mandatory reserves were covered by MIGA guarantees.

Secured exposure amounts totalled EUR 695 million as of 31 December 2021. We do not currently include immovable property collateral or guarantees in the risk-weighted asset calculation.

Row d - For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.
The guarantors are exclusively the European Investment Fund and the Multilateral Investment Guarantee Agency. Both guarantors are multilateral development banks in accordance with Article 117 (2) CRR, and their exposures are assigned a risk weight of 0%.

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

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

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

31.12.2021 in EUR m		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantess	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	3,430	4,177	3,426	752	-
2	Debt securities	1,735	190	-	190	
3	Total	5,165	4,367	3,426	942	-
4	Of which non-performing exposures	81	56	50	6	-
EU-5	Of which defaulted	81	56			

7 MARKET RISKS

7.1 Foreign currency risk and interest rate risk

EU MRA: Qualitative disclosure requirements related to market risk

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

Row a - Description of the institution's strategies and processes to manage market risk
Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for the ProCredit group are foreign currency risk and interest rate risk in the banking book. All ProCredit banks are non-trading book institutions. The ProCredit group manages market risks in such a way that their impact is as limited as possible from an overall risk perspective.

Foreign currency risk refers to the risk of losses due to fluctuations in exchange rates. The risk arises when the volume of its assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set, monitored and controlled at bank level. ProCredit banks do not assume foreign currency risk for speculative purposes. Foreign currency derivatives are used exclusively for hedging or liquidity purposes. Foreign currency risk in the ProCredit group is, as with all material risks, managed by means of a uniform group-wide strategy.

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

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

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

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

Row c - Scope and nature of risk disclosure and measurement systems

At both bank and group level, the monthly risk reports include the banks' open currency positions as well as a bank-specific currency risk indicator as a value-at-risk calculation. At group level, the open currency positions of the group and a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also reported (at least quarterly). The risk models used are subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

At both bank and group level, the monthly risk reports include the banks' interest rate structure for the balance sheet as well as a bank-specific interest rate risk indicator. At group level, a value-at-risk analysis of the economic perspective, additional regulatory indicators, as well as sensitivities and stress scenarios are also reported (at least quarterly).

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

Row a - A description of how the institution defines IRRBB for purposes of risk control and measurement
Interest rate risk in the ProCredit group 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. It arises exclusively from positions in the banking book. All ProCredit banks are non-trading book institutions.

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

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

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

Row c - The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB
Both at bank level and for the group as a whole, interest rate risk is quantified and measured at least quarterly on the basis of economic value impact and on the basis of the 12-month P&L effect. To calculate the P&L effect, regularly updated assumptions on planned business developments are used, as well as the change in the fair value of financial instruments measured at fair value. Limits are set in relation to regulatory capital for the economic value impact and accounted for within the scope of the bank's or group's capital adequacy calculation in the economic approach. Limits are set in relation to the forecast net interest income for the P&L effect.

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

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

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

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

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

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

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

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

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

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

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

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

Based on the scenarios presented in the EU IRRBB1 template, the maximum loss of economic value results in scenario 3, which, with a share of around 4.9% of Tier 1 capital, is below the regulatory limit of 15%. The change in net interest income shows a loss in scenario 2 that is below the internal cap of EUR 20 million (currently, no regulatory cap is prescribed for this risk measure).

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

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

Row (1) (2) - Disclosure of the average and longest repricing maturity assigned to non-maturity deposits

Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific historical analyses. Here, the repricing maturity per currency is limited to a maximum of every four years. At year-end 2021, the weighted average of these was 10.7 months. Non-interest-bearing sight deposits and savings accounts are not included.

EU IRRBB1: Interest rate risks of non-trading book activities [23]

		a	b	c	d
		Changes in the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios		Current period	Last period	Current period	Last period
1	Parallel up	-1.4	-	34.8	-
2	Parallel down	-7.3	-	-14.9	-
3	Steepener	-38.9	-		
4	Flattener	5.2	-		
5	Short rates up	0.1	-		
6	Short rates down	-31.1	-		

7.2 Market risk under the standardised approach

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

23 This table is disclosed for the first time, so no prior period information is provided.

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

EU MR1: Market risk under the standardised approach

		a
		RWEAs
Outright products		
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	591
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**591**

8 LIQUIDITY RISKS

8.1 Liquidity and funding risk

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

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

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

Liquidity risk management within the group comprises two perspectives, that of the individual ProCredit banks and that of the group. Liquidity risk for the group arises primarily at the level of the individual subsidiary banks. The transfer of liquidity within the group is partially limited, as in some countries where we operate there are regulatory restrictions on exposures to group companies. Moreover, most of the national currencies are not freely tradable abroad. As a result, most liquidity indicators have a bank perspective and risk is accordingly managed predominantly by banks.

We assess short-term liquidity risk in each significant currency 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 defined as the timeframe during which the banks are able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements in the banks. LCR indicates whether we have sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

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.

At group level, short-term liquidity risk is measured particularly by means of the LCR. The liquidity transfer restrictions within the group are taken into account. Liquidity is also managed by means of group stress tests. These also determine the adequacy of ProCredit Holding's liquidity reserve.

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

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

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at higher costs. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through deposits; our deposit-taking operations focus on our target group of business clients and private clients/savers, with whom we establish strong relationships. These are supplemented by long-term loans from international financial institutions (IFIs).

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

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

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

See also section 3, EU OVA row a.

Row b - Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)
At group level, the following organisational units are entrusted with liquidity risk: the Management Board of ProCredit Holding, the Group Risk Management Committee, the Group ALCO, the Group and PCH Model Committee, and the Group Financial Risk Management team.

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

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

Liquidity is managed on a daily basis by the respective treasury departments, based on the ALCO-approved cash flow projections, and is monitored by risk management, the ALCO and the risk management committee, as well as monthly by Group ALCO and the Group Risk Management Committee.

Row c - A description of the degree of centralisation of liquidity management and interaction between the group's units.
In addition to the respective national regulatory requirements, liquidity risk management is based on a uniform group-wide approach; see also the comments on EU LIQA rows a and b. Within the respective regulatory limits, the ProCredit institutions hold their liquidity in euro and US dollar at the ProCredit Bank in Germany, which enables the latter to centrally manage the liquidity flows within the group in these currencies and to provide short-term loans to the ProCredit banks.

At group level, short-term liquidity risk is measured particularly with the LCR. For the majority of ProCredit banks, the LCR at individual institution level is significantly higher than the consolidated LCR at group level. Due to liquidity transfer restrictions, which are mainly based on national regulatory requirements in the countries where we operate, a significant portion of the banks' liquidity buffer is not included in LCR consolidation. The weighted averages over four quarters of the 2021 financial year are shown in Table EU LIQ1.

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

Row d - Scope and nature of liquidity risk reporting and measurement systems
Liquidity risk is monitored through a daily liquidity overview, a weekly ALCO report, and monthly and quarterly reporting to the Group Risk Management Committee.

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

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

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

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

Row f - An outline of the bank's contingency funding plans

Each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps a liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis. In addition, ProCredit Holding has developed a liquidity contingency plan.

Row g - An explanation of how stress testing is used

Market-wide, institution-specific (idiosyncratic) and combined stress tests are conducted monthly and ad hoc. Each ProCredit bank should keep sufficient liquid funds to meet its obligations, even in difficult times.

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

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

The ProCredit group and all ProCredit banks had enough liquidity available at all times in 2021 to meet all financial obligations in a timely manner. At the end of the year, all banks complied with the limits set for all liquidity risk ratios. During the year, efficient measures were implemented promptly by a few ProCredit banks to overcome temporary limit breaches.

Developments in the liquidity situation, including potential impacts of the COVID-19 pandemic, were monitored and assessed in 2021 on the basis of daily and monthly liquidity risk reporting, regular communication between ProCredit Holding and the subsidiary banks, and monitoring of regulatory measures and market trends. Compared with the previous year, the considerable uncertainty regarding market liquidity and possible deposit outflows has decreased. The liquidity situation of the ProCredit banks and the group remained adequate and even improved over the course of the year. This was mainly due to an increase in deposits in all banks as well as new funding agreements with international financial institutions (IFIs). Currently, the focus is particularly on the war in Ukraine. Due to the very dynamic overall situation, the impact cannot be estimated precisely at the present time.[24]

As of 31 December 2021, the LCR was 158% (2020: 153%) and NSFR was 142% at group level, and thus appropriately above the regulatory requirement of 100% and our internally defined early warning threshold. This indicates a comfortable liquidity situation and funding structure for the group as of year-end 2021.

See also EU OVA row a in section 3.

24 Due to special termination rights of creditors, particularly at the level of ProCredit Holding, if a material default event occurs for ProCredit Holding or one of its significant subsidiaries, then, depending on the type of default event, the debt securities and a majority of the subordinated loans in the maturity bands „up to 1 month" or „1-3 months" are taken into account. The associated liquidity and funding risks are generally very low in the ordinary course of business, but can become significant in the event of unexpected major political events, as is currently the case in the wake of the Russian invasion of Ukraine.

EU LIQ1: Quantitative information of LCR

		a	b	c	d	e	f	g	h
in EUR m		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YY)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					917	885	857	825
Cash – Outflows									
2	Retail deposits and deposits from small business customers, of which:	3,531	3,430	3,323	3,245	278	270	260	254
3	Stable deposits	986	950	909	878	49	48	45	44
4	Less stable deposits	1,966	1,909	1,850	1,812	229	222	215	210
5	Unsecured wholesale funding	1,173	1,127	1,087	1,036	534	516	499	475
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	1,170	1,123	1,081	1,031	532	512	493	470
8	Unsecured debt	3	4	5	5	3	4	5	5
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	574	677	670	670	51	59	60	62
11	Outflows related to derivative exposures and other collateral requirements	17	18	20	21	17	18	20	21
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	557	659	650	649	35	41	40	41
14	Other contractual funding obligations	73	70	67	63	49	46	43	38
15	Other contingent funding obligations	375	257	248	240	20	13	12	12
16	**Total cash outflows**					**933**	**904**	**875**	**840**
17	Secured lending (e.g. reverse repos)	26	26	33	41	-	-	-	-
18	Inflows from fully performing exposures	398	383	365	359	311	300	286	283
19	Other cash inflows	7	8	9	10	7	8	9	10
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**Total cash inflows**	**432**	**417**	**406**	**411**	**319**	**308**	**294**	**293**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	432	417	406	411	319	308	294	293
Total adjusted value									
EU-21	Liquidity buffer					917	885	857	825
22	Total net cash outflows					615	596	581	547
23	Liquidity coverage ratio					**149.3004%**	**148.4683%**	**147.4658%**	**150.7275%**

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

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

The group's LCR remained relatively stable during the year. In the second half of the year, the liquidity buffer and the assumed cash outflows increased, mainly due to a strong increase in customer deposits in all banks and new funding agreements with international financial institutions.

Row c - Explanations on the actual concentration of funding sources

As of end-December 2021, the largest funding source was deposits with EUR 5,542 million. Of these, approximately 70% are classified as retail deposits according to LCR definitions. Liabilities to banks are the second-largest source of funding, accounting for EUR 1,314 million.

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

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

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

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

Row e - Derivatives exposures and potential collateral calls

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

Row f - Currency mismatch in the LCR

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

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

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

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

EU LIQ2: Net Stable Funding Ratio as of 31.12.2021

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		Mo maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items						
1	**Capital items and instruments**	**814**	**0**	**0**	**64**	**878**
2	Own funds	814	0	0	64	878
3	Other capital instruments		0	0	0	0
4	**Retail deposits**		**3,447**	**212**	**114**	**3,461**
5	Stable deposits		1,067	-	-	1,014
6	Less stable deposits		2,380	212	114	2,447
7	**Wholesale funding:**		**1,792**	**387**	**1,160**	**2,041**
8	Operational deposits		-	-	-	-
9	Others wholesale funding		1,792	387	1,160	2,041
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**0**	**49**	**12**	**31**	**37**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		49	12	31	37
14	**Total available stable funding (ASF)**					**6,417**
Required stable funding (RSF) items						
15	**Total high-quality liquid assets (HQLA)**					**-**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**1,357**	**1,292**	**3,389**	**4,131**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		197	5	12	34
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,076	1,206	2,964	4,056
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		71	73	379	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		14	8	33	41
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**		**173**	**13**	**230**	**346**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			0		0
29	NSFR derivative assets			1		1
30	NSFR derivative liabilities before deduction of variation margin posted			0		0
31	All other assets not included in the above categories		171	13	230	344
32	**Off-balance-sheet items**		**987**	**-**	**-**	**51**
33	**Total RSF**					**4,528**
34	**Net Stable Funding Ratio (%)**					**141.7397%**

EU LIQ2: Net Stable Funding Ratio as of 30.09.2021

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		Mo maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items						
1	**Capital items and instruments**	**793**	**0**	**0**	**68**	**861**
2	Own funds	793	0	0	68	861
3	Other capital instruments		0	0	0	0
4	**Retail deposits**		**3,339**	**200**	**108**	**3,343**
5	Stable deposits		946	68	18	981
6	Less stable deposits		2,394	132	90	2,363
7	**Wholesale funding:**		**1,648**	**206**	**922**	**1,644**
8	Operational deposits		0	0	0	0
9	Others wholesale funding		1,648	206	922	1,644
10	**Interdependent liabilities**		**0**	**0**	**0**	**0**
11	**Other liabilities:**	**0**	**113**	**96**	**247**	**295**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		113	96	247	295
14	**Total available stable funding (ASF)**					**6,143**
Required stable funding (RSF) items						
15	**Total high-quality liquid assets (HQLA)**					**0**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		-	-	-	-
16	**Deposits held at other financial institutions for operational purposes**		-	-	-	-
17	**Performing loans and securities:**		**1,415**	**1,199**	**3,300**	**4,029**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		219	6	12	37
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,110	1,121	2,900	3,961
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		71	70	361	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		15	2	26	31
25	**Interdependent assets**		-	-	-	-
26	**Other assets:**		**159**	**14**	**242**	**366**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			0		0
29	NSFR derivative assets			3		3
30	NSFR derivative liabilities before deduction of variation margin posted			0		0
31	All other assets not included in the above categories		157	14	242	363
32	**Off-balance-sheet items**		**959**	**0**	**0**	**49**
33	**Total RSF**					**4,443**
34	**Net Stable Funding Ratio (%)**					**138.2480%**

EU LIQ2: Net Stable Funding Ratio as of 30.06.2021

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in EUR m		Mo maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items						
1	**Capital items and instruments**	**759**	**0**	**0**	**72**	**830**
2	Own funds	759	0	0	72	830
3	Other capital instruments		0	0	0	0
4	**Retail deposits**		**3,174**	**186**	**108**	**3,180**
5	Stable deposits		897	64	19	932
6	Less stable deposits		2,277	122	89	2,248
7	Wholesale funding:		**1,641**	**229**	**825**	**1,550**
8	Operational deposits		0	0	0	0
9	Others wholesale funding		1,641	229	825	1,550
10	**Interdependent liabilities**		**0**	**0**	**0**	**0**
11	**Other liabilities:**	**0**	**97**	**88**	**290**	**334**
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		97	88	290	334
14	**Total available stable funding (ASF)**					**5,895**
Required stable funding (RSF) items						
15	**Total high-quality liquid assets (HQLA)**					**-**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**1,448**	**1,066**	**3,261**	**3,944**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		222	5	10	34
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		1,137	1,002	2,879	3,880
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		72	58	348	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		17	1	24	30
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**		**155**	**12**	**223**	**340**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			0		0
29	NSFR derivative assets			3		3
30	NSFR derivative liabilities before deduction of variation margin posted			0		0
31	All other assets not included in the above categories		153	12	223	337
32	**Off-balance-sheet items**		**925**	**0**	**0**	**48**
33	**Total RSF**					**4,331**
34	**Net Stable Funding Ratio (%)**					**136.1029%**

8.2 Encumbered and unencumbered assets

EU AE 4: Accompanying narrative information

Row a - General narrative information on asset encumbrance

Assets are deemed to be encumbered when they have been pledged or are committed to collateral agreements or agreements to improve the credit assessment of on- or off-balance sheet transactions and it is not possible to withdraw these assets from the terms of such agreements (e.g. pledges for funding purposes).

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

The ProCredit group has a limited amount of encumbered assets, as the group largely funds its activities through deposits. The encumbered assets comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. The maturities of these pledges are in line with the related liabilities. As of 31 December 2021, the encumbered assets of the ProCredit group amounted to EUR 40 million, which is equivalent to 0.5% of total assets.

In accordance with the technical standards, the amounts presented in the tables below were calculated on the basis of median values for the quarterly data in 2021.

EU AE1: Encumbered and unencumbered assets

31.12.2021 in EUR m		**Carrying amount of encumbered assets**		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
			of which notionally eligible EHQLA and HQLA		**of which notionally eligible EHQLA and HQLA**		**of which: EHQLA and HQLA**		**of which: EHQLA and HQLA**
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**40**	**-**			**7,706**	**245**		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	-	-	-	-	339	245	339	245
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	255	245	255	245
080	of which: issued by financial corporations	-	-	-	-	7	-	7	-
090	of which: issued by non-financial corporations	-	-	-	-	3	-	3	-
120	Other assets	40	-			7,367	-		

The collateral received are shown in the following table.

EU AE2: Collateral received and own debt securities issued

31.12.2021 in EUR m		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	**–**	**–**	**32**	**32**
140	Loans on demand	–	–	–	–
150	Equity instruments	–	–	–	–
160	Debt securities	–	–	32	32
170	of which: covered bonds	–	–	–	–
180	of which: securitisations	–	–	–	–
190	of which: issued by general governments	–	–	32	32
200	of which: issued by financial corporations	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–
230	Other collateral received	–	–	–	–
240	**Own debt securities issued other than own covered bonds or securitisations**	**–**	**–**	**–**	**–**
241	**Own covered bonds and securitisations issued and not yet pledged**			**–**	**–**
250	**Total collateral received and own debt securities issued**	**40**	**–**		

The sources of encumbrance are presented in the following table.

EU AE3: Sources of encumbrance

31.12.2021 in EUR m		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	**030**
010	**Carrying amount of selected financial liabilities**	42	33

9 OPERATIONAL RISK

EU ORA: Qualitative information on operational risk[25]

Row a - Disclosure of the risk management objectives and policies
In line with CRR, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence. As with all material risks of the ProCredit group, operational risk is managed by means of a uniform group-wide strategy.

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events identified in the group with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/or preventive measures for reducing or avoiding operational and fraud risk. The table below provides an overview of the gross and net losses due to operational loss events in the 2019-2021 financial years (data as of 31 January 2022).

Gross and net losses due to operational risk events

in EUR m	2021	2020	2019
Gross loss	2.9	1.5	1.4
Current net loss	2.2	1.3	0.8
Number of loss events	202	220	254

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.

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

In addition, early warning indicators have been defined centrally at the level of ProCredit Holding for all ProCredit banks, in order to identify areas of banking business with increased fraud risk. These can be expanded upon by the subsidiary banks. The early warning indicators are analysed regularly and, where needed, preventive measures are agreed upon. At group level, a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are also quantified and reported (at least quarterly). The risk model used is subject to annual independent validation, using techniques such as benchmarking, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

To complete the management of operational risk, all new or significantly changed products, processes, financial instruments, IT systems or organisational units, and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation. This also applies to activities in new markets and via new distribution channels. The group has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The ProCredit banks carry out a classification of their information assets and conduct a risk assessment on their critical information assets each year. The business continuity framework implemented in the group should ensure that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes. The IT service provider, Quipu, is part of the ProCredit group and supports all group companies with respect to software and hardware.

Against the backdrop of the COVID-19 pandemic, we have not identified any increase in operational risk (including increase in fraudulent acts). The continuity of business operations, protection of clients and employees, and appropriate staffing levels were ensured at all times in 2021. Our digital approach to all routine banking operations has enabled us to quickly implement home-office models to protect the health and safety of customers and employees. Another focal point in pandemic times is the regular monitoring of information security. We have seen a pandemic-related increase in attempted cyber attacks in the group, although these did not result in any losses. We were able to maintain business continuity and guarantee the availability of IT systems without any loss of performance. The events in Ukraine give rise to additional risk potential.

Row b - Disclosure of the approaches for the assessment of minimum own funds requirements

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

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

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

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
Banking activities		2018	2019	2020		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	261	270	272	35	433
3	Subject to TSA:	261	270	272		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

10 OTHER MATERIAL RISKS

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

Business risk is defined as the risk of reduced profitability due to external and internal factors. These include deteriorating economic conditions, unanticipated regulatory interventions and disadvantageous business decisions. Business risk is mitigated by means of a structured process for the planning, implementation, assessment and adjustment of the business strategy and risk strategy, as well as through the regular interaction between the Management of ProCredit Holding and the management team in the banks. Furthermore, the standardised software products provided by the group's own IT provider, Quipu GmbH, likewise have risk-mitigating effects. Last but not least, our internal training programme also promotes a high level of competence among our managers and staff. In addition, a value-at-risk analysis of the economic perspective, sensitivities and stress scenarios are quantified and reported at group level (at least quarterly) for business risk. The risk model used is subject to annual independent validation, using techniques such as benchmarking and back-testing, among others. The results of the validation, as well as all significant model changes or adjustments, are discussed in the Group and PCH Model Committee and approved by that body or by the Management of ProCredit Holding, with model risk buffers applied as necessary.

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

Information about risks relating to money laundering, terrorist financing and other acts punishable by law are contained in the 2021 Annual Report.

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

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

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

11 REMUNERATION

11.1 Principles of remuneration

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

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

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

The remuneration approach in the ProCredit group aims to provide a long-term perspective to our staff and managers. A transparent salary structure with fixed salaries is a key aspect in this context; as a general rule, salaries are not dependent on performance. Variable remuneration is limited and under no circumstances contractually guaranteed. For most of the staff, the remuneration reflects market averages. For managers, however, the remuneration we offer is generally not comparable with that of our competitors. This is primarily due to the variable remuneration elements which are paid to managers at other institutions. In line with our group policy against discrimination of any kind, gender plays no role in our promotion or salary decisions. There is no difference in salary between men and women in comparable positions.

In addition to a fair salary, we offer all ProCredit staff members comprehensive training and rewarding professional opportunities. Given that the education systems in the countries in which we operate are not yet completely developed, the potential to participate in our professional development programmes represent a significant benefit for our staff. Participation in general and specialised training measures, conducted largely within the ProCredit group, is thus perceived by our staff to be an important part of the overall compensation package. Each ProCredit institution invests significant amounts in training, and the expenditures for training measures are a substantial part of the group's overall operating expenses. Other important factors which build long-term relationships between our staff and ProCredit institutions are the interesting jobs we offer, flat hierarchies, transparent promotion opportunities since our management staff predominantly come from within the group, independent responsibilities for duties as well as a stimulating and professional working environment and work in diverse teams.

EU REMA: Remuneration policy[26]

Row a - Information relating to the bodies that oversee remuneration.
The salary structure applicable throughout the group is reviewed and approved yearly by the Management of ProCredit Holding[27] and presented to the Supervisory Board of ProCredit Holding. ProCredit does not employ external consultants in connection with its remuneration policy and monitoring. In February 2021, the Supervisory Board of ProCredit General Partner AG established a Remuneration Control Committee in accordance with regulatory requirements. This body supports the Supervisory Board in the appropriate structuring of the remuneration systems for the members of the Management of ProCredit Holding and for the employees of ProCredit Holding. The committee met twice in the 2021 financial year.

The remuneration structure and particularly the salary scheme in each institution is communicated to staff in a transparent manner. The management boards of the ProCredit banks report annually to the respective supervisory boards on the remuneration structure. The salary scheme in each bank and any variable remuneration elements are approved by the Management or the Supervisory Board of the bank, following discussions with the respective function at ProCredit Holding; however, the Management is permitted to delegate this responsibility to a Human Resources Committee. The Human Resources Committee is the bank body responsible for taking decisions regarding the professional development of staff members and reviewing the bank's remuneration practices. The committee meets at least quarterly. A review of the allocation of staff within the ProCredit institutions to one of the 22 salary steps is also carried out annually on the basis of extensive staff evaluations and feedback discussions carried out by the HR committee.

Among the employees within the ProCredit group whose activities have a significant impact on the risk profile are in particular, the management/management board members in ProCredit institutions, the supervisory board, and the management level directly below them as well as staff with management responsibilities. As a general rule, the branch managers as well as the heads of the following units are classified as staff whose professional activities have an impact on the risk profile: Business, Private Individuals, corporate functions as Finance, HR, IT, Back-office and independent internal control functions as Risk Management and Internal Audit. Overall, we consider around 12% of all staff to be risk takers.

26 Rows i and j are not relevant for ProCredit.
27 ProCredit Holding is managed by the members of the Management Board of ProCredit General Partner AG.

Row b - Information relating to the design and structure of the remuneration system for identified staff.
The design and structure of the remuneration system is identical for all employees, regardless of their status as identified risk takers. The remuneration policy of the ProCredit group is defined and reviewed annually by the Management of ProCredit Holding. It is also presented annually to the Supervisory Board of ProCredit Holding. There were no significant changes to the remuneration system for the 2021 financial year compared with the previous year.

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

When defining the remuneration for their staff and managers, the ProCredit institutions apply the group's standardised salary structure which has 22 salary levels. The banks define the exact salary amounts in each step according to their market conditions, assigning their staff to one of the salary steps. This is carried out on the basis of the individual's position, the responsibilities they hold and their performance.

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

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

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

Rows c/d/e/f/g/h - On variable remuneration components not contractually guaranteed
Variable remuneration components are not contractually guaranteed. They can be granted when a member of staff has performed exceptionally well during the course of a financial year. Such performance can be evident in a number of ways: i.a. particularly high motivation of staff, above-average successes in staff training, above-

average results in terms of new client acquisition, the preparation of exceptionally convincing (form and content) reports and memoranda, especially strong participation in committees. In principle, these are linked to the performance of individual employees and do not depend on the company's results. Decisions on such variable remuneration elements are taken by the Management Board/Human Resources Committee or by the Supervisory Board of the respective ProCredit institution, on the basis of development over multi-year periods and in coordination with ProCredit Holding.

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

In the next few years, the group plans to implement an employee programme under which certain subsidiaries will be able to offer their employees a limited number of shares as a bonus. The required shares are to be acquired centrally by ProCredit Holding (after approval by the supervisory authority) and then transferred directly to the respective employees at the instruction of the subsidiaries. The employees will use the shares to acquire limited partner shares in ProCredit Staff Invest with a minimum holding period of five years. On 15 November 2019, the Extraordinary General Meeting of ProCredit Holding already approved a buyback of up to 1.5% of the shares issued. Due to the outbreak of the global COVID-19 pandemic, this planned employee programme was put on hold.

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

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

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

Variable remuneration components for members of the management are, just as for all employees in the ProCredit group, only used to a limited degree and are not contractually set. In 2021, variable remuneration for all employees corresponded to 4% of the total salary paid.

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

11.2 Remuneration 2021

EU REM1: Remuneration awarded for the financial year

			a	b	c	d
31.12.2021 in EUR m			**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	24	39	–	361
2		Total fixed remuneration	0	3	–	14
3		Of which: cash-based	0	3	–	14
4		(Not applicable in the EU)	–	–	–	–
EU-4a		Of which: shares or equivalent ownership interests	–	–	–	–
5		Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
EU-5x		Of which: other instruments	–	–	–	–
6		(Not applicable in the EU)	–	–	–	–
7		Of which: other forms	–	–	–	–
8		(Not applicable in the EU)	–	–	–	–
9	Variable remuneration	Number of identified staff	3	17	–	113
10		Total variable remuneration	–	1	–	2
11		Of which: cash-based	–	0	–	0
12		Of which: deferred	–	–	–	–
EU-13a		Of which: shares or equivalent ownership interests	–	1	–	1
EU-14a		Of which: deferred	–	–	–	–
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
EU-14b		Of which: deferred	–	–	–	–
EU-14x		Of which: other instruments	–	–	–	–
EU-14y		Of which: deferred	–	–	–	–
15		Of which: other forms	–	0	–	0
16		Of which: deferred	–	–	–	–
17	Total remuneration (2 + 10)		0	4	–	16

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

31.12.2021 in EUR m		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards - Total amount	-	-	-	-
3	Of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	1	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	0	-	-
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	-	2	-	16
7	Severance payments awarded during the financial year - Total amount	-	0	-	0
8	Of which paid during the financial year	-	0	-	0
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	0
11	Of which highest payment that has been awarded to a single person	-	0	-	0

EU REM3: Deferred remuneration

		a	b	c		d	e	f	EU – g	EU – h
31.12.2021 in EUR m		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years		Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Deferred and retained remuneration										
1	MB Supervisory function	-	-	-		-	-	-	-	-
2	Cash-based	-	-	-		-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-		-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-		-	-	-	-	-
5	Other instruments	-	-	-		-	-	-	-	-
6	Other forms	-	-	-		-	-	-	-	-
7	MB Management function	-	-	-		-	-	-	-	-
8	Cash-based	-	-	-		-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-		-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-		-	-	-	-	-
11	Other instruments	-	-	-		-	-	-	-	-
12	Other forms	-	-	-		-	-	-	-	-
13	Other senior management	-	-	-		-	-	-	-	-
14	Cash-based	-	-	-		-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-		-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-		-	-	-	-	-
17	Other instruments	-	-	-		-	-	-	-	-
18	Other forms	-	-	-		-	-	-	-	-
19	Other identified staff	-	-	-		-	-	-	-	-
20	Cash-based	-	-	-		-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-		-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-		-	-	-	-	-
23	Other instruments	-	-	-		-	-	-	-	-
24	Other forms	-	-	-		-	-	-	-	-
25	**Total amount**	-	-	-		-	-	-	-	-

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

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

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

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
31.12.2021 in EUR m		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**424**
2	Of which: members of the MB	24	39	63							
3	Of which: other senior management				-	-	-	-	-	-	
4	Of which: other identified staff				-	133	-	144	66	19	
5	**Total remuneration of identified staff**	**0**	**4**	**5**	**-**	**5**	**-**	**6**	**3**	**1**	
6	Of which: variable remuneration	-	1	1	-	1	-	0	0	0	
7	Of which: fixed remuneration	0	3	4	-	4	-	6	3	1	

31.12.2021 in EUR m	Amount	Number of employees
Total	74	3,450
of which total fixed remuneration	72	3,450
of which total variable remuneration	**3**	**350**

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

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN DE0006223407 / WKN 622340	N/A	N/A
2a	Public or private placement	Public	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 294.5 million	EUR 1.4 million	EUR 4.9 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 294.5 million	(Issuing currency) USD 2.3 million / (Reporting currency) EUR 2.0 million	(Issuing currency) USD 8.0 million / (Reporting currency) EUR 7.1 million
EU-9a	Issue price	Various	100%	100%
EU-9b	Redemption price	100%	93%	93%
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	30.06.2015	30.06.2015
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	30.06.2025	30.06.2025
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_2.25m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_8m_30062015_.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	DE000A11QHV9
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated bearer note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 0.6 million	EUR 3.6 million	EUR 5.8 million
9	Nominal amount of instrument	(Issuing currency) USD 1.0 million / (Reporting currency) EUR 0.9 million	(Issuing currency) USD 5.8 million / (Reporting currency) EUR 5.1 million	(Issuing and reporting currency) EUR 12.5 million
EU-9a	Issue price	100%	100%	93%
EU-9b	Redemption price	94%	94%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30.06.2015	30.06.2015	30.04.2014
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	30.06.2025	30.06.2025	30.04.2024
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	30.06.2020; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 30.06.2020 at any interest payment date	From 30.06.2020 at any interest payment date	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_1m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_5.75m_30062015_.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A11QHV9_.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	DE000A169M74	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated bearer note (Art. 63 CRR)	Subordinated loan (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 3.4 million	EUR 11.3 million	EUR 4.3 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 7.5 million	(Issuing and reporting currency) EUR 13.0 million	(Issuing and reporting currency) EUR 5.0 million
EU-9a	Issue price	93%	94%	94%
EU-9b	Redemption price	100%	100%	100%
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	11.04.2014	06.05.2016	27.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	11.04.2024	06.05.2026	27.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	N/A; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	6.50%	6.00%	6.00%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A169M74.pdf	N/A

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	DE000A2AAVP8	N/A	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bearer note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 13.2 million	EUR 4.6 million	EUR 0.6 million
9	Nominal amount of instrument	(Issuing and reporting currency) EUR 15.0 million	(Issuing currency) USD 6.0 million / (Reporting currency) EUR 5.3 million	(Issuing currency) USD 0.8 million / (Reporting currency) EUR 0.7 million
EU-9a	Issue price	100%	100%	100%
EU-9b	Redemption price	100%	100%	
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	25.05.2016	29.04.2016	29.04.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	25.05.2026	29.04.2026	29.04.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	25.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 25.05.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Euribor + 6.00%	6-month Libor + 4.50%	6-month Libor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/DE000A2AA-VP8.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_6m_29042016a.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_0.75m_29042016.pdf

No.	Features	Instrument	Instrument	Instrument
1	Issuer	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany	ProCredit Holding AG & Co. KGaA, Germany
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	German law	German law	German law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	N/A
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)	Subordinated note (Art. 63 CRR)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 4.6 million	EUR 1.7 million	EUR 4.4million
9	Nominal amount of instrument	(Issuing currency) USD 6.0 million / (Reporting currency) EUR 5.3 million	(Issuing currency) USD 2.3 million / (Reporting currency) EUR 2.0 million	(Issuing and reporting currency) EUR 5.0 million
EU-9a	Issue price	100%	100%	100%
EU-9b	Redemption price			
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	29.04.2016	29.04.2016	31.05.2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	29.04.2026	29.04.2026	31.05.2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	29.04.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount	31.05.2021; Regulatory/tax event call within 30-60 days; Redemption price: at nominal amount
16	Subsequent call dates, if applicable	From 29.04.2021 at any interest payment date	From 29.04.2021 at any interest payment date	From 31.05.2021 at any interest payment date
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	6-month Libor + 4.50%	6-month Libor + 4.50%	6-month Euribor + 4.50%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_6m_29042016b.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/USD_2.25m_29042016.pdf	https://www.procredit-holding.com/wp-content/uploads/2017/07/EUR_5m_31052016.pdf

ANNEX II – OVERVIEW OF QUANTITATIVE AND QUALITATIVE REQUIREMENTS

Name of disclosure form or template	ProCredit group relevance		Explanation of non-relevance
	Semi-annually	Annually	
EU KM1 – Key metrics template	x	x	
EU OV1 – Overview of total risk exposure amounts		x	
EU INS1 – Insurance participations			The ProCredit group does not hold any insurance participations.
EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio			The ProCredit group does not constitute a financial conglomerate.
EU OVC – ICAAP information		x	
EU CC1 – Composition of regulatory own funds		x	
EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements		x	
EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments		x	
EU CCB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer		x	
EU CCB2 – Amount of institution-specific countercyclical capital buffer		x	
EU LR1 – Summary reconciliation of accounting assets and leverage ratio exposures		x	
EU LR2 – Leverage ratio common disclosure		x	
EU LR3 – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		x	
EU LRA – Disclosure of LR qualitative information		x	
EU LI1 – Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories		x	
EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements		x	
EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)		x	
EU LIA – Explanation of differences between accounting and regulatory exposure amounts		x	
EU LIB – Other qualitative information on the scope of application		x	
EU PV1 – Prudent valuation adjustments (PVA)			Relevant for those institutions applying the core approach; ProCredit group applies the simplified approach.
EU OVA – Institution risk management approach		x	
EU OVB – Disclosure on governance arrangements		x	
EU CCRA – Qualitative disclosure related to CCR		x	
EU CCR1 – Analysis of CCR exposure by approach		x	
EU CCR2 – Transactions subject to own funds requirements for CVA risk		x	
EU CCR3 – Standardised approach – CCR risk positions by regulatory exposure class and risk weights		x	
EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale			ProCredit group applies standardised approaches only.
EU CCR5 – Composition of collateral for CCR exposures		x	
EU CCR6 – Credit derivatives exposures		x	
EU CCR7 – RWEA flow statements of CCR exposures under the IMM			ProCredit group applies standardised approaches only.
EU CCR8 – Exposures to CCPs			Currently, no activities are concluded via CCPs.
EU CRA – General qualitative information about credit risk		x	
EU CRB – Additional disclosure related to the credit quality of assets		x	
EU CR1 – Performing and non-performing exposures and related provisions		x	
EU CR1-A – Maturity of exposures		x	
EU CR2 – Changes in the stock of non-performing loans and advances			Is only relevant if NPL > 5%.
EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries			Is only relevant if NPL > 5%.
EU CQ1 – Credit quality of forborne exposures		x	
EU CQ2 – Quality of forbearance			Is only relevant if NPL > 5%.
EU CQ3 – Credit quality of performing and non-performing exposures by past due days		x	
EU CQ4 – Quality of non-performing exposures by geography		x	
EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry		x	
EU CQ6 – Collateral valuation – loans and advances			Is only relevant if NPL > 5%.
EU CQ7 – Collateral obtained by taking possession and execution processes		x	
EU CQ8 – Collateral obtained by taking possession and execution processes – vintage breakdown			Is only relevant if NPL > 5%.

Name of disclosure form or template	ProCredit group relevance		Explanation of non-relevance
	Semi-annually	Annually	
EU CRC – Qualitative disclosure requirements related to CRM techniques		x	
EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques		x	
EU CRD – Qualitative disclosure requirements related to standardised approach		x	
EU CR4 – Standardised approach - Credit risk exposure and CRM effects		x	
EU CR5 – Standardised approach		x	
EU CRE – Qualitative disclosure requirements related to IRB approach			ProCredit group applies standardised approaches only.
EU CR6 – IRB approach - Credit risk exposures by exposure class and PD range			ProCredit group applies standardised approaches only.
EU CR6-A – Scope of the use of IRB and SA approaches			ProCredit group applies standardised approaches only.
EU CR7 – IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques			ProCredit group applies standardised approaches only.
EU CR7-A – IRB approach - Disclosure of the extent of the use of CRM techniques			ProCredit group applies standardised approaches only.
EU CR8 – RWEA flow statements of credit risk under the IRB approach			ProCredit group applies standardised approaches only.
EU CR9 – IRB approach - Back-testing of PD per exposure class (fixed PD scale)			ProCredit group applies standardised approaches only.
EU CR9.1 – IRB approach - Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)			ProCredit group applies standardised approaches only.
EU CR10 – Specialised lending and equity exposures under the simple risk-weighted approach			No specialised lending at the moment.
EU SECA – Qualitative disclosure requirements related to securitisation exposures			The ProCredit group is not involved in securitisations.
EU SEC1 – Securitisation exposures in the non-trading book			The ProCredit group is not involved in securitisations.
EU SEC2 – Securitisation exposures in the trading book			The ProCredit group is not involved in securitisations.
EU SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor			The ProCredit group is not involved in securitisations.
EU SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor			The ProCredit group is not involved in securitisations.
EU SEC5 – Exposures securitised by the institution - Exposures in default and specific credit risk adjustments			The ProCredit group is not involved in securitisations.
EU MRA – Qualitative disclosure requirements related to market risk		x	
EU MR1 – Market risk under the standardised approach		x	
EU IRRBB1: Interest rate risks of non-trading book activities		x	
EU MRB – Qualitative disclosure requirements for institutions using the internal Market Risk Models			ProCredit group applies standardised approaches only.
EU MR2-A – Market risk under the internal Model Approach (IMA)			ProCredit group applies standardised approaches only.
EU MR2-B – RWEA flow statements of market risk exposures under the IMA			ProCredit group applies standardised approaches only.
EU MR3 – IMA values for trading portfolios			ProCredit group applies standardised approaches only.
EU MR4 – Comparison of VaR estimates with gains/losses			ProCredit group applies standardised approaches only.
EU LIQA – Liquidity risk management		x	
EU LIQ1 – Quantitative information of LCR		x	
EU LIQB – Qualitative information on LCR, which complements template EU LIQ1		x	
EU LIQ2 – Net Stable Funding Ratio		x	
EU AE1 – Encumbered and unencumbered assets		x	
EU AE2 – Collateral received and own debt securities issued		x	
EU AE3 – Sources of encumbrance		x	
EU AE4 – Accompanying narrative information		x	
EU ORA – Qualitative information on operational risk		x	
EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts		x	
EU REMA – Remuneration policy		x	
EU REM1 – Remuneration awarded for the financial year		x	
EU REM2 – Special payments to staff whose professional activities have a material impact on the institution's risk profile (identified staff)		x	
EU REM3 – Deferred remuneration		x	
EU REM4 – Remuneration of 1 million EUR or more per year		x	
EU REM5 – Information on remuneration if staff whose professional activities have a material impact on the institution's risk profile (identified staff)		x	

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