ProCredit
HOLDING

QUARTERLY REPORT AS OF 31 MARCH

2023

Contents

Quarterly Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our Strategy

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

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

We aim to be the “Hausbank” for our clients, and thus to be their first point of contact for financial matters. Our SME clients typically have financing needs ranging from EUR 50 thousand to the single-digit millions. As specialists in financing SMEs, we understand the particular challenges these clients face and the specific needs they have, often going well beyond just loans. We offer all banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, we offer efficient solutions for trade finance business and international payments through our network of banks.

In addition to serving SMEs, we also pursue a direct banking strategy for private clients, particularly the growing middle class. As a general rule, we interact with our private customers exclusively via digital channels, offering them a full range of online services combined with personal customer care. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

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

REPORT ON THE ECONOMIC POSITION OF THE GROUP

Course of business operations

Our business performance was positive overall in the first three months of the year, particularly considering the very good financial results. Nevertheless, these results should be viewed in the context of the war in Ukraine, which continues to preoccupy us on both a human level and in terms of business. We are selectively reducing our loan portfolio in Ukraine, and at the same time we are encouraged by our solid financial results and credit risk indicators there. So far, our banks have not been affected by the banking crisis in the USA and Switzerland, as evidenced by the steady growth trend in our deposits. In addition to the war in Ukraine and the banking crisis, the overall economic environment is also characterised by high inflation and other geopolitical tensions. All ProCredit banks were nonetheless able to report positive, and primarily strong, financial figures in such an environment, thereby helping to achieve a return on equity at the end of the first quarter that underlines our medium-term ambitions.

in EUR m

Statement of Financial Position	**31.3.2023**	**31.12.2022**	**Change**
Loan portfolio	6,061.2	6,107.7	-46.6
Deposits	6,324.3	6,289.5	34.8

Statement of Profit or Loss	**1.1.-31.3.2023**	**1.1.-31.3.2022**	**Change**
Net interest income	75.4	60.2	15.3
Net fee and commission income	14.0	12.6	1.4
Operating income	93.7	77.7	16.1
Personnel and administrative expenses	55.9	45.9	10.0
Loss allowance	1.9	35.6	-33.7
without contribution of PCB Ukraine	*-1.2*	*0.3*	*-1.4*
Profit of the period	29.5	-1.7	31.2
without contribution of PCB Ukraine	*26.3*	*21.7*	*4.6*

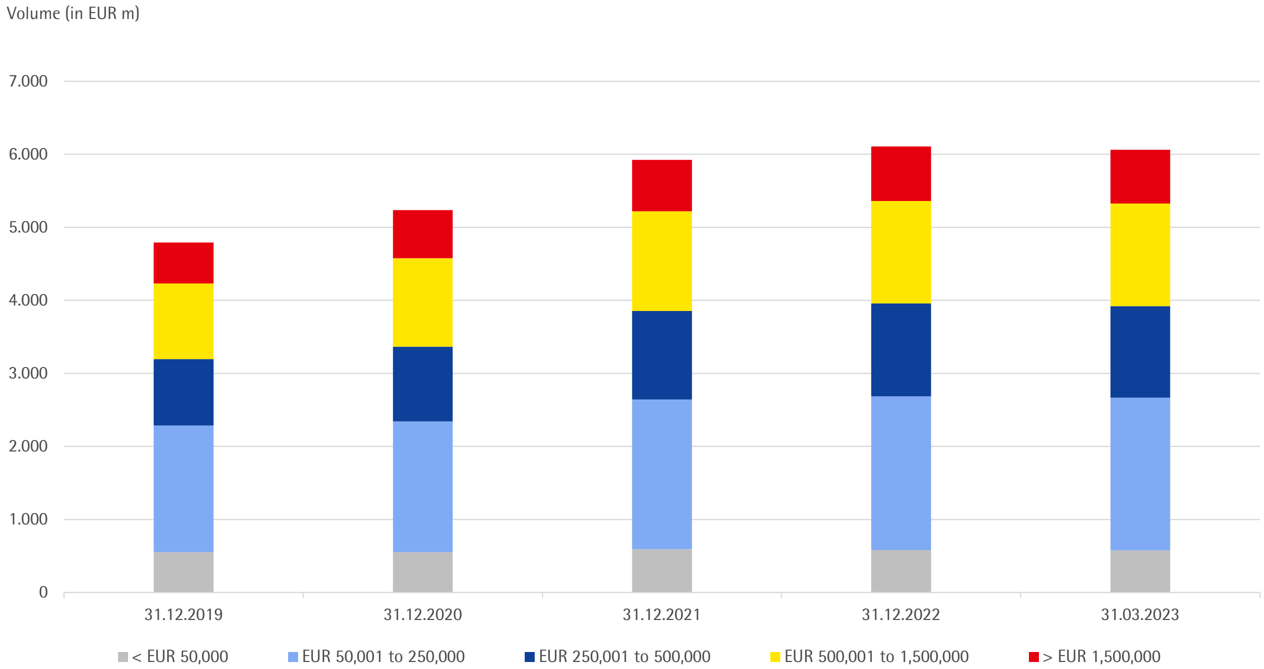
Key performance indicators	**1.1.-31.3.2023**	**1.1.-31.3.2022**	**Change**
Change in loan portfolio	-0.8%	1.8%	-2.5 pp
without contribution of PCB Ukraine	*-0.3%*	*2.2%*	*-2.5 pp*
Cost-income ratio	59.7%	59.1%	0.5 pp
Return on equity (annualised)	13.3%	-0.8%	14.1 pp
without profit contribution of PCB Ukraine	*11.6%*	*10.2%*	*1.4 pp*

	31.3.2023	**31.12.2022**	**Change**
Common Equity Tier 1 capital ratio	14.1%	13.5%	0.7 pp

Additional indicators	**31.3.2023**	**31.12.2022**	**Change**
Deposits to loan portfolio	104.3%	103.0%	1.4 pp
Net interest margin (annualised)	3.4%	3.1%	0.3 pp
Cost of risk (annualised)	12 bp	174 bp	-161 bp
without contribution of PCB Ukraine	*-8 bp*	*33 bp*	*-42 bp*
Share of defaulted loans	3.2%	3.3%	0.0 pp
without contribution of PCB Ukraine	*2.3%*	*2.4%*	*-0.1 pp*
Stage 3 loans coverage ratio	62.3%	61.8%	0.5 pp
without contribution of PCB Ukraine	*51.8%*	*50.0%*	*1.8 pp*
Green loan portfolio	1,223.8	1,231.1	-7.3

Assets

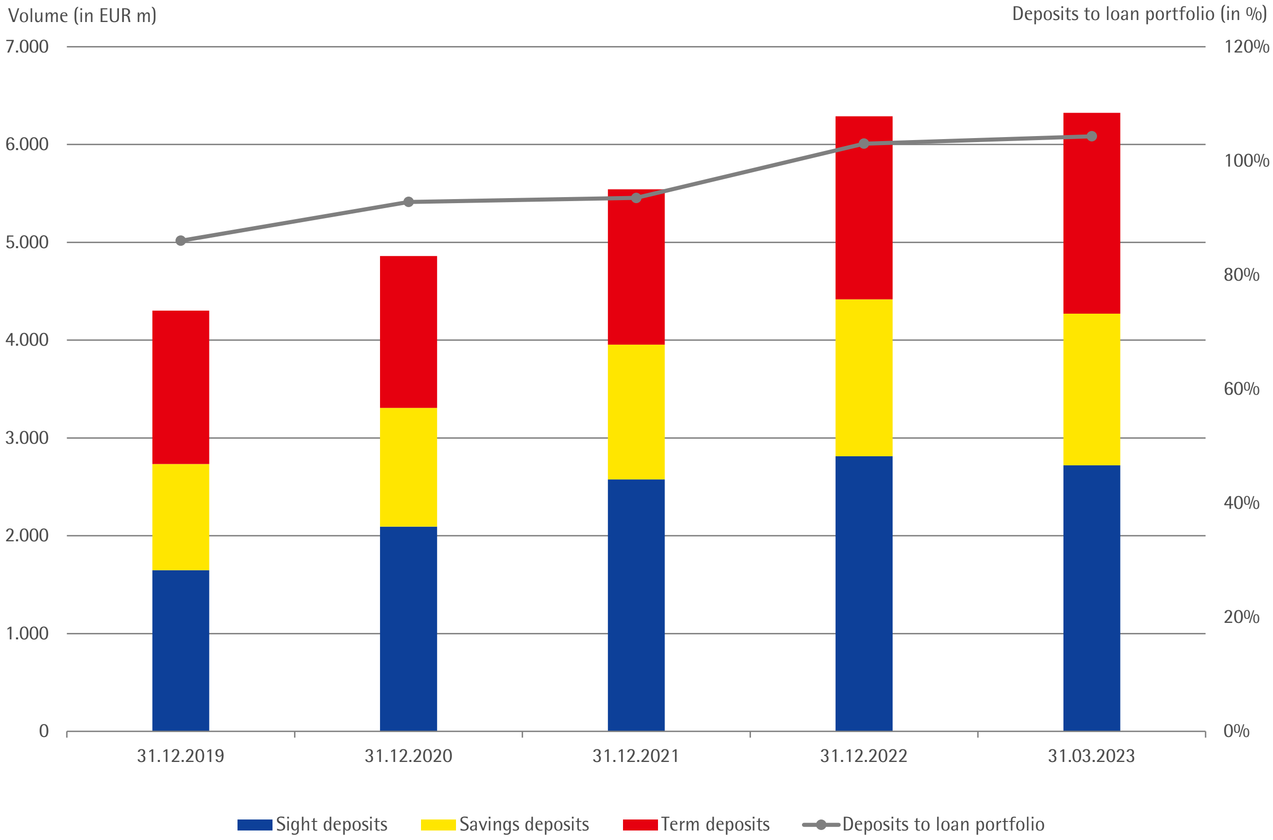
As of 31 March 2023, total assets had increased by EUR 50 million, or 0.6%, compared to year-end 2022. This is mainly due to additional balances with central banks, which increased by a total of EUR 91 million. Customers loans decreased slightly, falling by EUR 47 million compared with the end of the year.



Loan portfolio development, by loan volume

Liabilities and equity

As of 31 March 2023, liabilities showed a slight increase of EUR 17 million compared to year-end 2022, which was mainly attributable to the positive development of deposits. At the same time, customer deposits are the most important source of funding for our group. The total increase in deposits of EUR 35 million, or 0.6%, was mainly generated by additional term deposits from business and private clients. Compared to year-end 2022, the deposit-to-loan ratio improved by 1.4 percentage points to 104.3%.



Deposit development

We had a solid liquidity position at all times during the reporting period. At the end of the first quarter of 2023, the liquidity coverage ratio (LCR) stood at 174% (31 December 2022: 155%).

Equity increased by EUR 33 million compared to year-end 2022 mainly due to the current consolidated result. At 14.1% as of 31 March 2023, the Common Equity Tier 1 capital ratio (CET1 fully loaded) is 0.7 percentage points above the 2022-end level. The group's capitalisation continues to be stable.

Result of operations

We consider the overall performance in the first quarter to be very positive. Our consolidated result of EUR 29.5 million corresponds to a return on equity of 13.3% and is significantly higher than the figure for the same period last year, which was strongly influenced by the start of the war of aggression against Ukraine. Our performance is thus much more in line with our medium-term target. This very good result is a reflection of the continuous and positive development of our banks, which are generally reporting growing loan portfolios, increasing net interest and fee income and improved return-on-equity and cost-income ratios, thus underscoring the strong earning potential of the group. At the same time, the overall environment of our business activities is shaped by the war in Ukraine and all of its repercussions, which concern us both on a human level and in business terms. We have concern for the people who are affected in any way by the armed conflict. At the operational level, we are in close exchange with our Ukrainian colleagues. Our colleagues are continuing to run the bank as well as is feasible in this generally challenging context, and operations have been maintained to the greatest possible extent since the beginning of the war.

ProCredit Bank Ukraine was able to report a positive financial result as of the first quarter of 2023, following high expenditures for loss allowances in the 2022 financial year.

Our net interest income showed a clear increase of EUR 15.3 million or 25.3% over the previous year's period. Interest income increased by EUR 32.7 million, while interest expenses grew by EUR 17.4 million. The net interest margin was 3.4%, 0.3 percentage points above the margin for the whole of 2022, which can mainly be attributed to key interest rate increases in our countries of operation.

Net fee and commission income also increased by EUR 1.4 million or 10.9%. In particular, income from debit and credit card transactions and from payment transactions improved. The result from foreign exchange transactions improved by EUR 1.7 million.

Overall, our operating income showed a significant increase of EUR 16.1 million or 20.7%. This includes non-recurring negative effects relating to the results from derivatives and the derecognition of financial instruments amounting to EUR 1.1 million.

Personnel and administrative expenses showed an increase of EUR 10.0 million or 21.8%. Higher expenses for salaries, IT and marketing, as well as the generally inflationary environment, were the main drivers here. In addition, there were one-off legal and advisory expenses, in particular in connection with the planned conversion of ProCredit Holding's legal form, amounting to EUR 1.8 million.

Our cost-income ratio therefore increased by 0.5 percentage points to 59.7%. Excluding the non-recurring effects in operating income and the personnel and administrative expenses, the adjusted cost-income ratio is 57.0%, which is 2.5 percentage points below the adjusted figure from the previous year. Loss allowances decreased by EUR 33.7 million to a total of EUR 1.9 million. The same period in the previous year was marked in particular by the war in Ukraine. The loss allowances correspond to a cost of risk of 12 basis points, which is significantly lower than the previous year's level (174 basis points).

Overall our consolidated result was EUR 29.5 million, which is EUR 31.2 million higher than in the same period of the previous year, mainly due to lower expenditures for loss allowances; this led to an (annualised) return on equity of 13.3%. The consolidated result excluding the contribution from ProCredit Bank Ukraine improved by EUR 4.6 million or 21.2% to EUR 26.3 million, in particular due to the increase in operating income; this corresponds to a return on equity of 11.6%. The group's profit before tax and loss allowances likewise improved substantially, rising EUR 6.1 million or 19.2% to EUR 37.8 million.

At 3.2%, the share of defaulted loans improved slightly from year-end 2022. In the ProCredit banks outside Ukraine, the share of defaulted loans likewise improved slightly from the previous year's level, moving down to 2.3%. The Stage 3 loans covererage ratio in increased by 0.5 percentage points to 62.3%.

Overall, the quarterly result is well above our guidance for the 2023 financial year, which is based on adverse conditions in terms of margin development, inflation and cost of credit risk.

Segment overview

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

in '000 EUR	1.1.-31.3.2023	1.1.-31.3.2022
South Eastern Europe	22,643	18,226
Eastern Europe	10,598	- 18,490
South America	273	105
Germany*	- 4,050	- 1,554
Profit of the period	**29,463**	**- 1,713**

* *Segment Germany includes consolidation effects*

South Eastern Europe

in EUR m

Statement of Financial Position	31.3.2023	31.12.2022	Change
Loan portfolio	4,390.7	4,395.7	-5.0
Deposits	4,598.9	4,566.3	32.5

Statement of Profit or Loss	1.1.-31.3.2023	1.1.-31.3.2022	Change
Net interest income	47.3	34.8	12.5
Net fee and commission income	8.7	8.0	0.7
Operating income	58.3	46.2	12.1
Personnel and administrative expenses	32.1	25.9	6.1
Loss allowance	0.5	0.3	0.3
Profit of the period	22.6	18.2	4.4

Key performance indicators	1.1.-31.3.2023	1.1.-31.3.2022	Change
Change in loan portfolio	-0.1%	2.4%	-2.5 pp
Cost-income ratio	55.0%	56.1%	-1.1 pp
Return on equity (annualised)	13.7%	12.2%	1.5 pp

Additional indicators	31.3.2023	31.3.2022	Change
Deposits to loan portfolio	104.7%	103.9%	0.9 pp
Net interest margin (annualised)	3.0%	2.6%	0.4 pp
Cost of risk (annualised)	5 bp	35 bp	-30 bp
Share of defaulted loans	1.8%	1.8%	0.0 pp
Stage 3 loans coverage ratio	57.4 %	55.2 %	2.2 pp
Green loan portfolio	947.9	945.6	2.3

Loan portfolio and deposits are presented without intercompany accounts.

South Eastern Europe is the group's largest segment. The loan portfolio for this segment remained stable at EUR 4.4 billion. Our banks in Bosnia and Herzegovina and Romania reported slightly positive portfolio growth, whereas the banks in Serbia and Albania recorded negative figures. The green loan portfolio remained virtually unchanged. The share of defaulted loans remained stable at 1.8%, while the Stage 3 loans coverage ratio increased by 2.2 percentage points from year-end to a total of 57.4%.

Deposits increased by EUR 32.5 million, with particularly strong growth at our bank in Serbia.

The profit of the period stood at EUR 22.6 million, a significant increase of EUR 4.4 million compared to the same period in the previous year, primarily due to a rise of EUR 12.5 million in net interest income. Overall, operating income grew by EUR 12.1 million, while personnel and administrative expenses rose by EUR 6.1 million. The segment's cost-income ratio improved by 1.1 percentage points to 55.0%, and return on equity by 1.5 percentage points to 13.7%.

Eastern Europe

in EUR m

Statement of Financial Position	31.3.2023	31.12.2022	Change
Loan portfolio	1,127.8	1,159.9	-32.0
Deposits	1,125.1	1,116.5	8.7

Statement of Profit or Loss	1.1.-31.3.2023	1.1.-31.3.2022	Change
Net interest income	22.3	19.2	3.1
Net fee and commission income	1.7	1.7	0.0
Operating income	26.4	22.9	3.4
Personnel and administrative expenses	11.2	11.0	0.2
Loss allowance	1.6	34.7	-33.1
without contribution of PCB Ukraine	*-1.5*	*-0.7*	*-0.8*
Profit of the period	10.6	-18.5	29.1
without contribution of PCB Ukraine	*7.5*	*5.0*	*2.5*

Key performance indicators	1.1.-31.3.2023	1.1.-31.3.2022	Change
Change in loan portfolio	-2.8%	-1.1%	-1.7 pp
without contribution of PCB Ukraine	*-0.4%*	*-0.9%*	*0.4 pp*
Cost-income ratio	42.6%	48.0%	-5.4 pp
Return on equity (annualised)	21.0%	-32.5%	53.4 pp
without profit contribution of PCB Ukraine	*13.2%*	*8.7%*	*4.5 pp*

Additional indicators	31.3.2023	31.3.2022	Change
Deposits to loan portfolio	99.8%	96.3%	3.5 pp
Net interest margin (annualised)	5.2%	4.7%	0.5 pp
Cost of risk (annualised)	55 bp	712 bp	-657 bp
without contribution of PCB Ukraine	*-103 bp*	*26 bp*	*-129 bp*
Share of defaulted loans	7.6%	7.4%	0.1 pp
without contribution of PCB Ukraine	*2.8%*	*2.9%*	*-0.1 pp*
Stage 3 loans coverage ratio	77.6%	79.2%	-1.5 pp
without contribution of PCB Ukraine	*61.2%*	*59.6%*	*1.6 pp*
Green loan portfolio	176.9	182.8	-5.9

Deposits are presented without intercompany accounts.

In the Eastern Europe segment, the loan portfolio decreased by EUR 32.0 million or 2.8%, in particular due to a targeted reduction of the loan portfolio in Ukraine. The share of defaulted loans rose slightly, increasing by 0.1 percentage points to 7.6%. Outside Ukraine, the share is stable at a low level of 2.8%. The Stage 3 loans coverage ratio in the segment stands at 77.6% due to the elevated level of loss allowances for the Ukrainian portfolio. Compared to year-end, deposits showed an increase of EUR 8.7 million or 0.8%.

The profit of the period improved significantly, rising by EUR 29.1 million to EUR 10.6 million, in particular due to the now positive profit contribution from ProCredit Bank Ukraine. Operating income grew by EUR 3.4 million or 14.9%, while personnel and administrative expenses remained around the previous year's level at EUR 11.2 million. The cost-income ratio thus improved by 5.4 percentage points to 42.6%. Expenditures for loss allowances amounted to EUR 1.6 million, corresponding to annualised cost of risk at 55 basis points. The profit of the period results in a significantly improved annualised return on equity of 21.0%. The return on equity excluding the profit contribution from ProCredit Bank Ukraine also improved significantly by 4.5 percentage points to 13.2%.

South America

in EUR m

Statement of Financial Position	31.3.2023	31.12.2022	Change
Loan portfolio	491.1	498.1	-7.0
Deposits	343.3	343.0	0.3

Statement of Profit or Loss	1.1.–31.3.2023	1.1.–31.3.2022	Change
Net interest income	5.4	6.0	-0.6
Net fee and commission income	0.1	-0.1	0.1
Operating income	5.4	5.6	-0.2
Personnel and administrative expenses	4.9	4.6	0.3
Loss allowance	-0.2	0.5	-0.7
Profit of the period	0.3	0.1	0.2

Key performance indicators	1.1.–31.3.2023	1.1.–31.3.2022	Change
Change in loan portfolio	-1.4%	4.6%	-6.0 pp
Cost-income ratio	90.1%	82.1%	8.1 pp
Return on equity (annualised)	2.1%	0.9%	1.2 pp

Additional indicators	31.3.2023	31.3.2022	Change
Deposits to loan portfolio	69.9%	68.9%	1.0 pp
Net interest margin (annualised)	3.5%	4.5%	-1.0 pp
Cost of risk (annualised)	-15 bp	26 bp	-41 bp
Share of defaulted loans	6.6%	6.7%	-0.1 pp
Stage 3 loans coverage ratio	34.5%	33.5%	1.0 pp
Green loan portfolio	86.6	90.3	-3.7

Deposits are presented without intercompany accounts.

The loan portfolio of ProCredit Bank Ecuador decreased slightly, falling by EUR 7.0 million to EUR 491.1 million. Deposits remained at the level of year-end 2022.

Profit of the period increased slightly, rising EUR 0.2 million primarily due to lower loss allowances. Operating income decreased due to the lower net interest income that resulted from a narrower net interest margin. The cost-income ratio increased by 8.1 percentage points to 90.1%, and the return on equity improved slightly to 2.1%.

Germany

in EUR m

Statement of Financial Position	31.3.2023	31.12.2022	Change
Loan portfolio	51.5	54.0	-2.5
Deposits	257.0	263.7	-6.7

Statement of Profit or Loss	1.1.-31.3.2023	1.1.-31.3.2022	Change
Net interest income	0.4	0.2	0.2
Operating income	21.4	14.3	7.1
Personnel and administrative expenses	20.8	15.9	4.9
Loss allowance	0.0	0.1	-0.1
Profit of the period	0.7	-1.6	2.3
Profit of the period and consolidation effects	-4.1	-1.6	-2.5

Loan portfolio and deposits are presented without intercompany accounts.

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

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. Both balance sheet items remained virtually unchanged as of 31 December 2022. Operating income was dominated by IT services performed by QUIPU and dividend payments from subsidiary banks to ProCredit Holding, as well as the operations of ProCredit Bank Germany. Compared to the previous year's period, the result for ProCredit Bank Germany improved by EUR 1.2 million to EUR 2.1 million, in particular due to a EUR 1.4 million increase in net interest income.

The segment's profit of the period grew compared to the previous year's period, in particular due a stronger increase in operating income compared to the rise in personnel and administrative expenses. The increase in administrative expenses was due, among other things, to non-recurring legal, auditing and consulting costs, primarily in connection with the planned conversion of ProCredit Holding's legal form, as well as additional expenditures for software. Income from dividends derives from fully consolidated subsidiaries and at the same time does not affect the consolidated result of the group. The segment's contribution to the consolidated result declined by EUR 2.5 million, particularly due to the extraordinary administrative expenses.

Events after the reporting period

The Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) has determined additional capital requirements for the ProCredit group as part of this year's supervisory review and evaluation process (SREP). On this basis, it is expected that starting from June 2023, the ProCredit group's Pillar 2 capital requirements will increase from 2.0 percentage points to 3.5 percentage points. Accordingly, the requirement for the CET1 ratio will increase from 8.4% to 9.2%.

RISK REPORT

An informed and transparent approach to risk management is a central component of our socially responsible business model. This is also reflected in our risk culture and our risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view. By following a consistent group-wide approach to managing risks, we aim to ensure that the liquidity and capital adequacy of the group and each individual bank continues to be sustainable and appropriate at all times, as well as to achieve steady results. The activities and risks of ProCredit Holding are deeply intertwined with the development of the group. The principles of risk management and the risk strategy of the ProCredit group have not changed compared to year-end. The information provided in the 2022 Combined Management Report are still generally valid. If any fundamental changes in the methodology and processes involved in risk management have occurred during the current financial year, these are highlighted in this section. The group's overall risk profile remains suitable despite the war in Ukraine and the ongoing uncertainties resulting from macroeconomic developments.

Credit risk

We define credit risk as the risk that the party to a transaction cannot fulfil its contractual obligations, not in full or not on time. Within overall credit risk we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is our most significant risk, and customer credit exposures account for the largest share of that risk. The key objectives of credit risk management are to achieve high quality and low risk concentrations within the loan portfolio, as well as appropriate coverage of credit risks with loss allowances.

Our loan portfolio is monitored continuously for possible risk-relevant developments. The riskiness of our clients is determined using a range of indicators, including the risk classification, restructuring status and client compliance with contractual payment requirements. The forward-looking expected credit loss (ECL) model pursuant to IFRS 9 is the central element of the approach to quantifying loss allowances for both on- and off-balance sheet financial instruments, and it is updated on an ongoing basis. Our credit exposures to customers are allocated among three stages, with a distinct provisioning methodology applied to each group. The calculated loss allowances are determined based on the expected credit losses for several future default scenarios. This represents the combined sum of the probability-weighted results from the scenarios. ECL estimates are based on reliable information about past events, current conditions and projections of future economic conditions.

The focus of risk assessment in the first quarter was on assessing and evaluating the increasing deterioration in macroeconomic conditions. The conflict in Ukraine has only a limited impact on clients in the countries where we operate outside of Ukraine. Furthermore, we see persistent inflation, rising interest rates, and other market disruptions, such as energy supply and pricing, as having a negative impact on the credit risk or debt-service capacity of our clients.

The conflict in Ukraine has a significant and protracted impact on our Ukrainian loan portfolio. The risk classifications of these exposures are reassessed on an ongoing basis to adequately reflect potential increases in default risk and, if necessary, to make modifications regarding repayment. At the end of the first quarter of 2023, 12.5% of the bank's loan portfolio was classified as in default; this basically includes all exposures to clients in currently occupied territories. The macroeconomic forecasts for Ukraine for 2023 have deteriorated slightly compared with the previous year. The update of model parameters resulted in additional loss allowances of EUR 2.9 million.

Based on the quality indicators for our loan portfolio at the end of the quarter, we were unable to identify any significant change in riskiness in our banks. Nevertheless, we continue to take the above-mentioned effects into account as part of a general negative outlook.

During the reporting period, loss allowances decreased by EUR 2.8 million (previous year's period: EUR +31.4 million) in all stages, with the largest decline being EUR 1.8 million in Stage 3. Low portfolio growth in the banks and a reduction in Stage 3 loans were the main drivers of this development.

	31.3.2023				
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
South Eastern Europe					
Gross outstanding amount	4,124,172	189,149	76,307	1,109	**4,390,737**
Loss allowances	-35,502	-9,881	-43,907	-509	**-89,799**
Net outstanding amount	4,088,670	179,269	32,400	600	**4,300,938**
Eastern Europe					
Gross outstanding amount	845,399	197,279	83,946	1,216	**1,127,840**
Loss allowances	-13,683	-26,554	-65,503	-610	**-106,350**
Net outstanding amount	831,716	170,726	18,442	606	**1,021,490**
South America					
Gross outstanding amount	424,895	33,849	31,740	642	**491,126**
Loss allowances	-2,745	-1,302	-10,938	-223	**-15,209**
Net outstanding amount	422,149	32,547	20,802	419	**475,917**
Germany					
Gross outstanding amount	49,112	1,925	417	-	**51,455**
Loss allowances	-434	-307	-2	-	**-742**
Net outstanding amount	48,679	1,619	415	-	**50,712**
Total					
Gross outstanding amount	5,443,578	422,203	192,409	2,967	**6,061,158**
Loss allowances	-52,364	-38,042	-120,351	-1,342	**-212,100**
Net outstanding amount	5,391,214	384,160	72,059	1,625	**5,849,058**
Financial contingent liabilities					
Nominal amount	775,896	43,558	1,074	-	**820,529**
Provisions	-2,705	-946	-479	-	**-4,129**

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

The stable long-term development of portfolio quality is attributable to a clear focus on small and medium-sized businesses, as well as careful credit analysis and customer service. Close relationships with our clients enable us to gain a good understanding of their individual circumstances. This is particularly important in times of crisis and enables credit risks to be identified at an early stage and appropriate measures to be taken. Compared with the year-end 2022 level, the share of defaulted loans had decreased slightly, ending the first quarter of 2023 at 3.2%; the Stage 3 loans coverage ratio increased from 61.8% to 62.3%.

Capital management

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

As of 31 March 2023, the CET1 and T1 capital ratios of the ProCredit group stood at 14.1%. The total capital ratio was 15.4%. Our capitalisation is thus comfortably above the regulatory requirements, which are currently set at 8.4% for the Common Equity Tier 1 capital ratio, 10.3% for the Tier 1 capital ratio and 12.8% for the total capital ratio.

in EUR m	**31.3.2023**	**31.12.2022**
Common equity (net of deductions)	836.7	820.2
Additional Tier 1 (net of deductions)	0.0	0.0
Tier 2 capital	74.7	48.2
Total capital	911.4	868.4
RWA total	5,915.2	6,087.0
Credit risk	4,780.7	5,016.1
Market risk	613.2	598.4
Operational risk	508.4	458.3
Credit Valuation Adjustment risk	12.8	14.2
Common Equity Tier 1 capital ratio	14.1%	13.5%
Total capital ratio	15.4%	14.3%
Leverage ratio (CRR)	9.1%	8.9%

In the first three months of the year, the capitalisation of the ProCredit group in the economic and normative perspectives was always ensured, as was its stress resistance level.

OUTLOOK

With the very good financial figures in the first quarter, we have laid an important foundation for achieving our targets for 2023. Due to the ongoing combat activities in Ukraine and the associated uncertainties, we continue to expect an improved, but at the same time subdued, return on equity of 6%-8% and a cost-income ratio at the level of the previous year. This guidance is subject to the cautious estimates in the outlook section of the 2022 Annual Report. We expect the portfolio to grow in mid-single-digit percentage range. The CET1 capital ratio is expected to be over 13% at year-end 2023, with a leverage ratio around 9%.

The currently very good financial performance underscores our medium-term goals and ambitions as well as the potential of our business model. We confirm our medium-term targets of a cost-income ratio around 57% and a return on equity of around 12%. We also expect the loan portfolio to show annual growth in the mid to upper single-digit percentage range, with the share of green loans reaching 25% of the total portfolio.

The potential expansion of the war to further areas of Ukraine or to additional countries in Eastern Europe, particularly those where the ProCredit banks operate, represents a significant risk factor for our forecast. Additional risk factors include negative economic impacts related to major disruptions in the Eurozone, worsened supply-chain and energy-sector disruptions, significant changes in foreign trade or monetary policy, a deterioration in interest rate margins, increasing inflationary pressures, and pronounced exchange rate fluctuations.

SELECTED FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

in '000 EUR	**1.1.–31.3.2023**	**1.1.–31.3.2022**
Interest income (effective interest method)	117,025	84,359
Interest expenses	41,591	24,178
Net interest income	**75,434**	**60,180**
Fee and commission income	20,304	18,484
Fee and commission expenses	6,312	5,867
Net fee and commission income	**13,992**	**12,617**
Result from foreign exchange transactions	6,471	4,729
Result from derivative financial instruments and hedging relationships	-693	1,477
Result on derecognition of financial assets measured at amortised cost	-372	0
Net other operating result	-1,094	-1,350
Operating income	**93,737**	**77,653**
Personnel expenses	27,595	23,329
Administrative expenses	28,319	22,587
Loss allowance	1,889	35,557
Profit before tax	**35,933**	**-3,820**
Income tax expenses	6,470	-2,107
Profit of the period	**29,463**	**-1,713**
Profit attributable to ProCredit shareholders	*29,463*	*-1,713*

Consolidated Statement of Other Comprehensive Income

in '000 EUR	**1.1.–31.3.2023**	**1.1.–31.3.2022**
Profit of the period	**29,463**	**–1,713**
Items that are or may be reclassified to profit or loss		
Change in revaluation reserve	1,420	–2,158
Change in value not recognised in profit or loss	*1,446*	*–2,153*
Change in loss allowance (recognised in profit or loss)	*–26*	*–6*
Change in deferred tax on revaluation reserve	–94	39
Change in translation reserve	2,501	–4,337
Change in value not recognised in profit or loss	*2,501*	*–4,337*
Other comprehensive income of the period, net of tax	**3,828**	**–6,456**
Total comprehensive income of the period	**33,291**	**–8,170**
Total comprehensive income attributable to ProCredit shareholders	*33,291*	*–8,170*
Earnings per share* in EUR	0.50	-0.03

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

Consolidated Statement of Financial Position

in '000 EUR	31.3.2023	31.12.2022
Assets		
Cash	132,908	171,663
Central bank balances	1,859,493	1,768,019
Loans and advances to banks	297,168	280,453
Derivative financial assets	11,569	12,729
Investment securities	501,567	480,168
Loans and advances to customers	5,849,058	5,892,796
Property, plant and equipment	133,569	133,703
Intangible assets	18,337	17,993
Current tax assets	4,528	4,323
Deferred tax assets	8,310	10,714
Other assets	59,649	53,564
Total assets	**8,876,156**	**8,826,125**
Liabilities and equity		
Liabilities to banks	1,279,785	1,318,647
Derivative financial liabilities	1,181	614
Liabilities to customers	6,324,330	6,289,511
Debt securities	192,937	191,988
Other liabilities	39,983	40,248
Provisions	20,207	18,168
Current tax liabilities	4,050	2,028
Deferred tax liabilities	1,388	1,888
Subordinated debt	109,571	93,597
Liabilities	**7,973,431**	**7,956,690**
Subscribed capital and capital reserve	441,277	441,277
Retained earnings	542,000	512,537
Translation reserve	-79,281	-81,783
Revaluation reserve	-1,270	-2,596
Equity attributable to ProCredit shareholders	**902,725**	**869,434**
Total liabilities and equity	**8,876,156**	**8,826,125**

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

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