ProCredit HOLDING

INTERIM REPORT AS OF 30 JUNE

2023

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Interim Group Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our strategy

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

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

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

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

Accountability is part of our culture. An integral part of the business strategy is our aim to have the smallest possible impact on the environment and to pro-actively bring about a shift in thinking, with greater focus on sustainability. Environmental awareness, consideration of the impact of our actions on the environment and understanding climate change impacts have always been highly relevant to the ProCredit group and its clients. We coordinate our actions using a comprehensive environmental management system and we aim to promote sustainable development in all forms. Our environmental management system encompasses both internal and external dimensions, enabling us to manage the impact of our own business activities, and that of our customers, on the environment. Internal measures include controlling and reducing the environmental footprint of the individual ProCredit institutions. Key external aspects of environmental management are the strict application of our Exclusion List in lending business and, as part of the credit risk assessment, an annual review of sustainability factors regarding the impact of our client's operations on the environment and society. We believe that our banks can make an important contribution with these measures by promoting sustainable economic development in our countries of operation through green investment projects, particularly in the areas of energy efficiency and renewable energies, and through green investments in waste management or organic agriculture.

REPORT ON THE ECONOMIC POSITION

Course of business operations

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

in EUR m

Statement of Financial Position	**30.6.2023**	**31.12.2022**	**Change**
Loan portfolio	6,156.0	6,107.7	48.2
Deposits	6,458.1	6,289.5	168.6

Statement of Profit or Loss	**1.1.–30.6.2023**	**1.1.–30.6.2022**	**Change**
Net interest income	155.7	124.8	30.8
Net fee and commission income	28.9	26.3	2.6
Operating income	191.8	160.2	31.6
Personnel and administrative expenses	114.5	96.3	18.2
Loss allowance	0.5	57.3	-56.8
without contribution of PCB Ukraine	*0.2*	*0.8*	*-0.7*
Profit of the period	64.1	7.7	56.4
without contribution of PCB Ukraine	*51.7*	*42.0*	*9.7*

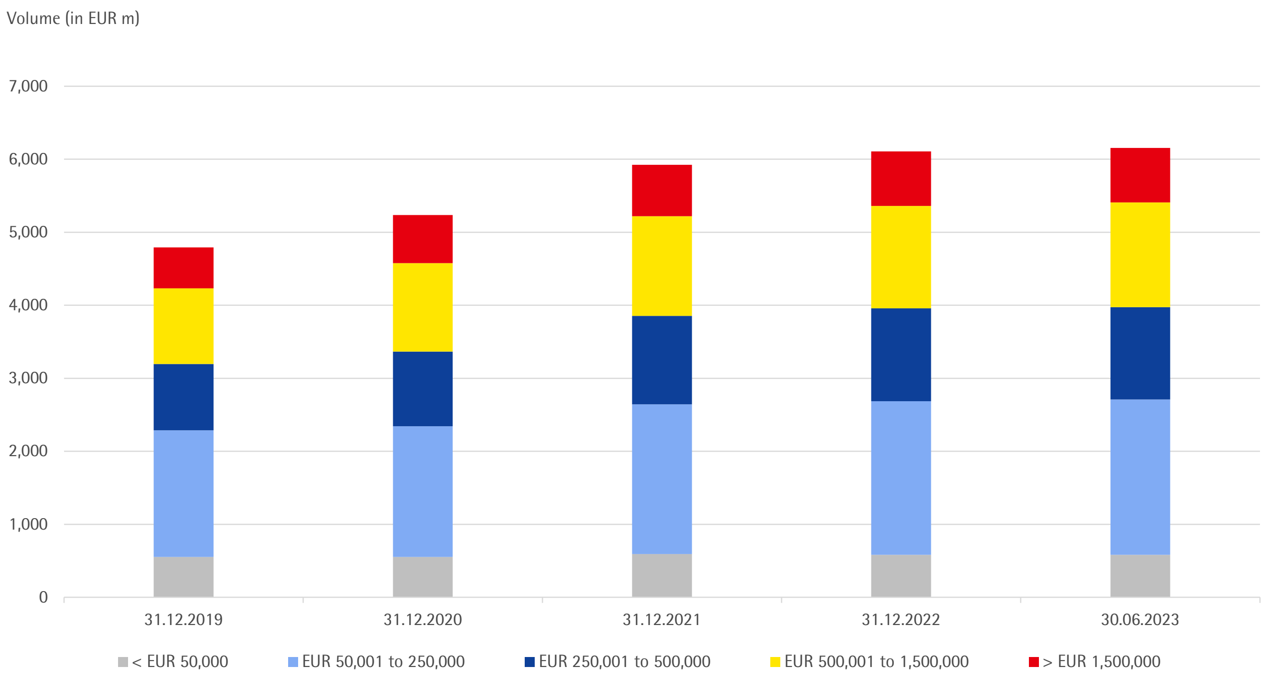
Key performance indicators	**1.1.–30.6.2023**	**1.1.–30.6.2022**	**Change**
Change in loan portfolio	0.8%	6.2%	-5.5 pp
without contribution of PCB Ukraine	*1.5%*	*6.0%*	*-4.5 pp*
Cost-income ratio	59.7%	60.1%	-0.4 pp
Return on equity (annualised)	14.2%	1.8%	12.4 pp
without profit contribution of PCB Ukraine	*11.2%*	*9.6%*	*1.6 pp*

	30.6.2023	**31.12.2022**	**Change**
Common Equity Tier 1 capital ratio	14.2%	13.5%	0.7 pp

Additional indicators	**30.6.2023**	**31.12.2022**	**Change**
Deposits to loan portfolio	104.9%	103.0%	1.9 pp
Net interest margin (annualised)	3.5%	3.1%	0.4 pp
Cost of risk (annualised)	2 bp	174 bp	-172 bp
without contribution of PCB Ukraine	*1 bp*	*33 bp*	*-33 bp*
Share of defaulted loans	3.2%	3.3%	-0.1 pp
without contribution of PCB Ukraine	*2.3%*	*2.4%*	*-0.1 pp*
Stage 3 loans coverage ratio	62.4%	61.8%	0.6 pp
without contribution of PCB Ukraine	*51.2%*	*50.0%*	*1.2 pp*
Green loan portfolio	1,239.3	1,231.1	8.2

Assets

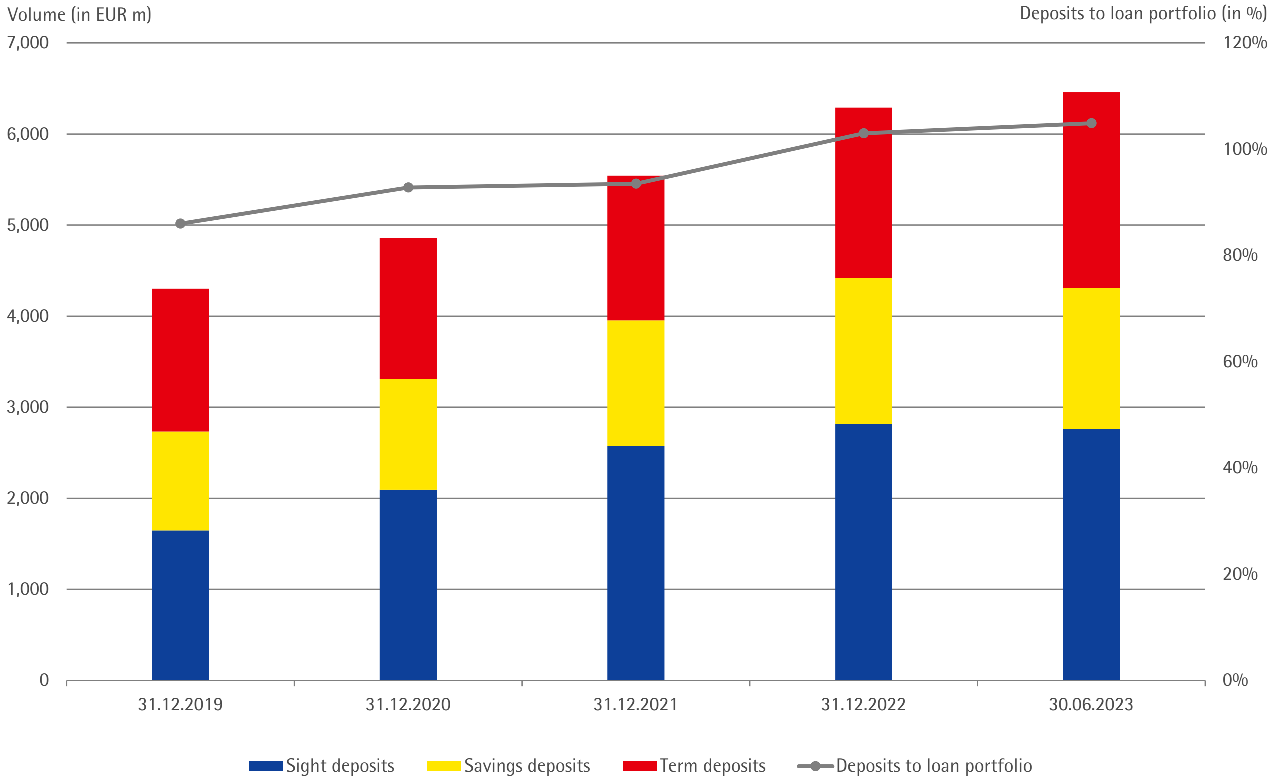
As of 30 June 2023, total assets had increased by EUR 173.3 million, or 2.0%, compared to year-end 2022. This is mainly due to additional loans and advances to banks, investment securities and loans and advances to customers. Our loan portfolio increased slightly by EUR 48.2 million compared with the end of the year.



Loan portfolio development, by loan volume

Liabilities and equity

The total portfolio of our liabilities increased by EUR 104 million since the beginning of the year, mainly due 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 169 million, or 2.7%, was mainly generated by additional term deposits from business and private clients. The deposit-to-loan ratio improved by 1.9 percentage points from year-end 2022 to 104.9%.



Deposits

We had a solid liquidity position at all times during the reporting period. At the end of the first half of 2023, the liquidity coverage ratio (LCR) was 177% (as of 31 December 2022: 155%).

Equity increased by EUR 69 million compared to year-end 2022, mainly on the basis of the current consolidated result. The Common Equity Tier 1 capital ratio (CET1 fully loaded) is 14.2% at 30 June 2023, up 0.7 percentage points from the year-end 2022 level. The group's capitalisation continues to be stable.

Result of operations

We consider the results in the first half of the year to be very positive overall. Our consolidated result of EUR 64.1 million corresponds to a return on equity of 14.2% and is significantly higher than our result for the same period last year, which had been heavily impacted by the war of aggression against Ukraine. The current consolidated result is above our already updated guidance for the current financial year (RoE of 8-10%) and even exceeds our medium-term target (RoE of approx. 12%). This reflects the steady, positive development of our banks, as characterised by loan portfolios that are generally showing growth, rising net interest income and net fee and commission income, and improved return on equity and cost-income ratios, all of which highlights the group's strong earning potential. At the same time, the overall environment in which we do business is being shaped by the war in Ukraine and all its repercussions, which continues to preoccupy us in both human and business terms. ProCredit Bank Ukraine was able to report positive profit of EUR 12.4 million for the first half of 2023, following high expenses for loss allowances in the 2022 financial year. This corresponds to an annualised return on equity of 39.7%.

Our net interest income showed a clear increase of EUR 30.8 million or 24.7% over the previous year's period. Interest income increased by EUR 68.2 million, while interest expenses grew by EUR 37.3 million. The growth in interest income is primarily due to key interest rate increases, which had an impact on our customer loan portfolio and also led to higher interest rates on central bank balances and bonds. The rise in interest expenses is mainly attributable to higher interest rates on savings and term deposits for business and private clients and on liabilities to banks. The net interest margin was 3.5%, which is 0.4 percentage points above the margin for the whole of 2022.

Net fee and commission income also increased by EUR 2.6 million or 9.9%. In particular, income from debit and credit card transactions and from payment transactions improved. The result from foreign exchange transactions improved by EUR 2.8 million or 27.7%; the result from derivative financial instruments and hedging relationships, the result from the derecognition of financial instruments at amortised cost (due to a partial waiver of receivables from Ukrainian borrowers) and also the other operating result decreased by EUR 4.6 million. Overall, we were able to report a clear increase of EUR 31.6 million or 19.7% in operating income.

Personnel and administrative expenses grew by EUR 18.2 million or 18.9%. Higher expenses for salaries, IT and marketing, as well as the generally inflationary environment, were the main drivers here. In addition, there were extraordinary legal and consulting expenses amounting to EUR 1.7 million, in particular in connection with the planned change in legal form for ProCredit Holding. Overall, the group's profit before tax and loss allowances increased significantly by EUR 13.4 million or 21.0% to EUR 77.3 million. Our cost-income ratio improved slightly, moving 0.4 percentage points to 59.7%.

Loss allowances declined by EUR 56.8 million to a total of EUR 0.5 million, mainly because the previous year's expenses were heavily influenced by the war in Ukraine. Loss allowances as of 30 June 2023 correspond to a cost of risk of 2 basis points, which is significantly lower than the previous year's level (174 basis points).

Overall, our consolidated result increased by EUR 56.4 million compared to the same period in the previous year up to EUR 64.1 million, in particular due to lower expenses for loss allowances as well as higher net interest income; this corresponds to an annualised return on equity of 14.2%. The consolidated result excluding the contribution from ProCredit Bank Ukraine also improved by EUR 9.7 million or 23.2% to a level of EUR 51.7 million, in particular due to the increase in operating income; this corresponds to a return on equity of 11.2%.

The share of defaulted loans improved slightly, declining by 0.1 percentage points compared to year-end 2022. Also from a group perspective, excluding the contribution of ProCredit Bank Ukraine, the share of defaulted loans improved slightly to 0.1 percentage points below the previous year's level. The ratio of loss allowances to loans in Stage 3 increased by 0.6 percentage points to 62.4%.

Overall, the half-year result is above our guidance for the 2023 financial year, which is based on cautious estimates regarding margin development and credit risk costs.

Segment overview

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

in '000 EUR	1.1.-30.6.2023	1.1.-30.6.2022
South Eastern Europe	44,750	36,393
Eastern Europe	26,242	- 25,039
South America	- 355	1,070
Germany*	- 6,576	- 4,721
Profit of the period	**64,061**	**7,703**

* *Segment Germany includes consolidation effects*

South Eastern Europe

in EUR m **Statement of Financial Position**	**30.6.2023**	**31.12.2022**	**Change**
Loan portfolio	4,489.3	4,395.7	93.5
Deposits	4,682.3	4,566.3	115.9
Statement of Profit or Loss	**1.1.-30.6.2023**	**1.1.-30.6.2022**	**Change**
Net interest income	99.5	71.6	27.9
Net fee and commission income	18.4	16.8	1.6
Operating income	121.3	93.7	27.6
Personnel and administrative expenses	66.3	53.4	12.9
Loss allowance	4.5	-0.2	4.7
Profit of the period	44.7	36.4	8.4
Key performance indicators	**1.1.-30.6.2023**	**1.1.-30.6.2022**	**Change**
Change in loan portfolio	2.1%	5.3%	-3.2 pp
Cost-income ratio	54.6%	57.0%	-2.4 pp
Return on equity (annualised)	13.2%	12.0%	1.1 pp
Additional indicators	**30.6.2023**	**31.12.2022**	**Change**
Deposits to loan portfolio	104.3%	103.9%	0.4 pp
Net interest margin (annualised)	3.2%	2.6%	0.6 pp
Cost of risk (annualised)	20 bp	35 bp	-14 bp
Share of defaulted loans	1.7%	1.8%	-0.1 pp
Stage 3 loans coverage ratio	57.1 %	55.2 %	2.0 pp
Green loan portfolio	973.2	945.6	27.6

Loan portfolio and deposits are presented without intercompany accounts.

South Eastern Europe is the group’s largest segment. The segment's loan portfolio increased by 2.1% to a total of EUR 4.5 billion. Almost all of our banks achieved growth in this area, with only the bank in Serbia reporting a small portfolio contraction. The green loan portfolio grew by 2.9%, with above-average growth at our banks in Albania, North Macedonia and Bulgaria. The share of defaulted loans declined slightly to 1.7%, and the coverage ratio improved by 2.0 percentage points from year-end to a total of 57.1%.

Deposits increased by EUR 115.9 million, with particularly strong growth rates at our banks in Albania, Serbia and North Macedonia.

The profit of the period stood at EUR 44.7 million, a significant increase of EUR 8.4 million compared to the same period in the previous year, primarily due to a rise of EUR 27.9 million in net interest income. Operating income increased by EUR 27.6 million overall, while personnel and administrative expenses grew by EUR 12.9 million. Cost of risk stood at a typical low level of 20 basis points. The segment's cost-income ratio improved by 2.4 percentage points to 54.6%, while return on equity rose by 1.1 percentage points to 13.2%.

Eastern Europe

in EUR m

Statement of Financial Position	30.6.2023	31.12.2022	Change
Loan portfolio	1,119.8	1,159.9	-40.1
Deposits	1,181.9	1,116.5	65.4

Statement of Profit or Loss	1.1.-30.6.2023	1.1.-30.6.2022	Change
Net interest income	44.9	40.2	4.7
Net fee and commission income	3.5	3.4	0.1
Operating income	52.2	47.5	4.7
Personnel and administrative expenses	23.0	21.8	1.2
Loss allowance	-3.0	56.6	-59.6
without contribution of PCB Ukraine	*-3.4*	*0.1*	*-3.5*
Profit of the period	26.2	-25.0	51.3
without contribution of PCB Ukraine	*13.9*	*9.2*	*4.6*

Key performance indicators	1.1.-30.6.2023	1.1.-30.6.2022	Change
Change in loan portfolio	-3.5%	6.6%	-10.1 pp
without contribution of PCB Ukraine	*-1.2%*	*5.0%*	*-6.1 pp*
Cost-income ratio	44.0%	45.8%	-1.8 pp
Return on equity (annualised)	25.1%	-21.5%	46.6 pp
without profit contribution of PCB Ukraine	*12.2%*	*7.8%*	*4.4 pp*

Additional indicators	30.6.2023	31.12.2022	Change
Deposits to loan portfolio	105.5%	96.3%	9.3 pp
Net interest margin (annualised)	5.1%	4.7%	0.4 pp
Cost of risk (annualised)	-53 bp	712 bp	-765 bp
without contribution of PCB Ukraine	*-118 bp*	*26 bp*	*-144 bp*
Share of defaulted loans	7.6%	7.4%	0.2 pp
without contribution of PCB Ukraine	*3.0%*	*2.9%*	*0.1 pp*
Stage 3 loans coverage ratio	78.0%	79.2%	-1.2 pp
without contribution of PCB Ukraine	*57.8%*	*59.6%*	*-1.9 pp*
Green loan portfolio	166.4	182.8	-16.3

Deposits are presented without intercompany accounts.

In the Eastern Europe segment, the loan portfolio decreased by EUR 40.1 million or 3.5%, in particular due to a targeted reduction of the loan portfolio in Ukraine. The share of defaulted loans rose slightly, increasing by 0.2 percentage points to 7.6%. Outside Ukraine, the share is stable at a low level of 3.0%. The coverage ratio in the segment stood at 78.0% due to the elevated level of loss allowances for the Ukrainian portfolio. Deposits increased by EUR 65.4 million or 5.9% compared to the end of the year, with particularly strong growth at our bank in Ukraine. As a result, our deposit-to-loan ratio increased by 9.3 percentage points to 105.5%.

The profit of the period improved substantially, growing by EUR 51.3 million to EUR 26.2 million. In particular, the performance of ProCredit Bank Ukraine contributed to this development. The result contribution from ProCredit Bank Ukraine in the previous year's period had been strongly negative (EUR -34.3 million) due to high expenses for loss allowances, whereas the bank is making a positive contribution to profit in the reporting period (+EUR 12.4 million). The other banks in the segment also achieved profit growth totalling EUR 4.6 million for the period. Operating income increased by EUR 4.7 million or 9.9%, while personnel and administrative expenses stood at EUR 23.0 million, slightly above the previous year's level. The cost-income ratio thus improved by 1.8 percentage points to 44.0%.

Expenditures for loss allowances amounted to EUR -3.0 million which corresponds to an annualised cost of risk of -53 basis points. The profit of the period represents a substantially improved return on equity of 25.1%. The annualised return on equity for ProCredit Bank Georgia is 18.6% and for ProCredit Bank Moldova it is 20.0%. The return on equity excluding the result contribution from ProCredit Bank Ukraine likewise improved significantly, climbing 4.4 percentage points to 12.2%.

South America

in EUR m

Statement of Financial Position	**30.6.2023**	**31.12.2022**	**Change**
Loan portfolio	494.3	498.1	-3.8
Deposits	343.2	343.0	0.2

Statement of Profit or Loss	**1.1.-30.6.2023**	**1.1.-30.6.2022**	**Change**
Net interest income	10.0	12.4	-2.4
Net fee and commission income	0.1	-0.1	0.2
Operating income	9.8	11.6	-1.8
Personnel and administrative expenses	10.0	9.3	0.7
Loss allowance	-0.6	0.6	-1.3
Profit of the period	-0.4	1.1	-1.4

Key performance indicators	**1.1.-30.6.2023**	**1.1.-30.6.2022**	**Change**
Change in loan portfolio	-0.8%	14.5%	-15.3 pp
Cost-income ratio	101.4%	79.9%	21.5 pp
Return on equity (annualised)	-1.3%	4.2%	-5.6 pp

Additional indicators	**30.6.2023**	**31.12.2022**	**Change**
Deposits to loan portfolio	69.4%	68.9%	0.6 pp
Net interest margin (annualised)	3.2%	4.5%	-1.3 pp
Cost of risk (annualised)	-26 bp	26 bp	-51 bp
Share of defaulted loans	6.6%	6.7%	-0.1 pp
Stage 3 loans coverage ratio	34.0%	33.5%	0.5 pp
Green loan portfolio	85.5	90.3	-4.8

Deposits are presented without intercompany accounts.

The loan portfolio of ProCredit Bank Ecuador contracted slightly, declining by EUR 3.8 million to EUR 494.3 million. Deposits remained at the level of year-end 2022.

The profit for the period decreased by EUR 1.4 million, mainly due to lower net interest income caused by a tighter net interest margin as well as rising personnel and administrative expenses. The net interest margin declined due to regulatory lending rate caps in Ecuador, which prevented existing financial instruments from being repriced in the current environment of rising interest rates. The cost-income ratio increased by 21.5 percentage points to 101.4%, while the return on equity dropped to -1.3%.

Germany

in EUR m

Statement of Financial Position	30.6.2023	31.12.2022	Change
Loan portfolio	52.6	54.0	-1.3
Deposits	250.7	263.7	-13.0

Statement of Profit or Loss	1.1.-30.6.2023	1.1.-30.6.2022	Change
Net interest income	1.2	0.6	0.6
Operating income	39.1	31.1	8.0
Personnel and administrative expenses	41.3	34.8	6.5
Loss allowance	-0.3	0.2	-0.5
Profit of the period	-1.9	-3.9	2.0
Profit of the period and consolidation effects	-6.6	-4.7	-1.9

Loan portfolio and deposits are presented without intercompany accounts.

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

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. Both balance sheet items remained virtually unchanged compared with 31 December 2022. Operating income was dominated by IT services performed by Quipu, the operating activities of ProCredit Bank Germany and dividend payments from subsidiary banks to ProCredit Holding. Compared to the previous year's period, the result for ProCredit Bank Germany improved by EUR 3.2 million to EUR 5.0 million, which is largely attributable to the EUR 3.4 million increase in net interest income.

The segment's profit for the period increased compared to the previous year's period, in particular as the growth of operating income outpaced that of personnel and administrative expenses. The increase in administrative expenses was due, among other things, to non-recurring legal, auditing and consulting costs in connection with the planned transformation of ProCredit Holding's legal form as well as additional expenditures for software. Income from dividends derives from fully consolidated subsidiaries and at the same time does not affect the consolidated result of the group. The segment's contribution to the consolidated result declined by EUR 1.9 million, primarily due to higher personnel and administrative expenses.

Events after the reporting period

For a description of events after the reporting period, please refer to the corresponding section in the Notes to the Condensed Consolidated Interim Financial Statements.

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 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 half of 2023 was on estimating and evaluating the increasing deterioration in macroeconomic conditions and expectations. The conflict in Ukraine continues to have only a limited impact on clients in our countries of operation outside of Ukraine. We also see persistent high inflation, rising interest rates and other market disruptions, such as energy supply and pricing, as having a negative impact on credit risk and the repayment capacity of our clients.

The conflict in Ukraine has a significant and lasting impact on our Ukrainian loan portfolio. The risk classifications for these exposures are reassessed on an ongoing basis to adequately reflect potential increases in default risk and, if necessary, to make modifications regarding repayment. At the end of the second quarter, 12.4% of the bank's loan portfolio was classified as defaulted; this generally includes all exposures to clients in currently occupied territories. The loan portfolio has declined due to a relatively low volume of new business in relation to the agreed repayments, but also through domestic currency depreciation. As of the reporting date, the Ukrainian loan portfolio represented 8.9% of the total portfolio of the group (12.2022: 9.5%).

Due to the sharp rise in interest rates, we are paying particular attention to the potential negative impact of an acute increase in interest charges, especially on loans with a variable interest rate. The primary goal is the early identification of customers for whom further interest rate increases could lead to limited repayment capacity. These are monitored more closely as part of a "watch list", with further measures being considered in order to prevent default. Accordingly, a portfolio of EUR 45.1 million at group level was allocated to Stage 2 as of the reporting date.

Based on the quality indicators for our loan portfolio at the end of the second 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.

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

Baseline scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %			Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %			Change in oil price in %		Weight
Country	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2022**	**2023**	**2024**	**2023**	**2024**	
Albania	3.7	2.3	3.3	7.4	3.9	3.0	11.1	11.0	-	-	0.4	-	-	-0.9	69.2	-13.6	-	41.5	-	50%
Bosnia and Herzegovina	3.8	2.0	-	12.6	5.4	-	-	-	-	-	1.1	-0.1	-	-	-	-	-33.3	-	-	50%
Bulgaria	3.4	1.4	-	-	3.1	2.1	-	4.6	-	-0.3	0.8	-	-	-	-	-	-	-	-	50%
Ecuador	-	2.9	-	3.7	2.3	1.3	3.8	-	-	-	-	-	-	-	69.2	-13.6	-	-	-	50%
Georgia	10.1	4.0	5.0	9.8	4.0	-	18.7	19.5	20.2	-	-	-	-	-	-	-	-	-	-9.9	50%
Germany	1.8	-	-	-	-	-	-	3.3	-	0.7	-	-	-	-	-	-	-	-	-	50%
Kosovo	2.7	3.5	-	-	2.3	-	-	-	-	-	-	-	-	-	69.2	-13.6	-	-	-	50%
Moldova	-5.6	2.0	4.3	30.2	8.0	5.0	-	-	-	4.4	-	-	-	-	-	-	-	41.5	-	50%
North Macedonia	2.2	1.4	-	-	-	-	-	14.5	-	-	-	-	-	-	69.2	-13.6	-33.3	-	-	50%
Romania	4.8	2.4	-	-	7.5	-	-	-	-	2.2	2.1	-	-	-	-	-	-	-	-	50%
Serbia	2.3	2.0	-	15.1	8.2	-	-	-	-	-	-0.1	-2.0	-	-	69.2	-	-	-	-	50%
Ukraine	-14.8	0.7	3.9	-	9.5	8.4	-	9.9	-	-	3.4	-	26.0	-	69.2	-13.6	-	41.5	-	50%

Downside scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %			Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %			Change in oil price in %		Weight
Country	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2022**	**2023**	**2024**	**2023**	**2024**	
Albania	3.7	1.1	2.2	7.4	5.1	4.2	11.1	11.4	–	–	1.8	–	–	-0.1	69.2	23.4	–	41.5	–	40%
Bosnia and Herzegovina	3.8	-0.1	–	12.6	6.5	–	–	–	–	–	1.9	0.7	–	–	–	–	3.7	–	–	40%
Bulgaria	3.4	0.1	–	–	7.4	6.4	–	5.8	–	-0.3	1.3	–	–	–	–	–	–	–	–	40%
Ecuador	–	0.9	–	3.7	5.1	4.1	3.8	–	–	–	–	–	–	–	69.2	23.4	–	–	–	30%
Georgia	10.1	2.6	3.6	9.8	7.3	–	18.7	20.7	21.4	–	–	–	–	–	–	–	–	–	9.5	40%
Germany	1.8	–	–	–	–	–	–	3.9	–	0.7	–	–	–	–	–	–	–	–	–	40%
Kosovo	2.7	1.5	–	–	4.8	–	–	–	–	–	–	–	–	–	69.2	23.4	–	–	–	40%
Moldova	-5.6	-2.2	0.0	30.2	13.8	10.8	–	–	–	4.4	–	–	–	–	–	–	–	41.5	–	40%
North Macedonia	2.2	0.4	–	–	–	–	–	14.5	–	–	–	–	–	–	69.2	23.4	3.7	–	–	40%
Romania	4.8	-0.2	–	–	9.3	–	–	–	–	2.2	4.4	–	–	–	–	–	–	–	–	40%
Serbia	2.3	-0.7	–	15.1	11.8	–	–	–	–	–	2.7	0.8	–	–	69.2	–	–	–	–	40%
Ukraine	-14.8	-3.3	-0.1	–	14.5	13.4	–	10.1	–	–	8.1	–	26.0	–	69.2	23.4	–	41.5	–	40%

Upside scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %			Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %			Change in oil price in %		Weight
Country	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2022**	**2023**	**2024**	**2023**	**2024**	
Albania	3.7	3.3	4.4	7.4	2.8	1.9	11.1	10.2	–	–	-1.4	–	–	-3.5	69.2	-39.1	–	41.5	–	10%
Bosnia and Herzegovina	3.8	3.5	–	12.6	3.9	–	–	–	–	–	0.8	-0.4	–	–	–	–	-58.8	–	–	10%
Bulgaria	3.4	3.5	–	–	-0.5	-1.5	–	2.9	–	-0.3	0.3	–	–	–	–	–	–	–	–	10%
Ecuador	–	5.8	–	3.7	-0.3	-1.3	3.8	–	–	–	–	–	–	–	69.2	-39.1	–	–	–	20%
Georgia	10.1	6.9	7.9	9.8	0.8	–	18.7	18.7	19.4	–	–	–	–	–	–	–	–	–	-28.9	10%
Germany	1.8	–	–	–	–	–	–	2.7	–	0.7	–	–	–	–	–	–	–	–	–	10%
Kosovo	2.7	6.6	–	–	0.7	–	–	–	–	–	–	–	–	–	69.2	-39.1	–	–	–	10%
Moldova	-5.6	6.8	9.1	30.2	1.0	-2.0	–	–	–	4.4	–	–	–	–	–	–	–	41.5	–	10%
North Macedonia	2.2	3.6	–	–	–	–	–	12.9	–	–	–	–	–	–	69.2	-39.1	-58.8	–	–	10%
Romania	4.8	6.3	–	–	2.4	–	–	–	–	2.2	0.8	–	–	–	–	–	–	–	–	10%
Serbia	2.3	5.4	–	15.1	5.8	–	–	–	–	–	-2.5	-4.4	–	–	69.2	–	–	–	–	10%
Ukraine	-14.8	5.3	8.5	–	2.8	1.7	–	9.3	–	–	-1.2	–	26.0	–	69.2	-39.1	–	41.5	–	10%

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

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

in '000 EUR	30.6.2023 Loss allowance Positive macroeconomic change	Loss allowance	Loss allowance Negative macroeconomic change
South Eastern Europe	91,589	92,698	93,785
Eastern Europe	100,424	103,946	107,629
of which contribution of PCB Ukraine	*84,955*	*87,879*	*91,078*
South America	14,302	14,830	15,523
Germany	464	483	501
Total	**206,779**	**211,957**	**217,439**

The calculation of the loss given default (LGD) was adjusted in the first half of 2023. Estimates for LGDs have been based on cash flows, using historical data about payments received from defaulted customers, taking into account the cost of recovery and the size of the credit exposure. The new elements of the LGD calculation provide a granular estimate of the loss given default, incorporating the probability of a return to non-default status and of the realisation of available collateral and utilisation of guarantees. The parameters are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment. In view of the present circumstances in Ukraine, the calculation of LGDs in ProCredit Bank Ukraine has not been changed for the time being; the LGD calculation will be adjusted at a later point in time. The effect of the change in methodology amounts to EUR 9.4 million for the group.

Overlays continue to be made to account for uncertainty arising from current economic and political developments resulting from the war in Ukraine and for the macroeconomic forecasts which cannot be completely represented in the models:

in EUR m

Overlay description	Impact on	31.12.2022	Removed overlays	New overlays	30.6.2023
Macroeconomic effects of a negative development due to the ongoing Russian invasion in Ukraine	Loan portfolio in all banks except PCB Ukraine in Stage 1, 2 and 3	5.4	-	-2.0	3.4
Effects of multifactorial crisis on the credit risk parameters	Loan portfolio in all banks except PCB Ukraine in Stage 1, 2 and 3	23.5	-	3.0	26.5
Total		**28.9**	**-**	**1.0**	**29.9**

in EUR m

Overlay description	Impact on	31.12.2022	Removed overlays	New overlays	30.6.2023
Increased uncertainty of negative macroeconomic development due to the ongoing Russian invasion in Ukraine	Loan portfolio in PCB Ukraine in Stage 1, 2 and 3	4.3	-	-2.0	2.3
Increased uncertainty of credit risk parameters due to the ongoing Russian invasion in Ukraine	Loan portfolio in PCB Ukraine in Stage 1, 2 and 3	6.4	-	2.5	8.9
Total		**10.7**	**-**	**0.5**	**11.2**

The adjustments for all ProCredit institutions except ProCredit Bank Ukraine are described below, followed by a separate presentation for that bank.

Due to the ongoing tense situation in the Russo-Ukrainian War, with possible spill-over effects impacting the economic situation of the countries where the ProCredit group operates, the weighting of scenarios (baseline/downside/upside) has been adjusted for the calculation of loss allowance parameters. In the standard case, the weighting is 50% for the baseline scenario and 25% each for the upside and downside scenarios. The adjustment to the weighting of the scenarios remains unchanged from the end of the year, with the baseline scenario receiving a weighting of 50%, the downside scenario 40% and the upside scenario 10%. As an oil-exporting country, Ecuador continues to have a lower weighting of 30% on the downside scenario as well as 20% on the upside scenario, as the country can benefit from higher prices. Compared to the weighting in the standard case, the overlays result in an increase in loss allowances amounting to EUR 3.4 million for all banks in the group except ProCredit Bank Ukraine.

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

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

The adjustments were based on observations of maximum default and loss rates from historical default events in the crises that serve as stress levels. The key parameters, PD and LGD, have been increased using the defined probability of occurrence of the stress level (20%, based on expert assessment). The modification of the LGD calculation resulted in an adjustment of the LGD stress level calculation, including the suspension of a return to non-defaulted status for a credit exposure. The adjustments to significant model parameters led to a EUR 26.5 million increase in loss allowances for all banks except ProCredit Bank Ukraine.

Overall, the overlays for all banks except ProCredit Bank Ukraine increase compared to year-end 2022 by EUR 1.0 million to EUR 29.9 million.

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

As the loan portfolio in the conflict area is largely assessed through individual estimation of losses, the ECL parameters are only applied to the loan portfolio outside that zone. For parameter estimation, values outside the calibrated range are replaced with the most negative historical value of the macroeconomic factors within the time period used, in order to obtain plausible but conservative parameters. The calculation of overlays for LGD and PD parameters remains unchanged from year-end.

The LGD adjustment for ProCredit Bank Ukraine is performed under consideration of relevant LGDs from the Ukraine conflict in 2014/15. The LGDs of the portfolio with business activities in the current conflict area are assessed individually under conservative assumptions. Similarly, we have increased PD based on historical information. The applied PD is significantly higher than the observed default rate outside the conflict area during the 2014/15 conflict. Furthermore, in establishing loss allowances on exposures with increased default risk since initial recognition (Stage 2), we have not assumed any early repayments. The adjustment of the model parameters increases the loss allowances by EUR 8.9 million.

Due to increased uncertainty of negative macroeconomic developments resulting from the war, the weighting of the scenarios for calculating loss allowance parameters were kept at 50% for the baseline scenario, 40% for the downside scenario and 10% for the upside scenario. This results in an increase in loss allowances by EUR 2.3 million compared with the weighting in the standard case.

The total amount of adjustments for Ukraine adds up to EUR 11.2 million; at year-end 2022, overlays totalled EUR 10.7 million. It should be noted that individually assessed exposures are not included when calculating the adjustments. As individual assessment of the defaulted portfolio is not parameter-based, this portfolio is not part of the calculation of adjustments made in the table above. The volume of the individually assessed portfolio in Ukraine represents approximately 10% of the portfolio. Around 89% of the defaulted portfolio in Ukraine has been individually assessed by credit analysts using conservative assumptions, resulting in a high coverage ratio of around 86% for the portfolio under individual assessment.

During the reporting period, on-balance-sheet loss allowances decreased by EUR 3.0 million (previous year's period +EUR 55.9 million) in all stages, with the largest decline by EUR 2.0 million in Stage 3. Relatively low portfolio growth in the banks and the decrease in Stage 3 loans were the main drivers of this development.

	30.6.2023				
in '000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
South Eastern Europe					
Gross outstanding amount	4,151,806	260,666	75,693	1,093	**4,489,258**
Loss allowances	-35,826	-13,005	-43,366	-501	**-92,698**
Net outstanding amount	4,115,981	247,660	32,327	591	**4,396,560**
Eastern Europe					
Gross outstanding amount	853,734	180,897	84,081	1,078	**1,119,791**
Loss allowances	-12,892	-24,635	-65,758	-662	**-103,946**
Net outstanding amount	840,843	156,262	18,323	417	**1,015,845**
South America					
Gross outstanding amount	438,768	22,791	32,059	674	**494,292**
Loss allowances	-2,761	-933	-11,024	-112	**-14,830**
Net outstanding amount	436,007	21,858	21,034	562	**479,462**
Germany					
Gross outstanding amount	52,265	350	-	-	**52,615**
Loss allowances	-466	-17	-	-	**-483**
Net outstanding amount	51,799	333	-	-	**52,132**
Total					
Gross outstanding amount	5,496,574	464,704	191,833	2,845	**6,155,956**
Loss allowances	-51,944	-38,590	-120,148	-1,275	**-211,957**
Net outstanding amount	5,444,630	426,113	71,685	1,570	**5,943,999**
Financial contingent liabilities					
Nominal amount	788,307	68,831	1,040	-	**858,178**
Provisions	-2,801	-1,609	-459	-	**-4,869**

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 tables below present gross exposures, broken down according to internal risk classification and stage.

in '000 EUR		30.6.2023				
Loan portfolio	**Risk class**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	37,184	–	–	–	**37,184**
	2	934,328	4,306	–	–	**938,633**
	3	1,597,516	3,363	–	–	**1,600,879**
	4	1,311,571	53,642	–	–	**1,365,213**
	5	654,413	131,261	–	–	**785,674**
Underperforming	6	39,094	186,525	–	–	**225,619**
	7	1,871	36,515	–	–	**38,385**
Defaulted	8	–	–	174,219	2,749	**176,969**
Without risk class*		920,598	49,093	17,613	96	**987,399**
Gross outstanding amount		**5,496,574**	**464,704**	**191,833**	**2,845**	**6,155,956**

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

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

The stable long-term development of our portfolio quality is attributable to our clear focus on small and medium-sized businesses, as well as careful credit analysis and customer service. Close relationships with our clients enable us to gain a good understanding of their individual circumstances. This is particularly important in times of crisis and enables credit risks to be identified at an early stage and appropriate measures to be taken. At the half-year mark, the share of defaulted loans had declined slightly compared to year-end 2022, decreasing from 3.3% to 3.2%, mainly due to derecognitions, write-offs and repayments in Stage 3. The Stage 3 loans coverage ratio increased from 61.8% to 62.4%.

	30.6.2023					
in '000 EUR	**< EUR 50,000**	**EUR 50,000 – 250,000**	**EUR 250,000 – 500,000**	**EUR 500,000 – 1,500,000**	**> EUR 1,500,000**	**Total**
South Eastern Europe	458,666	1,483,032	901,186	1,059,221	587,153	4,489,258
Eastern Europe	46,810	413,161	272,092	277,702	110,026	1,119,791
South America	77,277	229,079	84,333	79,261	24,342	494,292
Germany	18	2,147	5,009	19,647	25,794	52,615
Loan portfolio	**582,770**	**2,127,419**	**1,262,621**	**1,435,831**	**747,314**	**6,155,956**

in '000 EUR	< EUR 50,000	EUR 50,000 – 250,000	EUR 250,000 – 500,000	EUR 500,000 – 1,500,000	> EUR 1,500,000	Total
	31.12.2022					
South Eastern Europe	457,265	1,461,017	889,311	1,018,230	569,927	4,395,750
Eastern Europe	50,131	419,230	288,450	278,816	123,254	1,159,880
South America	74,605	222,371	90,063	82,267	28,833	498,139
Germany	25	2,099	4,828	22,931	24,075	53,958
Loan portfolio	**582,026**	**2,104,717**	**1,272,651**	**1,402,244**	**746,088**	**6,107,726**

The following tables show the distribution of the loan portfolio by economic sector:

in '000 EUR	< EUR 50,000	EUR 50,000 – 250,000	EUR 250,000 – 500,000	EUR 500,000 – 1,500,000	> EUR 1,500,000	Total
	30.6.2023					
Business loans	**388,266**	**1,813,077**	**1,206,357**	**1,426,362**	**747,314**	**5,581,376**
Wholesale and retail trade	107,832	550,751	353,766	391,071	102,179	1,505,599
Agriculture, forestry and fishing	118,008	431,535	231,023	220,682	94,889	1,096,135
Production	59,147	376,271	292,418	346,042	156,038	1,229,915
Transportation and storage	33,229	106,580	49,520	55,902	20,313	265,544
Electricity, gas, steam and air conditioning supply	2,576	20,542	37,065	95,905	179,917	336,005
Construction and real estate	19,139	133,939	118,115	155,119	100,756	527,068
Hotel, restaurant and catering	13,122	55,089	41,725	48,590	31,074	189,601
Other economic activities	35,213	138,370	82,726	113,050	62,149	431,508
Private loans	**194,504**	**314,342**	**56,264**	**9,470**	**–**	**574,580**
Housing	85,992	292,732	53,530	9,088	–	441,343
Investment loans	43,079	12,990	744	–	–	56,813
Consumer loans	65,432	8,620	1,990	382	–	76,423
Gross outstanding amount	**582,770**	**2,127,419**	**1,262,621**	**1,435,831**	**747,314**	**6,155,956**

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

With regard to the group's counterparty and issuer risk and its country risk, there were no significant changes compared to the end of the previous year, except for the increased risks in connection with the situation in Ukraine. Russia's invasion of Ukraine led to a downgrade of the country by all major rating agencies. The group's counterparty and issuer risk in Ukraine consists solely of exposures towards the National Bank of Ukraine, primarily in local currency. We consider it unlikely that they will be affected by a potential sovereign debt default; however, we have determined a significant rise in credit risk since the beginning of the war. In

June 2023, a guarantee for the ProCredit group which has been in place since 2022 from the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) was significantly increased from EUR 17.1 million to EUR 40.9 million. The guarantee covers ProCredit Holding's equity investments in ProCredit Bank Ukraine against the risk of expropriation of the mandatory minimum reserve held at the National Bank of Ukraine. The guarantee is valid until December 2025. The MIGA guarantee reduces the risk weight of the mandatory reserve that has to be held at the National Bank of Ukraine by a corresponding amount, thus enabling ProCredit to use the freed-up capital to support its client-related business activities in Ukraine.

The group's cross-border exposures to Ukraine only include transactions with ProCredit Bank Ukraine. Under the martial law in effect since February 2022, the National Bank of Ukraine has imposed restrictions which also apply to international payment transactions. The timely settlement of ProCredit Bank Ukraine liabilities was not affected.

At the end of June 2023, the group had EUR 0.6 million in balances denominated in Russian roubles. Due to the sanctions currently in place, the group banks do not have access to these balances. Loss allowances have thus been established for the full amount.

Market risks

Foreign currency risk

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

The translation reserve changed from EUR -81.8 million at the end of 2022 to EUR -79.4 million as of 30 June 2023. The official exchange rate of the hryvnia against the US dollar remained frozen in the first half of the year. Compared with the previous year, the Georgian and Moldovan national currencies appreciated only slightly, and the Albanian national currency by 8%, and the US dollar depreciated by 2%.

Within the scope of the group's capital adequacy calculation in the economic approach, with a confidence level of 99.9%, a value-at-risk procedure is defined for fluctuations in the translation reserve. The risk amount increased by EUR 8.3 million to EUR 83.8 million. The main reason for the increase was the higher hryvnia position, arising primarily from profits at the Ukrainian bank.

Interest rate risk in the banking book

At the group level, interest rate risk is quantified and limited accordingly on the basis of economic value impact and on the basis of the 12-month P&L effect. Account is taken for economic value impact effects within the scope of the group's capital adequacy calculation in the economic approach (see also the Capital management section). All indicators remained within the allocated limits at the end of June 2023.

Compared to the previous year, the negative economic value impact sank by EUR 11.5 million to EUR 64.9 million. A major influence here was the further rise in interest rates in the first half of the year. As a large part of the group's loan portfolio has variable interest rates and the existing securities portfolio has a relatively short weighted average maturity, the vulnerability of the economic value to interest rate increases is limited. The 12-month P&L effect decreased by EUR 0.4 million to EUR 8.0 million. Both indicators remained within their respective limits.

Liquidity and funding risk

We evaluate the short-term liquidity risk of the ProCredit banks using a maturity gap analysis and monitor this risk on the basis of a 30-day sufficient liquidity indicator (SLI), the survival period and the minimum liquidity coverage ratio (LCR) prescribed by Regulation (EU) No. 575/2013 (Capital Requirements Regulation - CRR), the structural liquidity ratio (net stable funding ratio, NSFR) as well as by means of liquidity stress tests.

Despite the comfortable liquidity position overall, developments at group and bank level will continue to be closely monitored. Due in particular to the war in Ukraine, the liquidity situation of the ProCredit Bank in Ukraine and other ProCredit banks in the region are monitored and analysed on a daily basis in order to identify and be able to address potential problems in a timely manner. ProCredit Bank Ukraine's liquidity continued to increase substantially in the first half of the year. This was mainly due to an increase in customer deposits and repayments of customer loans.

The liquidity situation of the ProCredit banks and the group remained adequate during the first half year. All of the ProCredit banks had sufficient liquidity available at all times to meet all financial obligations in a timely manner.

At the end of the first half of 2023, the group-level LCR was 177% (31 December 2022: 155%) and the NSFR was 146% (31 December 2022: 146%). Both indicators were thus comfortably above the regulatory requirement of 100% in each case.

ProCredit Holding keeps an adequate liquidity reserve available for the group. The amount of the liquidity reserve is determined, among other means, on the basis of group stress tests and monitored on a regular basis.

Other material risks

For us, other material risks include operational risk as well as business risk and model risk. The prevention of risks from money laundering, terrorist financing and fraud is also a key component of our risk management.

There have been no substantial changes to any of these other material risks, so the statements from the 2022 management report still apply.

Capital management

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

As of 30 June 2023, the Common Equity Tier 1 and Tier 1 capital ratios of the ProCredit group stood at 14.2%. The total capital ratio was 15.4%. Our capitalisation is thus above the regulatory requirements, which are currently set at 9.2% for the Common Equity Tier 1 capital ratio, 11.3% for the Tier 1 capital ratio and 14.2% for the total capital ratio.

in EUR m	30.6.2023	31.12.2022
Common equity (net of deductions)	835.6	820.2
Additional Tier 1 (net of deductions)	–	–
Tier 2 capital	72.2	48.2
Total capital	907.8	868.4
RWA total	5,905.0	6,087.0
Credit risk	4,742.3	5,016.1
Market risk	642.0	598.4
Operational risk	508.4	458.3
Credit Valuation Adjustment risk	12.3	14.2
Common Equity Tier 1 capital ratio	14.2%	13.5%
Total capital ratio	15.4%	14.3%
Leverage ratio (CRR)	9.0%	8.9%

The ProCredit group's regulatory requirements consist of the applicable Pillar 1 minimum requirement, which are 4.5% for the Common Equity Tier 1 ratio, 6.0% for the Tier 1 ratio and 8.0% for the total capital ratio, and the combined capital buffer requirements.

The capital conservation buffer is currently 2.5%. In addition, the group complies with an institution-specific countercyclical capital buffer of 0.2%. Furthermore, the German Federal Financial Supervisory Authority (BaFin) has determined additional capital requirements for the ProCredit group as part of this year's Supervisory Review and Evaluation Process. From May 2023, the ProCredit group's Pillar 2 capital requirements increase from 2.0 percentage points to 3.5 percentage points. This covers the weaknesses identified by BaFin in the calculation of interest rate and funding risks.

Capitalisation in the economic perspective is presented below:

	30.6.2023	31.12.2022
in EUR m	Limit Used	Limit Used
Credit Risk	380.4	351.0
Interest Rate Risk	64.9	76.3
Foreign Currency Risk	83.8	75.5
Operational Risk	20.0	21.3
Funding Pricing Risk*	26.9	26.8
Model Risk	43.0	43.0
Total	**619.0**	**593.9**
Total limit used in %	**78.4%**	**75.2%**

** This is the value as of 31 March 2023. ProCredit is revising the methodological treatment in the economic perspective.*

In the first six 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

On the basis of the strong financial result in the first half of the year and due to the ongoing positive development of key earnings drivers, we decided on 30 May 2023 to raise the guidance for the 2023 financial year. We now expect a return on equity of 8-10% for the 2023 financial year (previously: 6-8%). The outlook for return on equity is now based on an assumed cost of risk of up to 45 basis points (previously: up to 70 basis points). We now expect a cost-income ratio of 62-64% (previous guidance for the cost-income ratio was the previous year's level of 64%). The newly raised guidance continues to be subject to adverse assumptions for the remainder of the year, in particular to continue to take into account the ongoing combat activities in Ukraine and the associated uncertainties. As before, we expect portfolio growth in the 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 earnings situation underlines our medium-term goals and ambitions and highlights the potential of our business model. We confirm our medium-term targets of a cost-income ratio around 57% and a return on equity of around 12%. We also expect the loan portfolio to show annual growth in the mid to upper single-digit percentage range, and the share of our green loans in the total portfolio to increase to 25%.

The potential expansion of the war to further areas of Ukraine and the suspension of the Black Sea Grain Initiative represent significant risk factors for our guidance and could be reflected in increased cost of risk. Additional risk factors include negative economic impacts related to major disruptions in our countries of operation, intensified supply-chain and energy-sector disruptions, higher funding costs and changes in our funding markets, significant changes in foreign trade or monetary policy, a deterioration in interest rate margins, increasing inflationary pressures, and pronounced exchange rate fluctuations.

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in '000 EUR	Note	1.1.–30.6.2023	1.1.–30.6.2022
Interest income (effective interest method)		244,033	175,863
Interest expenses		88,370	51,023
Net interest income	3	**155,663**	**124,840**
Fee and commission income		41,981	38,342
Fee and commission expenses		13,099	12,071
Net fee and commission income	4	**28,883**	**26,271**
Result from foreign exchange transactions		12,917	10,116
Result from derivative financial instruments and hedging relationships		-890	3,367
Result on derecognition of financial assets measured at amortised cost		-380	0
Net other operating result		-4,415	-4,404
Operating income		**191,777**	**160,190**
Personnel expenses		56,393	46,957
Administrative expenses		58,100	49,336
Loss allowance	5	543	57,294
Profit before tax		**76,740**	**6,602**
Income tax expenses	6	12,680	-1,101
Profit of the period		**64,061**	**7,703**
Profit attributable to ProCredit shareholders		*64,061*	*7,703*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in '000 EUR	1.1.–30.6.2023	1.1.–30.6.2022
Profit of the period	**64,061**	**7,703**
Items that are or may be reclassified to profit or loss		
Change in revaluation reserve from investment securities*	1,707	-5,285
*Change in value not recognised in profit or loss**	*1,718*	*-5,309*
Change in loss allowance (recognised in profit or loss)	*-11*	*25*
Change in deferred tax on revaluation reserve	-121	178
Change in translation reserve	2,397	16,922
Change in value not recognised in profit or loss	*2,397*	*16,922*
Items that will not be reclassified to profit or loss		
Change in revaluation reserve from shares*	1,335	-257
Other comprehensive income of the period, net of tax	**5,318**	**11,557**
Total comprehensive income of the period	**69,379**	**19,260**
Total comprehensive income attributable to ProCredit shareholders	*69,379*	*19,260*
Earnings per share** in EUR	1.09	0.13

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in '000 EUR	Note	30.6.2023	31.12.2022
Assets			
Cash	8	163,250	171,663
Central bank balances	8, 9	1,752,370	1,768,019
Loans and advances to banks	9	337,305	280,453
Derivative financial assets		11,767	12,729
Investment securities	9	568,214	480,168
Loans and advances to customers	9, 10	5,943,999	5,892,796
Property, plant and equipment		134,943	133,703
Intangible assets		19,236	17,993
Current tax assets		3,168	4,323
Deferred tax assets	6	6,366	10,714
Other assets	9	58,775	53,564
Total assets		**8,999,394**	**8,826,125**
Liabilities and equity			
Liabilities to banks		1,239,158	1,318,647
Derivative financial liabilities		491	614
Liabilities to customers		6,458,071	6,289,511
Debt securities	11	181,296	191,988
Other liabilities		41,248	40,248
Provisions	12	20,540	18,168
Current tax liabilities		4,580	2,028
Deferred tax liabilities		1,536	1,888
Subordinated debt	11	113,660	93,597
Liabilities		**8,060,581**	**7,956,690**
Subscribed capital and capital reserve		441,277	441,277
Retained earnings		576,596	512,537
Translation reserve		-79,386	-81,783
Revaluation reserve		325	-2,596
Equity attributable to ProCredit shareholders		**938,812**	**869,434**
Total liabilities and equity		**8,999,394**	**8,826,125**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2023	**441,277**	**512,537**	**-81,783**	**-2,596**	**869,434**
Profit of the period		64,061			64,061
Other comprehensive income of the period, net of tax			2,397	2,922	5,318
Total comprehensive income of the period		64,061	2,397	2,922	69,379
Other changes		-1			-1
Balance as of 30.6.2023	**441,277**	**576,596**	**-79,386**	**325**	**938,812**

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2022	**441,277**	**496,044**	**-83,145**	**2,139**	**856,314**
Profit of the period		7,703			7,703
Other comprehensive income of the period, net of tax			16,922	-5,364	11,557
Total comprehensive income of the period		7,703	16,922	-5,364	19,260
Other changes		-2			-2
Balance as of 30.6.2022	**441,277**	**503,744**	**-66,224**	**-3,225**	**875,572**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

in '000 EUR	Note	1.1.–30.6.2023	1.1.–30.6.2022
Cash and cash equivalents at end of previous year		**1,957,931**	**1,398,793**
Cash flow from operating activities		–36,127	–262,891
Cash flow from investing activities		–8,931	–5,701
Cash flow from financing activities		16,536	–3,638
Effects of exchange rate changes		603	23,120
Cash and cash equivalents at end of period	8	**1,930,010**	**1,149,682**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Significant accounting principles

1 Basis of accounting

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

The Condensed Consolidated Interim Financial Statements as of 30 June 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows (condensed) and the Notes to the Condensed Consolidated Interim Financial Statements. Unless otherwise stated, the preparation of these Condensed Consolidated Interim Financial Statements follows the same recognition and measurement principles as were applied for the Consolidated Financial Statements for the 2022 financial year. On 1 January 2023 we adopted amendments to IAS 1 and to IFRS Practice Statement 2: "Making Materiality Judgements", amendments to IAS 8: "Definition of accounting estimates" and amendments to IAS 12: "Deferred Taxes related to Assets and Liabilities arising from a Single Transaction". The amendments have a minor impact on the consolidated financial statements. There was no early adoption of any standards, amendments and interpretations not yet effective.

Disclosures on financial position and financial performance and on the nature and extent of risks associated with financial instruments are presented in the Interim Group Management Report. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the 2022 financial year.

The consolidated interim financial statements are presented in euros, which is also the group's functional currency. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (EUR, %, etc.). Recognition and measurement is performed on a going-concern assumption.

In the course of preparing the consolidated interim financial statements, further assumptions, estimates and necessary discretionary judgements were made by the Management Board. All estimates and assumptions required are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis and are based on past experience and other factors, including expectations with regard to future events, and are considered appropriate under the given circumstances. The calculation of the loss given default (LGD) was adjusted in the first half of 2023. Estimates for LGDs have been based on cash flows, using historical data about payments received from defaulted customers, taking into account the cost of recovery and the size of the credit exposure. The new elements of the LGD calculation provide a granular estimate of the loss given default, incorporating the probability of a return to non-default status and of the realisation of available collateral and utilisation of guarantees. The parameters are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment. In view of the present circumstances in Ukraine, the calculation of LGDs in ProCredit Bank Ukraine has not been changed for the time being; the LGD calculation will be adjusted at a later point in time. The effect of the change in methodology amounts to EUR 9.4 million for the group. In the first half of 2023, there were no further material changes to the assumptions, estimates and necessary discretionary decisions as compared with year-end 2022.

2 Principles of consolidation

There were no changes in the composition of the group in the reporting period compared with the consolidated financial statements as of 31 December 2022.

Notes to the Consolidated Statement of Profit or Loss

3 Net interest income

in '000 EUR	1.1.–30.6.2023	1.1.–30.6.2022
Interest income from		
Central bank balances	16,175	1,266
Loans and advances to banks	4,449	642
Derivative financial assets	1,738	256
Investment securities FVOCI	4,526	1,450
Investment securities AC	16,224	5,282
Loans and advances to customers	200,476	166,624
Prepayment penalty	444	342
Interest income (effective interest method)	**244,033**	**175,863**
Interest expenses on		
Liabilities to banks	28,739	17,061
Derivative financial liabilities	1,053	331
Liabilities to customers	51,751	25,184
Debt securities	2,601	3,688
Subordinated debt	4,079	2,604
Negative interest from assets	147	2,154
Interest expenses	**88,370**	**51,023**
Net interest income	**155,663**	**124,840**

4 Net fee and commission income

in '000 EUR	1.1.–30.6.2023	1.1.–30.6.2022
Fee and commission income from		
Payment services	14,671	12,792
Debit/credit cards	9,220	8,004
Account maintenance fee	11,231	11,560
Letters of credit and guarantees	3,752	3,203
Others	3,107	2,784
Fee and commission income	**41,981**	**38,342**
Fee and commission expenses on		
Payment services	2,447	2,140
Debit/credit cards	8,132	7,247
Account maintenance fee	855	1,109
Letters of credit and guarantees	1,577	1,478
Others	88	97
Fee and commission expenses	**13,099**	**12,071**
Net fee and commission income	**28,883**	**26,271**

5 Loss allowance

in '000 EUR	1.1.–30.6.2023	1.1.–30.6.2022
Change in loss allowances	7,284	62,589
Recovery of written-off loans	-7,053	-5,485
Direct write-offs	312	190
Loss allowance	**543**	**57,294**

With regard to written-off exposures subject to enforcement activity, please refer to our disclosures in the 2022 consolidated financial statements.

6 Income tax expenses

In calculating both the current taxes on income and earnings and the deferred taxes, the respective country-specific tax rates are applied. The tax rate as a ratio of total tax expense to profit before tax for the six months ended 30 June 2023 is16.5% (as of 30 June 2022: -16.7%). The tax income of the previous year's period mainly resulted from the recognition of deferred taxes on loss carry-forwards in the Eastern Europe segment. The underlying projections that justify the recoverability of these deferred taxes are governed by assumptions and estimates and, due to the war in Ukraine, are subject to greater uncertainty.

7 Segment reporting

The group aggregates its operations into reporting segments according to geographical regions. We conduct our business activities in South Eastern Europe, Eastern Europe, South America and Germany. With the exception of the relationship between the German segment and the subsidiaries, there are no significant income or expense items arising from transactions between segments. These items are allocated to the country in which the respective subsidiary is based. All income and expense items between the segments are disclosed separately in the following table.

in '000 EUR	**1.1.–30.6.2023** South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)	132,191	83,197	24,180	23,878	-19,414	244,033
of which inter-segment	*3,235*	*3,205*	*20*	*12,954*		
Interest expenses	32,714	38,281	14,136	22,670	-19,430	88,370
of which inter-segment	*5,357*	*2,334*	*3,047*	*8,691*		
Net interest income	**99,477**	**44,916**	**10,045**	**1,209**	**16**	**155,663**
Fee and commission income	31,911	7,289	1,007	7,757	-5,983	41,981
of which inter-segment	*204*	*5*	*-*	*5,775*		
Fee and commission expenses	13,497	3,800	900	886	-5,984	13,099
of which inter-segment	*3,725*	*1,965*	*217*	*78*		
Net fee and commission income	**18,415**	**3,489**	**107**	**6,871**	**1**	**28,883**
Result from foreign exchange transactions	8,249	4,101	117	455	-4	12,917
of which inter-segment	*109*	*0*	*-*	*-106*		
Result from derivative financial instruments and hedging relationships	-612	-	-	-279	0	-890
of which inter-segment	*-1,098*	*-*	*-*	*1,098*		
Result on derecognition of financial assets measured at amortised cost	54	-434	-	-	-	-380
Net other operating result	-4,255	148	-426	30,824	-30,706	-4,415
of which inter-segment	*1,482*	*976*	*-*	*28,247*		
Operating income	**121,328**	**52,219**	**9,842**	**39,079**	**-30,692**	**191,777**
Personnel expenses	25,158	8,918	4,080	18,238	-	56,393
Administrative expenses	41,130	14,060	5,901	23,048	-26,039	58,100
of which inter-segment	*12,928*	*6,180*	*2,341*	*4,590*		
Loss allowance	4,485	-3,014	-636	-291	-	543
Profit before tax	**50,556**	**32,255**	**498**	**-1,916**	**-4,654**	**76,740**
Income tax expenses	5,806	6,014	853	7		12,680
Profit of the period	**44,750**	**26,242**	**-355**	**-1,922**	**-4,654**	**64,061**
Profit attributable to ProCredit shareholders						*64,061*

	1.1.–30.6.2022					
in '000 EUR	**South Eastern Europe**	**Eastern Europe**	**South America**	**Germany**	**Consolidation**	**Group**
Interest income (effective interest method)	86,646	67,410	21,085	11,204	-10,483	175,863
of which inter-segment	*170*	*157*	*0*	*10,156*		
Interest expenses	15,028	27,182	8,688	10,591	-10,466	51,023
of which inter-segment	*3,746*	*2,510*	*3,241*	*969*		
Net interest income	**71,618**	**40,229**	**12,397**	**613**	**-17**	**124,840**
Fee and commission income	28,736	7,181	827	7,127	-5,528	38,342
of which inter-segment	*123*	*1*	*-*	*5,405*		
Fee and commission expenses	11,943	3,820	883	935	-5,510	12,071
of which inter-segment	*3,341*	*1,885*	*245*	*39*		
Net fee and commission income	**16,792**	**3,361**	**-56**	**6,191**	**-18**	**26,271**
Result from foreign exchange transactions	6,000	4,551	55	-508	18	10,116
of which inter-segment	*42*	*104*	*-*	*-163*		
Result from derivative financial instruments and hedging relationships	1,732	-	-	1,635	0	3,367
of which inter-segment	*4,350*	*-*	*-*	*-4,350*		
Result on derecognition of financial assets measured at amortised cost	-	0	-	-	-	0
Net other operating result	-2,419	-626	-774	23,133	-23,718	-4,404
of which inter-segment	*1,290*	*987*	*-*	*21,441*		
Operating income	**93,723**	**47,515**	**11,622**	**31,064**	**-23,735**	**160,190**
Personnel expenses	19,488	8,456	3,247	15,766	-	46,957
Administrative expenses	33,935	13,294	6,044	19,026	-22,963	49,336
of which inter-segment	*10,624*	*6,193*	*2,137*	*4,009*		
Loss allowance	-178	56,611	642	219	-	57,294
Profit before tax	**40,479**	**-30,847**	**1,689**	**-3,947**	**-772**	**6,602**
Income tax expenses	4,086	-5,807	620	2		-1,101
Profit of the period	**36,393**	**-25,039**	**1,070**	**-3,948**	**-772**	**7,703**
Profit attributable to ProCredit shareholders						*7,703*

	30.6.2023		
in '000 EUR	**Total assets excluding taxes**	**Total liabilities excluding taxes**	**Contingent liabilities**
South Eastern Europe	6,281,996	5,566,895	853,818
Eastern Europe	1,778,483	1,562,748	158,009
South America	614,614	563,893	19,293
Germany	2,094,183	1,356,598	4,633
Consolidation	-1,779,417	-995,669	-
Total	**8,989,859**	**8,054,465**	**1,035,754**

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

Notes to the Consolidated Statement of Financial Position

8 Cash and central bank balances

in '000 EUR	30.6.2023	31.12.2022
Cash	163,250	171,663
Central bank balances	1,758,229	1,771,117
Loss allowances for central bank balances	-5,859	-3,098
Cash and central bank balances	**1,915,621**	**1,939,682**
Loss allowances for central bank balances	5,859	3,098
Loans and advances to banks with a maturity up to 3 months	331,434	274,057
Investment securities with a maturity up to 3 months	259,963	256,741
Central bank balance which do not qualify as cash for the statement of cash flows	-582,866	-515,648
Cash and cash equivalents	**1,930,010**	**1,957,931**

Balances with central banks include minimum reserves that are not available for our day-to-day business. Loss allowances are established for these amounts for balances with central banks.

9 Financial instruments and contingent liabilities by stages

	30.6.2023					31.12.2022
in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Central bank balances						
Gross outstanding amount	1,640,746	117,483	-	-	**1,758,229**	**1,771,117**
Loss allowances	-997	-4,862	-	-	**-5,859**	**-3,098**
Carrying amount	**1,639,749**	**112,621**	-	-	**1,752,370**	**1,768,019**
Loans and advances to banks						
Gross outstanding amount	337,317	-	566	-	**337,884**	**281,174**
Loss allowances	-12	-	-566	-	**-579**	**-721**
Carrying amount	**337,305**	-	-	-	**337,305**	**280,453**
Investment securities						
Gross outstanding amount	568,846	-	-	-	**568,846**	**480,225**
Loss allowances	-731	-	-	-	**-731**	**-167**
Carrying amount	568,115	-	-	-	**568,115**	**480,058**
Loans and advances to customers						
Gross outstanding amount	5,496,574	464,704	191,833	2,845	**6,155,956**	**6,107,726**
Loss allowances	-51,944	-38,590	-120,148	-1,275	**-211,957**	**-214,930**
Carrying amount	5,444,630	426,113	71,685	1,570	**5,943,999**	**5,892,796**
Other assets (Financial Instruments excluding shares)						
Gross outstanding amount	44,786	-	-	-	**44,786**	**39,837**
Loss allowances	-1,721	-	-	-	**-1,721**	**-1,622**
Carrying amount	43,065	-	-	-	**43,065**	**38,216**
Financial contingent liabilities						
Loss allowances	-2,801	-1,609	-459	-	**-4,869**	**-4,195**

10 Loans and advances to customers

The changes in Loans and advances to customers and the respective loss allowances are presented in the following tables.

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2023	**5,460,063**	**447,993**	**196,721**	**2,949**	**6,107,726**
New financial assets originated	1,082,199	-	74	35	1,082,307
Modification of contractual cash flows of financial assets	-75	203	-48	-	80
Derecognitions	-428,295	-62,003	-11,929	-160	-502,387
Write-offs	-	-133	-10,258	-15	-10,405
Changes in interest accrual	6,034	295	4,112	65	10,507
Changes in the principal and disbursement fee	-448,129	-67,471	-12,612	-12	-528,224
Transfers to Stage 1	150,207	-148,884	-1,323	-	-
Transfers to Stage 2	-317,938	321,248	-3,309	-	-
Transfers to Stage 3	-3,054	-25,809	28,863	-	-
Exchange rate movements and others	-4,438	-735	1,542	-16	-3,648
Gross outstanding amount as of 30.6.2023	**5,496,574**	**464,704**	**191,833**	**2,845**	**6,155,956**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-52,952**	**-38,583**	**-122,154**	**-1,242**	**-214,930**
New financial assets originated	-11,122	-	-67	-	-11,189
Release due to derecognition	2,206	1,989	6,054	5	10,255
Transfers to Stage 1	-3,014	2,770	244	-	-
Transfers to Stage 2	6,887	-7,848	961	-	-
Transfers to Stage 3	136	3,478	-3,614	-	-
Change in credit risk	5,817	-862	-12,632	-51	-7,727
Usage of allowance	-	133	9,947	15	10,095
Exchange rate movements and others	98	333	1,112	-3	1,540
Loss allowances as of 30.6.2023	**-51,944**	**-38,590**	**-120,148**	**-1,275**	**-211,957**

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

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

11 Debt securities and subordinated debt

As in the previous year, no new bonds were issued in the first half of 2023 also, EUR 11.0 million was repaid (financial year 2022: EUR 167.0 million). In addition, subordinated loans amounting to EUR 21.4 million were taken (financial year 2022: EUR 4.0 million). As in the previous year, there were no repayments of subordinated loans.

12 Provisions

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2023	**3,536**	**4,000**	**2,829**	**2,328**	**4,195**	**1,279**	**18,168**
Used	-2,550	-539	-625	-15	-	-188	**-3,917**
Releases	-45	-139	-161	-	-344	-3	**-691**
Change in credit risk	-	-	-	-	-447	-	**-447**
Additions	4,205	444	588	92	1,621	417	**7,368**
Unwinding	-	12	-	51	-	-	**63**
Exchange rate movements	11	15	-6	-34	-13	24	**-4**
Book Value as of 30.6.2023	**5,158**	**3,793**	**2,625**	**2,423**	**5,012**	**1,530**	**20,540**

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2022	**2,953**	**5,002**	**2,336**	**1,763**	**3,222**	**1,540**	**16,816**
Used	-2,643	-575	-1,868	-	-64	-25	**-5,176**
Releases	-248	-786	-342	-80	-770	-345	**-2,570**
Change in credit risk	-	-	-	-	-23	-	**-23**
Additions	3,477	336	2,785	414	1,925	78	**9,015**
Unwinding	-	91	-	156	-	14	**262**
Exchange rate movements	-3	-68	-81	76	-96	17	**-155**
Book Value as of 30.6.2022	**3,536**	**4,000**	**2,829**	**2,328**	**4,195**	**1,279**	**18,168**

The increase in Provisions is mainly attributable to elevated provisions for services not yet invoiced. Provisions for legal risks are mainly recognised for legal disputes, primarily for legal risks in connection with the collection of commission fees in the Serbian banking sector. Provisions for contingent liabilities include provisions for non-financial and financial off-balance sheet transactions.

13 Fair value of financial instruments

		30.6.2023				
in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Central bank balances	AC	1,752,370	1,752,370	-	1,752,370	-
Loans and advances to banks	AC	337,305	337,305	-	337,305	-
Derivative financial assets	FV	11,767	11,767	-	11,767	-
Investment securities	FVOCI	312,174	312,174	146,375	165,799	-
Investment securities	AC	256,040	257,131	4,922	252,210	-
Loans and advances to customers	AC	5,943,999	5,910,523	-	-	5,910,523
Other assets (Shares)	FVOCI	8,350	8,350	3,487	3,231	1,631
Other assets (Financial instruments)	AC	43,065	43,065	-	42,179	885
Total		**8,665,068**	**8,632,684**	**154,784**	**2,564,861**	**5,913,040**
Financial Liabilities						
Liabilities to banks	AC	1,239,158	1,175,148	-	86,750	1,088,398
Derivative financial liabilities	FV	491	491	-	491	-
Liabilities to customers	AC	6,458,071	6,463,355	-	4,524,722	1,938,633
Debt securities	AC	181,296	168,111	-	-	168,111
Subordinated debt	AC	113,660	109,970	-	-	109,970
Other liabilities	AC	41,248	41,311	-	38,614	2,697
Total		**8,033,924**	**7,958,387**	**-**	**4,650,578**	**3,307,809**

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

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

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

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

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

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

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

(a) Level 1 Inputs

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

(b) Level 2 Inputs

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

(c) Level 3 Inputs

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

Additional Notes

14 Regulatory own funds

As of 30 June 2023, the Common Equity Tier 1 and Tier 1 capital ratios of the ProCredit group stood at 14.2%. The total capital ratio was 15.4%. The capitalisation of the ProCredit group is thus comfortably above the regulatory requirements, which are currently set at 9.2% for the Common Equity Tier 1 capital ratio, 11.3% for the Tier 1 capital ratio and 14.2% for the total capital ratio.

15 Contingent liabilities

in '000 EUR	**30.6.2023**	**31.12.2022**
Credit commitments (revocable)	679,876	656,384
Payment guarantees	152,155	144,208
Performance guarantees	177,575	192,738
Credit commitments (irrevocable)	17,410	18,539
Letters of credit	8,737	4,274
Total	**1,035,754**	**1,016,143**

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

16 Related party transactions

No significant transactions were carried out with related parties during the first half of 2023. The most relevant expenditures for the ProCredit group arising in connection with related parties were for remuneration of the Management Board of ProCredit General Partner AG in the amount of EUR 783 thousand (June 2022: EUR 329 thousand).

17 Other information

Ms Eriola Bibolli was appointed as a member of the Management Board of ProCredit General Partner AG for three years with effect from 1 June 2023. Ms Bibolli bears responsibility within the Management Board as Chief Risk Officer (CRO) for the group's overall risk management from 1 July 2023.

18 Events after the reporting period

On 17 July 2023, the Black Sea Grain Initiative between Ukraine and Russia expired. The agreement had ensured the export of agricultural products from Ukrainian ports through the Black Sea. The expiration of the grain deal may result in revenue losses in the Ukrainian agricultural sector unless exports can be made via alternative routes. ProCredit Bank Ukraine's loan portfolio in the agriculture, forestry and fishing sector accounts for 4.5% of the group's total loan portfolio. The absence of the grain agreement therefore represents a significant risk factor for our guidance and could be reflected in higher cost of risk.

Frankfurt am Main, 4 August 2023

ProCredit Holding AG & Co. KGaA

represented by

ProCredit General Partner AG (personally liable shareholder)

Management Board

Hubert Spechtenhauser

Eriola Bibolli

Christian Dagrosa

Dr Gian Marco Felice

Sandrine Massiani

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

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

Frankfurt am Main, 4 August 2023

ProCredit Holding AG & Co. KGaA

represented by

ProCredit General Partner AG (personally liable shareholder)

Management Board

Hubert Spechtenhauser

Eriola Bibolli

Christian Dagrosa

Dr Gian Marco Felice

Sandrine Massiani

REVIEW REPORT

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

We have reviewed the condensed interim consolidated financial statements - comprising the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and selected explanatory notes - and the interim group management report of ProCredit Holding AG & Co. KGaA, Frankfurt/Main, for the period from 1 January 2023 to 30 June 2023, that are part of the semi-annual financial report pursuant to section 115 German Securities Trading Act WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we do not express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt/Main, 7th August 2023

BDO AG

Wirtschaftsprüfungsgesellschaft

Grunwald	Zheng
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

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

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