ProCredit HOLDING

COMBINED MANAGEMENT REPORT AND ANNUAL FINANCIAL STATEMENTS

2023

ProCredit Holding AG

Contents

Combined management report

The management report for ProCredit Holding AG (ProCredit Holding) and the group management report for the ProCredit group (ProCredit) are presented as a combined management report. It was prepared in accordance with sections 289ff and 315ff of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Accounting Standard 20 (Deutscher Rechnungslegungsstandard 20 – DRS 20). The risk report also contains notes pursuant to IFRS 7.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Our Strategy

The activities of the ProCredit group comprise the financing of Small and Medium-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 100 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. As a general rule, we interact with our private customers 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.

Our primary target group in lending comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to deliver added value to our customers as well as making a contribution to creating jobs, enhancing capacity for innovation and encouraging investments in ecological projects. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture. Our approach is based on a careful and critical selection of clients, with solvency, transparency and social responsibility at the heart of the lending process. In this way, we want to ensure that our customers can adequately service their loans and also build up reserves for potentially more difficult times. We attach great importance to open and transparent business relationships and we maintain regular contact with our clients. We believe that our clients also make an important contribution to the formal sector, and thus to social and economic development in their markets, not only through their actions and but also by paying taxes and maintaining fair working conditions. At the same time, we make clear demands on our customers with regard to ethical business practices and the responsible treatment of their environment. As a member of the Net-Zero Banking Alliance, we have committed to achieving net-zero emissions for our loan and investment portfolio by 2050 or earlier. In this context, we support our business customers, particularly those with high emissions, in improving the measurement of their greenhouse gas emissions, setting emissions targets in accordance with the Science Based Targets Initiative (SBTi) and reducing these emissions through green investments. Consideration of our clients' social and environmental risks is firmly integrated into our credit decision processes. We also place great emphasis on the prevention of money laundering, terrorist financing and other illegal activities.

We maintain long-term relationships with our customers and find this to be beneficial for both sides: Our customers have us as a reliable partner who stands by their side, even when economic conditions become difficult. At the same time, we create a portfolio of loans to reliable clients that grows steadily and is of very good quality in the context of our markets.

In the coming years, we also want to position ourselves more strongly as an attractive bank for private customers in our markets. To this end, we want to offer private customers a comprehensive range of banking services and set ourselves apart from other banks in terms of quality, functionality and customer service. We take a responsible approach to retail lending and our credit decisions are based on the customer's repayment capacity over a reasonable loan period. In countries where the marketing of consumer loans is insufficiently regulated, we want, as a responsible bank, to promote a culture of saving, to set prices for financing transparently and to prevent customers from becoming over-indebted.

The quality and motivation of staff is a key factor in achieving our business objectives. We select our staff carefully and offer long-term career prospects based on a transparent, standardised group-wide salary and promotion structure. In order to provide continued staff training and promote ongoing exchange within the group, we run a group-wide training programme in our own training centres. In addition to being part of our identity, our commitment to mutual respect and responsible behaviour in daily life is also emphasised in our group-wide Code of Conduct, which all of our staff discuss and further develop in dedicated annual workshops. Across the entire group, there is a diverse range of employees from various academic backgrounds and a balanced gender distribution at all business levels. We believe that this diversity promotes innovation and makes a significant contribution to the long-term success of our business.

Organisation of the ProCredit group

The ProCredit group is largely comprised of 12 banks and it employed 3,834 members of staff at the end of the 2023 financial year. ProCredit Holding is the parent company and also the superordinated entity of the group. ProCredit Holding owns 100% of the shares of all subsidiaries. It is responsible for the strategic guidance of the group, for maintaining an adequate level of equity for the group and for ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking regulations, and particularly the requirements defined in section 25a of the German Banking Act ("KWG"), are met. At a consolidated level, group supervision is performed by the German financial supervisory authorities (BaFin and Bundesbank).

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

The Management Board and the members of the Supervisory Board and selected management-level staff of the ProCredit group sit on the supervisory boards of the ProCredit banks, alongside independent board members. ProCredit Holding sets policy guidelines and standards for risk management and other important areas of banking operations in order to ensure that appropriate uniform organisational structures and processes are in place in the ProCredit banks. These guidelines are complemented by the regular exchange of best practices within the ProCredit group. Furthermore, ProCredit Holding provides support in shaping human resources policies and in developing and delivering the curricula in our ProCredit academies.

Our IT and software development priorities are set in the Group IT Strategy. Optimal IT solutions are a central part of implementing our business and risk strategies. Quipu GmbH, a wholly owned subsidiary of ProCredit Holding, develops tailored software solutions for the ProCredit group. In close collaboration, the systems used in connection with banking operations for clients, various treasury functions, as well as for accounting and reporting are developed and implemented by Quipu.

The ProCredit group divides its business operations into regional segments:

- *South Eastern Europe*, consisting of seven banks in the following countries: Albania, Bosnia and Herzegovina, Bulgaria (including a branch operation in Greece), Kosovo, North Macedonia, Romania and Serbia
- *Eastern Europe*, with three banks located in the following countries: Georgia, Moldova and Ukraine
- *South America*, consisting of one bank in Ecuador
- *Germany*, consisting of the ProCredit Bank in Germany, ProCredit Holding, Quipu and the ProCredit Academy in Fürth

Our shareholders

The largest shareholders of ProCredit Holding are: Zeitinger Invest GmbH, Kreditanstalt für Wiederaufbau (KfW), DOEN Participaties BV and the European Bank for Reconstruction and Development. Together they hold roughly 53%[1] of the shares in ProCredit Holding. In addition, ProCredit Staff Invest GmbH & Co. KG holds a stake of around 2.5%.

The largest single shareholder is Zeitinger Invest GmbH, Frankfurt am Main. Zeitinger Invest was a key initiator behind the founding of the ProCredit group. KfW is one of the world's leading development banks and is committed to improving economic, social and ecological living conditions all around the world on behalf of the Federal Republic of Germany and the federal states. The main objective of DOEN Participaties is to make a positive impact on society by supporting sustainable or socially inclusive entrepreneurs. The aim of the European Bank for Reconstruction and Development, founded in 1991, is to support market economy development in Central and Eastern Europe. ProCredit Staff Invest Beteiligungs GmbH & Co. KG is an investment company for employees.

Internal management system

The management boards of ProCredit Holding and the ProCredit banks establish the strategic goals together in the course of the annual planning process. Discussions are held concerning the assessment of market potential, priorities, expectations and indicators, which are then recorded in the business plan. Likewise, HR, risk and sustainability considerations are included. The business plan for each ProCredit bank is approved by the respective supervisory board, the members of which are appointed by ProCredit Holding. The Group Business Strategy developed by the Management Board incorporates a group business plan which is based on the consolidated business plans of each ProCredit bank. The Group Business Strategy is discussed with the Supervisory Board of ProCredit Holding. The Management Board of ProCredit Holding regularly reviews the established goals through plan vs. actual analyses at bank, segment and group level.

An important component of our management system is the exchange between the Management Board of ProCredit Holding and the management boards at the respective ProCredit banks. Meetings with all of the banks on a regular basis promote the active exchange of information within the group.

The ProCredit group uses an integrated system of indicators to monitor and manage the implementation and further development of the group's business and risk strategy. In addition, during the 2023 financial year we applied the following key performance indicators:

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

We also consider the following key figures as additional indicators:

[1] Based on the published voting rights notifications or voluntary disclosures of the shareholders named. This breakdown was calculated by comparing the number of voting rights most recently reported by the shareholders against the total number of voting rights (currently 58,898,492).
[2] Our loan portfolio as of the balance sheet date of the current period relative to our loan portfolio as of 31 December of the previous year. Our loan portfolio corresponds to loans and advances to customers before loss allowances.
[3] Personnel and administrative expenses relative to operating income.
[4] Profit attributable to ProCredit shareholders, divided by the average equity held by the ProCredit shareholders.
[5] Ratio of our CET1 capital to risk-weighted assets.

- The ratio of deposits to loan portfolio[6] reflects our ability to fund our lending business through deposits. In principle, the lending business in our countries should be financed entirely by local deposits.
- The net interest margin[7] is an important indicator of our profitability and measures the average interest earnings.
- Cost of risk indicates the level of expenditures for loss allowances relative to the size of the loan portfolio.[8]
- The share of defaulted loans[9] is the key indicator for us to assess portfolio quality.
- The ratio of allowances to defaulted loans in Stage 3[10] provides information on loss allowances for defaulted loans.
- The green loan portfolio includes financing for investments in energy efficiency, renewable energies or other environmentally friendly technologies. By expanding our green loan portfolio, we are making an important contribution to our sustainability goals, as presented in the Annual Report section on sustainability and in our Impact Report[11].

[6] Our loan portfolio relative to deposits as of the balance sheet date.
[7] Our net interest income relative to the average total assets in the reporting period.
[8] Loss allowance expenditures for a period relative to the average loan portfolio.
[9] Defaulted loans relative to the loan portfolio at the respective balance sheet date.
[10] Loss allowances for defaulted loans relative to defaulted loans as of the balance sheet date.
[11] The Group Impact Report, as a non-financial report, is available at: https://www.procredit-holding.com/investor-relations/reports-and-publications/non-financial-reports/

REPORT ON THE ECONOMIC POSITION OF THE GROUP

Course of business operations

We believe that our business model puts us in the right position to operate very well within the current market situation. Our business performance exceeded our expectations, which is why we already raised our guidance for 2023 during the financial year on the basis of strong consolidated result and the positive development of key earnings drivers. At group level, the loan portfolio grew by EUR 118.7 million or 1.9%, despite the portfolio in Ukraine contracting by EUR 84.9 million. The proportion of green loans at the end of the year was 20.4%. Deposits developed very positively, rising by EUR 964.7 million or 15.3%. The consolidated result stood at EUR 113.4 million, which is well above the previous year and represents a strong return on equity of 12.2%. This ratio thus stood well above the set target for the 2023 financial year and was at the level of the medium-term objective of 12%. The financial position and financial performance of the group are solid.

in EUR m

Statement of Financial Position	31.12.2023	31.12.2022	Change
Loan portfolio	6,226.5	6,107.7	118.7
Deposits	7,254.2	6,289.5	964.7

Statement of Profit or Loss	1.1.–31.12.2023	1.1.–31.12.2022	Change
Net interest income	337.2	264.6	72.6
Net fee and commission income	57.5	54.7	2.8
Operating income	412.5	339.8	72.7
Personnel and administrative expenses	247.0	217.4	29.6
Loss allowance	15.5	104.6	-89.1
without contribution of PCB Ukraine	*10.0*	*17.9*	*-7.9*
Profit of the period	113.4	16.5	96.9
without contribution of PCB Ukraine	*95.7*	*68.3*	*27.5*

Key performance indicators	1.1.–31.12.2023	1.1.–31.12.2022	Change
Change in loan portfolio	1.9%	3.1%	-1.2 pp
without contribution of PCB Ukraine	*3.7%*	*6.9%*	*-3.2 pp*
Cost-income ratio	59.9%	64.0%	-4.1 pp
Return on equity	12.2%	1.9%	10.3 pp
without profit contribution of PCB Ukraine	*10.1%*	*7.8%*	*2.4 pp*

	31.12.2023	31.12.2022	Change
Common Equity Tier 1 capital ratio	14.3%	13.5%	0.8 pp

Additional indicators	31.12.2023	31.12.2022	Change
Deposits to loan portfolio	116.5%	103.0%	13.5 pp
Net interest margin	3.6%	3.1%	0.5 pp
Cost of risk	25 bp	174 bp	-149 bp
without contribution of PCB Ukraine	*18 bp*	*33 bp*	*-16 bp*
Share of defaulted loans	2.7%	3.3%	-0.6 pp
without contribution of PCB Ukraine	*2.3%*	*2.4%*	0.0 pp
Stage 3 loans coverage ratio	57.6%	61.8%	-4.2 pp
without contribution of PCB Ukraine	*50.9%*	*50.0%*	*0.9 pp*
Green loan portfolio	1,268.3	1,231.1	*3.0%*

We were able to increase the loan portfolio by a total amount of EUR 118.7 million or 1.9%. Our portfolio of loans in Ukraine declined by EUR 84.9 million or 14.6%. Excluding this negative contribution, the group's portfolio growth would have been EUR 203.7 million or 3.7%. Our consolidated result of EUR 113.4 million is significantly higher than in the previous year, mainly due to the lower cost of risk and continued positive development of our net interest margin.

Deposits in our banks increased sharply in the financial year by EUR 964.7 million or 15.3%, which demonstrates to us the growing success of our direct banking approach. The ratio of deposits to the loan portfolio thus improved, rising 13.5 percentage points to 116.5%. The growth in deposits is attributable to private and business customers in relatively equal measure. In the current interest rate environment, the majority of retail deposit growth is generated by term deposits, whereas business deposits have been mobilised through additional sight deposits, savings accounts and term deposits.

The group’s capital base was stable during the financial year. The fully loaded CET 1 capital ratio increased since the start of the year by 0.8 percentage points to 14.3%, and was thus comfortably above the regulatory requirement. This higher level of capitalisation is primarily due to the recognition of the previous year’s result and various efficiency measures relating to risk-weighted assets. This mainly includes expanding the framework agreement with the Multilateral Investment Guarantee Agency (MIGA), which insures additional central bank balances of the group in our countries of operation, as well as the synthetic securitisation of a sub-portfolio in Bulgaria with the European Investment Fund (EIF). The group's solid business performance is also reflected in strong growth in the LCR ratio by 23 percentage points to 178% and in the NSFR by 12 percentage points to 158%. Both indicators were comfortably above the regulatory requirements.

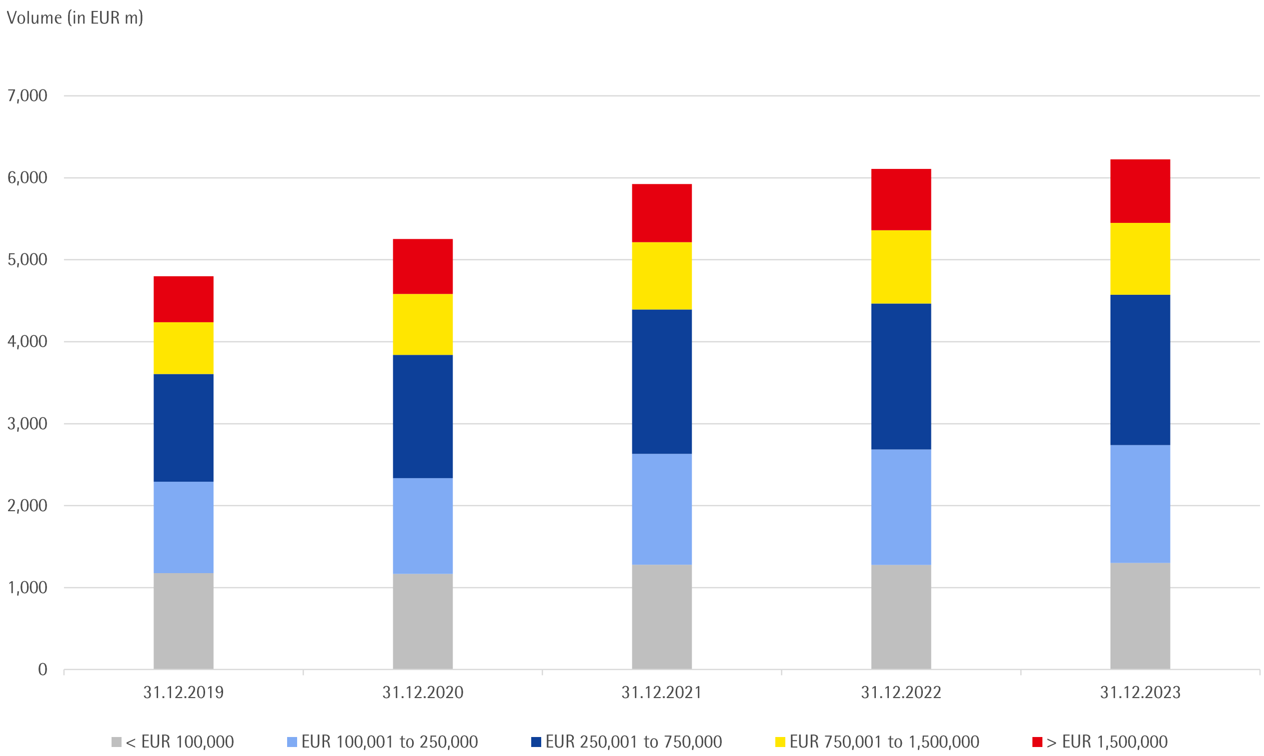
The share of defaulted loans decreased by 0.6 percentage points to 2.7% at group level; for our banks outside Ukraine, it stood at 2.3%. The Stage 3 loans coverage ratio decreased by 4.2 percentage points to 57.6%. Personnel and administrative expenses grew by EUR 29.6 million or 13.6%, in particular due to higher salaries and greater expenses for IT and marketing. In addition, the global inflationary environment has contributed to a general increase in personnel and administrative expenses.

These higher expenses were more than offset by operating income, which showed a significant increase of EUR 72.7 million or 21.4%. The cost-income ratio thus improved by 4.1 percentage points to 59.9%.

Tax expenses increased significantly compared to the previous year, rising by EUR 35.3 million; this amount includes a one-time bank levy in Ukraine of over EUR 10 million. This payment results from an increase in the 2023 income tax rate for banks in Ukraine from 18% to 50%. A rate of 25% is expected for subsequent years.

Assets

Total assets grew by EUR 922.8 million as of 31 December 2023; this was due to the positive developments in cash and cash equivalents, an increase in investment securities and the expansion of the loan portfolio. Our loan portfolio increased by EUR 118.7 million compared to the previous year, growing to EUR 6.2 billion. The committed, revocable credit lines to customers rose by EUR 94.1 million to EUR 750.4 million.



Loan portfolio development, by loan volume

At year-end, the loan portfolio consisted of 89.8% loans to businesses and 10.2% loans to private clients. The total loan portfolio contains 16.5% loans to agricultural enterprises. Our green loan portfolio accounted for 20.4% of the total portfolio at year-end. The majority of the investment loans in our portfolio have maturities of more than three years, which underlines the long-term nature of our customer relationships. Regarding the loans to private clients, most are housing loans for the purchase of real estate.

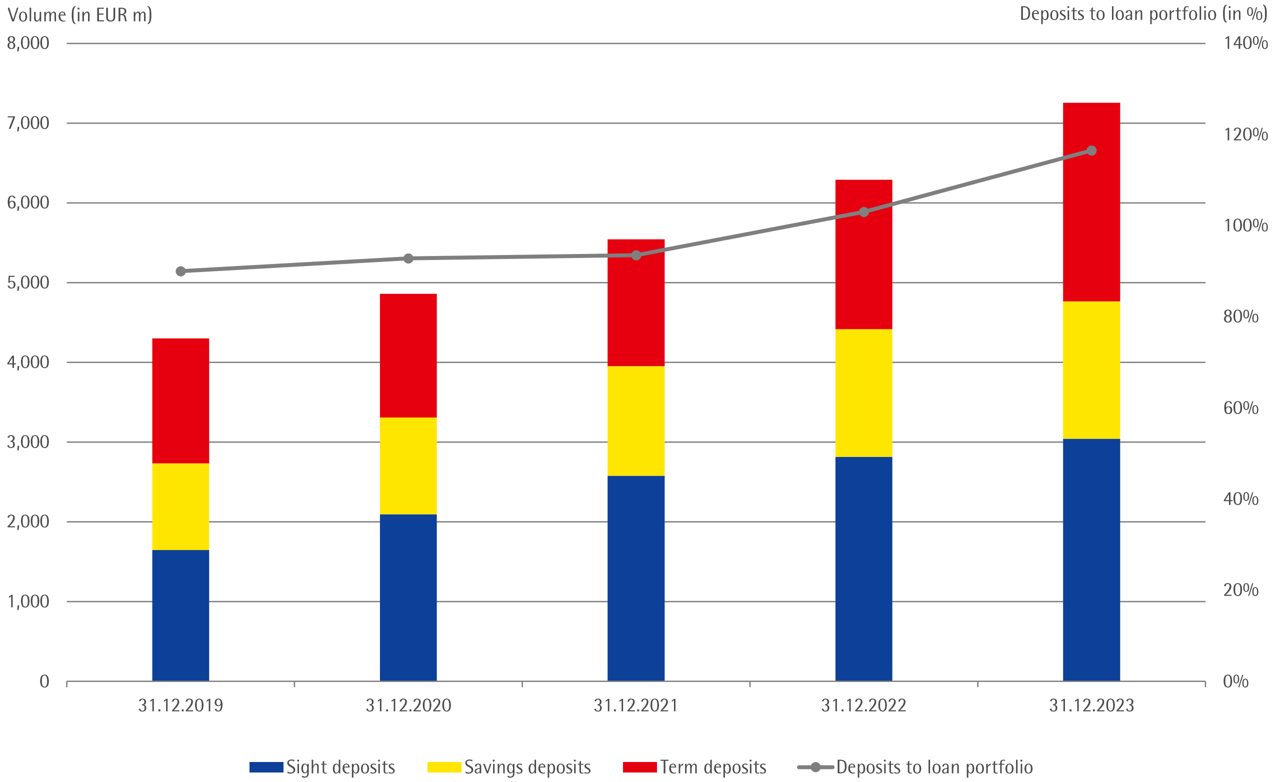
The loan portfolio of the ProCredit group continues to be highly diversified. The largest ten exposures represented not more than 2.0% of the group's total portfolio volume at the end of 2023.

In its lending business with SMEs, the ProCredit group cooperates closely with European institutions such as the European Investment Bank (EIB) and the European Investment Fund (EIF). Of particular note are the agreement with the EIF for the InnovFin guarantee programme as well as the Deep and Comprehensive Free Trade Area guarantee programme for our Eastern Europe segment. These programmes provide proportional guarantees for lending to innovative SMEs and small MidCaps in Eastern and South Eastern Europe. There is a synthetic securitisation of around EUR 300 million for the Bulgarian loan portfolio, primarily serving to optimise risk-weighted assets.

Liabilities and equity

Liabilities comprise mostly deposits. Further sources of funding include liabilities to banks as well as debt securities and subordinated debt.

At year-end deposits stood at EUR 7.3 billion, up by EUR 964.7 million from the previous period. This growth was achieved in our retail operations, particularly through term deposits, and with our business clients in the form of sight deposits, savings accounts and term deposits. The ratio of deposits to the loan portfolio showed a clear improvement, rising 13.5 percentage points to 116.5%.



Deposits

Liabilities to banks and debt securities decreased by EUR 235.9 million. At the same time, the volume of subordinated loans increased by EUR 45.7 million.

Our equity base increased by EUR 114.4 million compared to the previous period and stood at EUR 983.8 million at year-end. This increase is mainly due to the current consolidated result of EUR 113.4 million.

Result of operations

We consider the results in the 2023 financial year to be very positive overall. Our consolidated result of EUR 113.4 million corresponds to a return on equity of 12.2% and is significantly higher than our result for the previous year, which had been heavily impacted by the war of aggression against Ukraine. On the basis of our positive performance, we had already raised our guidance to around 12% in the course of the past financial year. This reflects the steady development of our banks, as characterised by loan portfolios that are generally showing growth, rising net interest income and net fee and commission income, and improved return on equity and cost-income ratios, all of which highlights the group's strong earning potential. At the same time, the overall environment where we operate was 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 amounting to EUR 17.7 million for the financial year, following high expenses for loss allowances in 2022. This amount includes the effect from a one-time bank levy of more than EUR 10 million, which resulted from the income tax rate for banks being set at 50% on a one-off basis for 2023. The bank's profit of the period corresponds to a return on equity of 28.0%.

Our net interest income showed a clear increase of EUR 72.6 million or 27.4% over the previous year. Interest income increased by EUR 146.2 million, while interest expenses grew by EUR 73.6 million. The growth in interest income is primarily due to key interest rate increases, which had an impact on our loan portfolio and also led to higher interest rates on central bank balances and bonds. The rise in interest expenses is mainly attributable to higher interest rates on savings and term deposits for business and private clients and on liabilities to banks. The net interest margin was 3.6%, which is 0.5 percentage points above the margin for the 2022 year.

Net fee and commission income also increased by EUR 2.8 million or 5.1%. In particular, income from payment transactions and from debit and credit card transactions improved. The result from foreign exchange transactions improved by EUR 4.1 million or 17.2%; the result from derivative financial instruments and hedging relationships decreased by EUR 5.3 million due to extraordinary income during the previous year. Overall, we were able to report a clear increase of EUR 72.7 million or 21.4% in operating income.

Personnel and administrative expenses increased by EUR 29.6 million or 13.6%. Higher expenses for salaries, IT, marketing and taxes, as well as the general inflationary environment, were the main drivers here. Overall, the group's profit before tax and loss allowances increased significantly by EUR 43.1 million or 35.2% to EUR 165.5 million. Our cost-income ratio improved, moving 4.1 percentage points to 59.9%.

Loss allowances declined by EUR 89.1 million to a total of EUR 15.5 million, mainly because the previous year's expenses were heavily influenced by the war in Ukraine. These allowances correspond to a cost of risk of 25 basis points, which is significantly lower than the previous year's level (174 basis points). The loss allowances established during the financial year were mainly due to additional management overlays, which reflect, for example, elevated credit risks following the termination of the Black Sea Grain Initiative (please refer to the "Credit risk" section of our risk report).

Overall, our profit of the period increased by EUR 96.9 million compared to the previous year, rising to EUR 113.4 million, in particular due to lower expenses for loss allowances and higher net interest income; this corresponds to a return on equity of 12.2%. The consolidated result excluding the contribution from ProCredit Bank Ukraine also improved by EUR 27.5 million or 40.2% to a level of EUR 95.7 million, in particular due to the increase in operating income; this corresponds to a return on equity of 10.1%.

The share of defaulted loans improved by 0.6 percentage points since year-end 2022. The Stage 3 loans coverage ratio decreased by 4.2 percentage points to 57.6%.

The financial position and financial performance of the group are solid and the business development is positive. The group as a whole and each individual institution in the group remained at all times in full compliance with all financial commitments.

Segment overview

The performance of the ProCredit group is influenced by macroeconomic development and by the economic and financial market conditions. These have an impact on the real economies of the respective countries and therefore on the investment behaviour of our business clients and competitor financial institutions. The following segment overview describes the specific conditions and the development of the financial market situation in the individual regions. The brief analysis of the macroeconomic trend and recent competition trends in the different regions is based on data from the IMF (World Economic Outlook database, October 2023 and January 2024), unless otherwise stated.

In addition, the following table provides an overview of the international ratings of our banks (from Fitch Ratings). The assessments made take into account the respective country ratings.

Institution	2023 Rating	2022 Rating
ProCredit Holding	BBB	BBB
ProCredit Bank, Albania	BB	BB-
ProCredit Bank, Bosnia and Herzegovina	B+	B+
ProCredit Bank, Bulgaria	BBB-	BBB-
ProCredit Bank, Germany	BBB	BBB
ProCredit Bank, Ecuador	B	B-
ProCredit Bank, Georgia	BB+	BB+
ProCredit Bank, Kosovo	BB	BB
ProCredit Bank, North Macedonia	BBB-	BBB-
ProCredit Bank, Romania	BBB-	BBB-
ProCredit Bank, Serbia	BBB-	BBB-
ProCredit Bank, Ukraine	CCC-	CCC-

South Eastern Europe

Macroeconomic and sector-specific environment

South Eastern Europe, comprising the banks in Albania, Bosnia and Herzegovina, Bulgaria (including a branch operation in Greece), Kosovo, North Macedonia, Romania and Serbia, is the segment with the greatest share of group assets. The economies in this segment are growing faster their counterparts in Western Europe. Although these countries faced difficult macroeconomic conditions in 2022 and the first half of 2023, they showed remarkable resilience, with economic growth recovering very quickly in the second half of 2023. Monetary tightening by central banks resulted in falling inflation over the course of 2023. As a result, the IMF expects average annual economic growth in the region to increase from 2.5% in 2023 to 3.4% in 2024, while average annual inflation is likely to decline from 8.1% in 2023 to 4.1% in 2024. Stronger economic growth is expected, driven by rising foreign demand and utilisation of EU funds in Bulgaria and Romania.

The strong performance of the agricultural sector, rising export volumes and EU-financed investments represent positive prospects for South Eastern Europe. The greatest downside risks arise from political instability, the effects of the war and global macroeconomic and geopolitical developments. The banking sector in this segment has always been characterised by low interest rates. Competition in South Eastern Europe continues to be driven by European banking groups. Another feature of the segment is the noteworthy inflow of money transfers.

Development of financial position and financial performance

The South Eastern Europe segment was able to achieve EUR 230.6 million in loan portfolio growth. The profit of the period increased, rising EUR 32.2 million to EUR 94.7 million. This represents an improved return on equity of 14.1%.

in EUR m

Statement of Financial Position	31.12.2023	31.12.2022	Change
Loan portfolio	4,626.3	4,395.7	230.6
Deposits	5,327.0	4,566.3	760.6
Statement of Profit or Loss	**1.1.–31.12.2023**	**1.1.–31.12.2022**	**Change**
Net interest income	218.7	154.4	64.4
Net fee and commission income	36.8	35.1	1.7
Operating income	264.9	201.4	63.5
Personnel and administrative expenses	144.1	116.5	27.7
Loss allowance	12.4	14.8	-2.4
Profit of the period	94.7	62.5	32.2
Key performance indicators	**1.1.–31.12.2023**	**1.1.–31.12.2022**	**Change**
Change in loan portfolio	5.2%	6.3%	-1.1 pp
Cost-income ratio	54.4%	57.8%	-3.4 pp
Return on equity	14.1%	10.1%	3.9 pp
Additional indicators	**31.12.2023**	**31.12.2022**	**Change**
Deposits to loan portfolio	115.1%	103.9%	11.3 pp
Net interest margin	3.3%	2.6%	0.7 pp
Cost of risk	27 bp	35 bp	-7 bp
Share of defaulted loans	1.8%	1.8%	0.0 pp
Stage 3 loans coverage ratio	55.8 %	55.2 %	0.7 pp
Green loan portfolio	1,021.6	945.6	8.0 %

Loan portfolio and deposits are presented without intercompany transactions.

The loan portfolio for this segment increased by EUR 230.6 million or 5.2% during the period, ending the 2023 financial year at EUR 4.6 billion. Our loan portfolios in Kosovo, Romania and North Macedonia showed particularly strong growth. The green loan portfolio grew by EUR 76.0 million or 8.0%.

Deposits grew by EUR 760.6 million or 16.7%, totalling EUR 5.3 billion at the end of the financial year. All banks in this segment achieved good, mostly even strong growth figures. The ratio of deposits to the loan portfolio increased by 11.3 percentage points to 115.1%.

Net interest income increased by EUR 64.4 million or 41.7% on the basis of positive volume effects and a widening net interest margin of 3.3%.

The share of defaulted loans remained unchanged and stood at 1.8% at the end of the year. As in previous years, the proportion of defaulted loans at our banks is well below the banking sector average. The Stage 3 loans coverage ratio increased slightly, rising 0.7 percentage points to 55.8%.

The profit of the period grew by EUR 32.2 million, representing a return on equity of 14.1%. This increase was due in particular to the higher net interest income. Personnel and administrative expenses grew by EUR 27.7 million, which was significantly less than the increase in operating income, which rose by EUR 63.5 million or 31.5%. The cost-income ratio thus improved by 3.4 percentage points to 54.4%. Expenditures for loss allowances decreased by EUR 2.4 million and corresponded to a cost of risk of 27 basis points.

Eastern Europe

Macroeconomic and sector-specific environment

In Eastern Europe, the ProCredit group operates in Ukraine, Georgia and Moldova. The macroeconomic developments in this segment were influenced either directly by the war in Ukraine or indirectly by the effects of the war.

The IMF forecast 2023 economic growth of 4.8% and 4.3% for Georgia and Moldova, respectively. Inflation in Georgia is expected to rise from 2.4% in 2023 to 2.7% in 2024. In Moldova, it will drop from 13.3% in 2023 to 5.0% in 2024. Geopolitical factors continue to pose downside risks to the segment's prospects. On a positive note, the opening of EU accession talks with Ukraine and Moldova and the granting of EU candidate status to Georgia could give structural reforms a new impetus, enabling economic growth and stability.

The growth forecast for Ukraine is still subject to great uncertainty due to the war. The IMF expects the Ukrainian economy to grow by 3.2% in 2024, after growth of 2.0% had been forecast for 2023. In February 2024, Ukraine's access to short-term financial aid was secured, with the EU approving an aid package of EUR 50 billion for Ukraine on the first day of the month and the US Senate granting aid totalling USD 95 billion on the 13th, which included USD 60 billion for Ukraine. The IMF expects inflation in Ukraine to fall from 17.7% in 2023 to 13.0% in 2024. Irrespective of this forecast, the latest flash estimates from UkrStat indicate that monthly headline inflation fell from 5.1% in December 2023 to 4.7% in January 2024.

The situation surrounding Russia's war in Ukraine is still uncertain and some experts believe that the war will continue in 2024. According to a joint report by the Ukrainian government and several international organisations, the cost of rebuilding the country had risen to USD 411 billion by March 2023. The destruction of the Kakhovka Dam in June 2023 significantly increased the costs for material damages. The longer the war drags on, the higher the costs of reconstruction will be.

Development of financial position and financial performance

The Eastern Europe segment recorded a loan portfolio decline of EUR 84.7 million, attributable to the contraction of the portfolio in Ukraine (including currency effects). The profit of the period amounted to EUR 40.8 million and includes a positive result contribution of EUR 17.7 million from our Ukrainian bank.

in EUR m

Statement of Financial Position	31.12.2023	31.12.2022	Change
Loan portfolio	1,075.2	1,159.9	-84.7
Deposits	1,266.6	1,116.5	150.2

Statement of Profit or Loss	1.1.–31.12.2023	1.1.–31.12.2022	Change
Net interest income	95.9	83.4	12.5
Net fee and commission income	7.0	6.7	0.3
Operating income	111.7	99.7	12.0
Personnel and administrative expenses	49.0	50.9	-1.9
Loss allowance	1.5	88.1	-86.6
without contribution of PCB Ukraine	*-4.0*	*1.5*	*-5.5*
Profit of the period	40.8	-32.4	73.2
without contribution of PCB Ukraine	*23.1*	*19.3*	*3.8*

Key performance indicators	1.1.–31.12.2023	1.1.–31.12.2022	Change
Change in loan portfolio	-7.3%	-11.8%	4.5 pp
without contribution of PCB Ukraine	*0.1%*	*3.3%*	*-3.3 pp*
Cost-income ratio	43.9%	51.1%	-7.2 pp
Return on equity	19.6%	-14.8%	34.5 pp
without profit contribution of PCB Ukraine	*10.3%*	*8.3%*	*2.0 pp*

Additional indicators	31.12.2023	31.12.2022	Change
Deposits to loan portfolio	117.8%	96.3%	21.5 pp
Net interest margin	5.4%	4.7%	0.7 pp
Cost of risk	14 bp	712 bp	-698 bp
without contribution of PCB Ukraine	*-70 bp*	*26 bp*	*-95 bp*
Share of defaulted loans	5.1%	7.4%	-2.4 pp
without contribution of PCB Ukraine	*3.2%*	*2.9%*	*0.2 pp*
Stage 3 loans coverage ratio	75.4%	79.2%	-3.7 pp
without contribution of PCB Ukraine	*61.6%*	*59.6%*	*2.0 pp*
Green loan portfolio	150.6	182.8	-17.6%

Deposits are presented without intercompany transactions.

The loan portfolio of the segment contracted by EUR 84.7 million during the period, primarily due to the performance of our portfolio in Ukraine[12]. New business in Ukraine was scaled back due to the risk situation and also because of lower demand. At the same time, the portfolio declined on the basis of write-offs, currency effects and repayments. Deposits increased substantially by EUR 150.2 million. The ratio of deposits to the loan portfolio improved, rising to a level of 117.8%.

The share of defaulted loans improved substantially, dropping 2.4 percentage points to 5.1%, particularly due to repayments and write-offs within our Ukrainian portfolio. The Stage 3 loans coverage ratio declined by 3.7 percentage points, as the defaulted loans in Ukraine, whose share is decreasing sharply, have a higher coverage ratio than loans in the other two banks.

The profit of the period for the segment improved very substantially, increasing by EUR 73.2 million to EUR 40.8 million, particularly as it was possible to stabilise the result contribution from ProCredit Bank Ukraine after the first year of the war. The increase in the result is attributable to the EUR 86.6 million reduction in expenses for loss allowances. Loss allowances of EUR 1.5 million correspond to a cost of risk of 14 basis points and are primarily due to management overlays, particularly for the Ukrainian portfolio (please refer to the "Credit risk" section in our risk report). Furthermore, net interest income grew by EUR 12.5 million, contributing significantly to the EUR 12.0 million increase in operating income. Personnel

[12] Loan portfolio of ProCredit Bank Ukraine: EUR 497.3 million (2022: EUR 582.3 million)

and administrative expenses showed a slight decline of EUR 1.9 million. The cost-income ratio improved by 7.2 percentage points to 43.9%.

South America

Macroeconomic and sector-specific environment

The South America segment, comprising the ProCredit Bank in Ecuador, accounts for roughly 8% of the group's loan portfolio. The IMF expects economic growth of 1.8% in 2024, which is slightly above the estimated growth rate of 1.4% for 2023. Rising gang crime, a weak budgetary situation and the referendum to close the country's fourth-largest oil field pose major downside risks to the outlook. Inflation is expected to fall from 2.3% in 2023 to 1.8% in 2024. The complete dollarisation of the economy means that Ecuador has no monetary policy independence and is no longer in a position to use interest rates or currency devaluation as a macroeconomic balancing instrument.

Market interest rates in Ecuador are structurally higher than in South Eastern Europe. However, regulatory interest rate caps in lending coupled with rising international interest rates are leading to lower, in some cases significantly narrower, net interest margins in the banking sector as compared with previous years. Competition in Ecuador is dominated by local banking groups.

Development of financial position and financial performance

The loan portfolio of ProCredit Bank Ecuador contracted by EUR 16.5 million, whereas deposits grew by EUR 40.0 million.

in EUR m

Statement of Financial Position	31.12.2023	31.12.2022	Change
Loan portfolio	481.6	498.1	-16.5
Deposits	383.0	343.0	40.0

Statement of Profit or Loss	1.1.-31.12.2023	1.1.-31.12.2022	Change
Net interest income	19.2	25.5	-6.2
Net fee and commission income	0.2	0.2	-0.1
Operating income	20.1	24.1	-4.0
Personnel and administrative expenses	20.4	20.1	0.3
Loss allowance	2.0	1.2	0.8
Profit of the period	-2.6	2.3	-4.9

Key performance indicators	1.1.-31.12.2023	1.1.-31.12.2022	Change
Change in loan portfolio	-3.3%	17.7%	-21.0 pp
Cost-income ratio	101.3%	83.2%	18.1 pp
Return on equity	-5.2%	4.4%	-9.6 pp

Additional indicators	31.12.2023	31.12.2022	Change
Deposits to loan portfolio	79.5%	68.9%	10.7 pp
Net interest margin	3.1%	4.5%	-1.4 pp
Cost of risk	41 bp	26 bp	16 bp
Share of defaulted loans	6.9%	6.7%	0.2 pp
Stage 3 loans coverage ratio	33.0%	33.5%	-0.5 pp
Green loan portfolio	82.3	90.3	-8.8%

Deposits are presented without intercompany transactions.

The bank's loan portfolio declined during the financial year by EUR 16.5 million or 3.3%, ending the period at EUR 481.6 million. Green loans also showed a decrease of 8.8% and amounted to EUR 82.3 million as of the reporting date. Deposits increased by EUR 40.0 million, leading to a 10.7 percentage point improvement in the ratio of deposits to the loan portfolio.

The net interest margin narrowed significantly, decreasing by 1.4 percentage points to 3.1% due to the interest rate caps in lending and a sharp rise in international interest rates. Net interest income fell accordingly by EUR 6.2 million. Expenditures for loss allowances were slightly higher than in the previous year, showing an increase of EUR 0.8 million. The share of defaulted loans remained relatively stable. Personnel and administrative expenses showed a slight increase of EUR 0.3 million.

Overall, the profit of the period amounted to EUR -2.6 million, mainly due to the decline in net interest income and the slightly elevated loss allowances. The bank's cost-income ratio stood at 101.3%.

Germany

Macroeconomic and sector-specific environment

A flash estimate by the Federal Statistical Office, Destatis, indicates that German economic growth decreased by 0.3% in 2023, meaning that the German economy is in a technical recession. The IMF assumes that, with a rise of 0.5%, German economic growth will remain well below the forecast Eurozone average of 0.9% in 2024. Tight monetary policy, low domestic and foreign demand and structural challenges are preventing the economy from expanding more strongly. Inflation, on the other hand, fell from 9.8% in December 2022 to 4.1% in December 2023. The IMF anticipates that the average annual inflation rate will be 3.5% in 2024.

The interest rate environment in Germany changed in 2023, as the European Central Bank raised its key interest rates by two percentage points over the course of the year. We assume that the ECB will not begin cutting interest rates until the second half of 2024. Our business activity in Germany is mainly limited to services for the other segments. As a result, it is less heavily impacted by the macroeconomic and financial market trends in Germany, with the exception of the ECB's interest rate policy.

Development of financial position and financial performance

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

in EUR m

Statement of Financial Position	**31.12.2023**	**31.12.2022**	**Change**
Loan portfolio	43.3	54.0	-10.6
Deposits	277.6	263.7	14.0

Statement of Profit or Loss	**1.1.-31.12.2023**	**1.1.-31.12.2022**	**Change**
Net interest income	3.4	1.5	1.8
Operating income	159.0	88.9	70.0
Personnel and administrative expenses	96.0	78.6	17.4
Loss allowance	-0.4	0.5	-0.9
Profit of the period	61.2	9.8	51.3
Profit of the period and consolidation effects	-19.5	-15.8	-3.7

Loan portfolio and deposits are presented without intercompany transactions.

The loan portfolio and deposits in the segment are attributed to the ProCredit Bank in Germany. The loan portfolio contracted by EUR 10.6 million, whereas deposits grew by EUR 14.0 million.

Operating income was dominated by dividend payments from subsidiary banks to ProCredit Holding and IT services performed by Quipu. Further income came from commission and brokerage services by the ProCredit Bank in Germany and from consultancy services provided to the ProCredit banks by ProCredit Holding.

Events after the reporting period

As of 1 April 2024, Mr Christoph Beeck and Mr George Chatzis will be appointed as members of the Management Board for a term of three years. Christoph Beeck will be responsible for Human Resources, Internal Audit, Compliance, Administration and Translation. After an onboarding phase, George Chatzis will take over the duties of Chief Risk Officer.

NOTES TO THE INDIVIDUAL HGB FINANCIAL STATEMENTS OF PROCREDIT HOLDING

The activities of ProCredit Holding AG, Frankfurt am Main, (hereinafter "ProCredit Holding") are deeply intertwined with the development of the group. Therefore, we have integrated the management report of ProCredit Holding into the group report. Pursuant to section 10a (1) KWG, ProCredit Holding is the "superordinated company" of the ProCredit group for financial supervision purposes. The annual financial statements for ProCredit Holding have been prepared according to the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

Business activities of ProCredit Holding

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

- steering the strategy of the group
- providing support for the subsidiaries in implementing group-wide strategies for the various business areas and in the area of risk management
- implementation of the requirements specified under section 25a of the German Banking Act (Kreditwesengesetz – KWG) and under the German Federal Financial Supervisory Authority's policy document "Minimum Requirements for Risk Management", commonly referred to as "MaRisk", as well as ensuring the group's compliance with the German Money Laundering Act (Geldwäschegesetz – GWG)
- monitoring and supervising the subsidiaries, especially in the areas of risk, finance, HR, marketing, internal audit and anti-money laundering activities; ProCredit Holding has developed group policies for this purpose
- providing equity for the subsidiaries and ensuring sufficient capital adequacy at group level
- providing financing to the subsidiaries
- developing training programmes for the staff of the ProCredit group
- reporting to shareholders and third parties, including supervisory reporting

As of year-end 2023, ProCredit Holding had 153 staff members (2022: 135). This includes two employees who are based abroad. The financial position and financial performance of ProCredit Holding are affected by its own operating activities as well as by the operating activities of its subsidiaries through their dividend payments. The economic situation of ProCredit Holding is thus essentially the same as that of the group as a whole. Also with regard to ProCredit Holding's risk report (including system for early detection of risks), the report on expected developments and the report on events after the reporting period, we would like to refer to the corresponding sections.

Development of financial position

ProCredit Holding's close involvement in the activities of the group is reflected in the structure of the balance sheet and income statement. Short- and long-term exposures to, as well as shares in, affiliated companies make up over 90% of its assets. ProCredit Holding finances its own activities primarily by issuing bonds, through liabilities to banks and through shareholders' equity.

ProCredit Holding's total assets increased by EUR 6.3 million as of 31 December 2023 (2022: EUR –119.3 million). The shares in affiliated companies increased by EUR 19.5 million (2022: EUR –9.1 million) due to a EUR 15.0 million capital increase (2022: EUR 19.0 million) and net additions of EUR 4.5 million (2022: EUR –28.1 million). At the same time, loans to affiliated companies decreased by EUR 45.7 million (2022: EUR –135.7 million).

ProCredit Holding's financial liabilities declined by EUR 49.7 million during the year (2022: EUR –95.4 million). Equity rose by a total of EUR 56.5 million (2022: EUR -24.7 million). This increase is attributable to the current profit of the period.

Result of operations

The financial results of ProCredit Holding are highly influenced by transactions with its affiliated companies; the main income factors are the dividend payments received, interest payments, fees for consultancy services and, when applicable, additions to shares in affiliated companies. The expense positions primarily consist of operating expenses, interest expenses and, when applicable, write-downs on shares in affiliated companies.

ProCredit Holding's profit for the 2023 financial year was EUR 56.5 million (2022: loss of EUR 24.7 million), due in particular to income from equity investments and write-ups to financial assets. At EUR 80.4 million, dividend income was higher than in the previous year (2022: EUR 23.4 million). Net write-ups to financial assets amounted to EUR 4.5 million (2022: EUR –28.1 million). Personnel expenses rose by EUR 2.4 million to a total of EUR 12.0 million due to increases in the number of employees and in average salaries. ProCredit Holding's other operating expenses decreased slightly to EUR 20.1 million (2022: EUR 22.7 million).

We are expecting a profit for the 2024 year in the mid-double-digit million range. We expect predominantly stable income from equity investments. We consider the current situation regarding the conflict in Ukraine and the uncertain macroeconomic situation to be significant risk factors that may have a negative impact on the financial position and financial performance of ProCredit Holding.

REPORT ON EXPECTED DEVELOPMENTS

Macroeconomic environment and competitive situation

The global economy is recovering from recent difficult years. However, various risk factors remain present, including: persistent inflation which has led to tighter monetary policy, the long-term effects of the pandemic, the war in Ukraine, the war between Israel and Hamas and the attacks in the Red Sea, geopolitical fragmentation, political instability and extreme weather events. As a result, the IMF assumes that global growth will remain at the previous year's level, with a year-on-year growth rate of 3.1% for 2024. Global growth is being driven by strong economic performance in the United States and several other major emerging markets and advanced economies, as well as by fiscal support in China. Nevertheless, due to the more restrictive monetary conditions and low growth in production, the global growth rate will remain below the historical average of 3.8% per year recorded before the pandemic (2000-2019).

Although tightening monetary policy reduced private consumption and lending, it appears to have curbed inflation. Both global headline inflation and core inflation have fallen faster than the IMF had expected in April 2023. This decline is attributable to falling energy prices and higher borrowing costs. Global inflation is forecast to decrease steadily from 6.9% in 2023 to 5.8% in 2024.

The IMF's forecasts are based on the assumption that, by 2024, the prices for fuel and other raw materials will decline by 2.3% and 0.9%, respectively. However, these forecasts are subject to considerable downside risks. Firstly, a further escalation of the war between Israel and Hamas – especially if Iran is involved – could lead to serious disruptions to oil supply in the region and drive up oil prices. Although the impact of the conflict has been very muted so far, history shows that an escalation of the conflict could cause prices to spike, impacting other commodity markets in turn. Secondly, the decision by major oil producers in OPEC+ (Organization of the Petroleum Exporting Countries) to cut production has dampened the decline in oil prices and led to upward revisions in the global price forecast. The OPEC+ countries have initiated a new round of production cuts for the first quarter of 2024. New commodity price shocks could again fuel inflation and prolong the tight monetary policy.

Ongoing geopolitical uncertainty in conjunction with increasing domestic political tension represents a major downside risk for the segment forecasts. The effects of the Russian invasion of Ukraine pose major risks for the forecasts of our Eastern European countries of operation bordering Ukraine and Russia. A possible escalation of tensions between Kosovo and Serbia would also entail downside risks for regional forecasts. In addition, the ongoing attacks in the Red Sea have led to significant disruptions in global supply routes, which may likewise accelerate inflation.

The European Union has also started accession talks with Ukraine and granted Georgia candidate status in December 2023. While the war in Ukraine has accelerated the EU's integration process, the further support flows for Ukraine will play a decisive role in the development of the war in 2024. In addition, Moldova could be exposed to an increasing number of hybrid attacks due to the opening of EU accession talks in December 2023.

In light of these developments, we assume that the geopolitical situation in the sub-region will continue to be strongly influenced by developments in the war against Ukraine. In the short and medium term, we expect key interest rates to fall again, but overall to remain at a higher level than in 2021. We assume that competition in our banking markets will remain at a high level. After many years of high economic activity, credit quality in our markets could deteriorate again for the first time in 2024 due to the tense macroeconomic situation. With regard to the war in Ukraine, we expect the conflict to continue with similar intensity.

Expected development of the ProCredit group

In the coming years, we want to pursue loan portfolio growth more strongly again, returning to the group's good growth figures from the years before the war in Ukraine. In terms of our business clients, we want to build on our strong market position, strengthen internal capacities, optimise lending processes, and provide a stronger response to customer requests for trade financing, point of sale (POS) terminals and other services. We see potential for increased growth, particularly among smaller SMEs with funding demand up to EUR 750,000, which will sustainably fortify the group's performance indicators through higher margins, lower risk weighting and stronger customer retention through our "Hausbank" approach. Furthermore, we see strong growth potential in energy efficiency and renewable energy, and we want to further expand our green loan portfolio based on our strong positioning as a "green bank". In our retail operations, we no longer want to focus solely on high-income customers but instead expand the scope of service to include the broader public in our markets. In addition to our positioning as an impact-oriented bank for small and medium-sized enterprises, we also want to be perceived as an attractive bank for private customers. Accordingly, we will invest more in staff, IT, marketing and process automation, particularly in the 2024 financial year, as well as expanding our regional presence in some of our countries of operation. In the 2023 financial year, the (currency-adjusted) growth of the loan portfolio was 2.3% and therefore below the guidance in the mid-single-digit percentage range. For the 2024 financial year, we expect our loan portfolio to grow by around 10% (adjusted for currency effects) at group level. We assume that the armed conflicts in Ukraine will continue and therefore that our Ukrainian portfolio will largely stagnate. We will also grow less in Ecuador due to the politically unstable situation. In the medium term[13], we aim to grow the ProCredit group's loan portfolio to a level of over EUR 10 billion. The proportion of green loans should be at least 25%.

At 12.2%, the return on equity in 2023 was substantially above the original guidance of 6-8%. The cost-income ratio of 59.9% was also better than forecast (63-65%). For 2024, we expect a return on equity of 10-12%. This forecast is based on a cautious cost-of-risk estimate at a level of up to 40 basis points. The cost-income ratio is expected to be around 63% (with a range of +/- one percentage point), which takes into account the higher planned investments and assumes a slight increase in pressure on the net interest margin. In the medium term, we see the potential for a return on equity of 13-14% and a cost-income ratio of around 57% (excluding non-recurring effects), even with a slight reduction in interest rates. We believe that our ambitious growth targets will enable us to achieve significant economies of scale and structurally strengthen the net interest margin on both the asset and liability side through our strategic focus in the coming years. We assume cost of risk of around 30-35 basis points for the same period. In these medium-term prospects, the overall contribution of ProCredit Bank Ukraine is considered to be largely neutral. In our forecasts we do not take into account any upside potential, e.g. through reconstruction of the country co-financed by the Western community.

As a member of the Net-Zero Banking Alliance, we have committed to achieving net-zero emissions for our loan and investment portfolio by 2050 or earlier. In this context, we plan to reduce the group's absolute Scope 1 and Scope 2 greenhouse gas emissions by 42% by 2030 (compared to 2022 baseline). Our medium-term Scope 3 target is to engage with the clients responsible for 28% of the group's portfolio issues by 2027. This means supporting them in measuring emissions and setting emissions targets, as well as providing

[13] We consider "medium term" to be a period of three to five years.

funding for green investments. We have also committed to limiting our energy project financing activities to providing financial support for renewable energies.

At the end of 2023, the Common Equity Tier 1 capital ratio was 14.3% and therefore above 13%, as forecast. In view of the targets and conditions noted above, we also expect a Common Equity Tier 1 capital ratio of over 13% and a leverage ratio of around 9% at the end of 2024. We plan to return to our established dividend policy and would like to distribute one third of the consolidated result as a dividend to our shareholders.

Assessment of business opportunities and risks

In addition to the war in Ukraine, a further escalation of the conflict and the outbreak of new conflicts in the region, especially in countries where ProCredit banks operate, are among the most significant risk factors for the group.

In addition, the current environment may lead to significant changes in foreign trade and monetary policy, a deterioration in interest margins or considerable currency fluctuations, which would directly affect the economies in the countries where we operate. These risks could have a negative impact on the business development of our banks, for example in the form of higher past-due loans, lower availability of funding or a drastic increase in funding costs, which could adversely affect the financial performance and financial position of the group and ProCredit Holding. The constant tightening of general or institution-specific regulatory requirements and expectations also leads to the risk of higher administrative expenses.

If interest rates in our markets were to remain at a higher level in the longer term, this would have a positive impact on the underlying profitability of the group. In addition, the group's business would benefit from any reconstruction of Ukraine or the further integration of our markets of operation into the European Union.

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 significantly compared to the previous year.

The war in Ukraine and its consequences remain the most significant risk event for the ProCredit group. The safety of our employees and the continuity of banking operations for our customers have had, and continue to have, top priority in this situation. Both ProCredit Bank Ukraine and ProCredit Holding have taken numerous measures to manage and mitigate risks as well as possible in such difficult circumstances. ProCredit Bank Ukraine was fully operational throughout the year. Given the immense uncertainty surrounding the development of the war, this situation and its consequences will continue to be the focus of risk management.

In general, the last few years have been characterised by adverse macro-financial and geopolitical shocks. This trend is expected to continue and uncertainty will remain high in all countries where we operate. So far, the impact on the group has been limited. Nevertheless, these factors will also determine the focus of our risk management activities in 2024. We will continue to closely monitor the situation in our countries of operation in order to assess the impact and, if necessary, take measures in a timely manner.

In addition, the regulatory requirements for banks are constantly evolving. In general, a tightening of requirements and expectations can be observed.

The group complied with internal limits as well as all applicable regulatory requirements at all times during the 2023 financial year. Even in light of the above-mentioned uncertainties, the group's overall risk profile remains appropriate. This is based on an overall assessment of the individual risks, as presented in this risk report.

Risk Management System

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

Focus on core business

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

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

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

Organisation of risk management and risk reporting

The Management Board of ProCredit Holding bears overall responsibility for the risk management of the ProCredit group. It sets the guidelines for risk management, regularly analyses the group's risk profile and decides, if necessary, on measures to be taken. The risk control function required by MaRisk is headed by a member of the Management Board of ProCredit Holding. The Compliance function and Internal Audit report directly to the Management Board.

The following committees in particular advise and support the Management Board in the performance of the risk management function.

Supervisory Board (ProCredit Holding)				
Management Board (ProCredit Holding)				
Group Risk Management Committee	Group and PCH Model Committee	Group Asset and Liability Committee	Group Compliance Committee	Group Internal Audit and Ethics Committee
ESG Risk Management Sub-Committee				
Group Credit Risk Sub-Committee				

- The Group Risk Management Committee develops the group-wide framework for risk management and monitors the risk profile of the group. This includes the monitoring of individual risk positions, limit compliance, and capitalisation at the level of individual institutions and the group.
- The ESG Risk Management Sub-Committee deals with all issues relating to ESG risk management and thus supports the Group Risk Management Committee.
- The Group Credit Risk Sub-Committee focuses on specific issues relating to credit risk and supports the Group Risk Management Committee.

- The Group and PCH Model Committee focuses on changes to, and validation of, the models used to quantify risks.
- The Group Asset and Liability Committee (Group ALCO) is responsible for monitoring the liquidity reserve and liquidity management of the group, coordinating measures aimed at securing funding for the ProCredit banks and ProCredit Holding, and reporting on material developments in financial markets.
- The Group Compliance Committee serves as the central platform for exchanging information about compliance risks, thus ensuring implementation of legal requirements. The committee is a forum for evaluating compliance risks, discussing the impact of changes in legal regulations and prioritising identified compliance risks.
- The Group Internal Audit and Ethics Committee focuses on annual internal audit plans at the level of individual banks and ProCredit Holding, and on monitoring the timely implementation of measures to resolve the findings of internal and external auditors. It also monitors compliance with the ProCredit group's Code of Conduct and advises the Management on ethics issues.

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

The ProCredit Group Risk Management Handbook provides group-wide standards on the processes to be applied in connection with identifying, assessing, treating, monitoring and communicating risks. The requirements set out in the handbook relate to the management of all material risks to which the banks and the group as a whole are exposed. The policies and standards aim to appropriately reflect the diversity of the group, in addition to complying with legal requirements. The group policies are approved by the Management Board of ProCredit Holding and are updated annually or ad hoc, as necessary. Generally, the banks' supervisory boards approve the corresponding bank policies that are derived from these group documents.

The Management at each ProCredit bank bears responsibility for risk management within their institution. All ProCredit banks have a risk management department, a risk management committee, an ALCO, a compliance committee, an Internal Audit Committee and specialised committees that address individual risks. In addition, banks are free to establish further committees. The risk profile of the individual institutions is monitored and managed with support from these committees.

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

Risk reporting

Each month ProCredit Holding prepares an aggregate risk report, with the Supervisory Board also receiving reports on a quarterly basis. A quarterly report on stress testing is also prepared. Liquidity (risk) management reports are prepared on a weekly basis. Monitoring of both the individual banks' risk situation and the group's overall risk profile, including potential risk concentrations, is carried out through a review of these reports and of additional information generated by individual banks and at group level. The Management Board of ProCredit Holding has also defined risk events that require ad hoc reporting. If necessary, additional topic-specific ad hoc reporting occurs. The aim is to achieve transparency on all material risks and awareness of potential problems at an early stage.

At the individual bank level, risk exposures are analysed regularly, discussed and documented in standardised reports. The risk departments of each bank report regularly to ProCredit Holding, and the respective supervisory board is informed on at least a quarterly basis about all risk-relevant developments.

The ProCredit group has prepared a group recovery plan in accordance with regulatory requirements. Among other things, it outlines the options for action and the potential for restructuring that the group has at its disposal in the event of a crisis, thus enabling the group to overcome such crisis through its own efforts.

Internal control system, compliance and auditing

At a fundamental level, the group compliance management system is rooted in our development mission and our unique approach to staff recruitment and training. Our responsible approach to all operations is underpinned by our Code of Conduct. Compliance with the Code of Conduct is compulsory for all staff members, and regular training is provided. The Group Compliance Officer bears responsibility for the implementation of a group-wide system to ensure fulfilment of all regulatory requirements. Both the Group Compliance Committee and the corresponding committees at bank level enable coordination of all compliance-relevant issues. Each ProCredit bank has a compliance function which bears responsibility for adhering to national banking regulations and reports regularly and on an ad-hoc basis to the Management of the bank and to the Group Compliance Officer. The Supervisory Board receives an Annual Group Compliance Risk Management Report. Any conduct which is inconsistent with the established rules, whether at ProCredit Holding or in a subsidiary, should be reported to an e-mail address established for the group. This can also be performed anonymously.

Processes and procedures have been implemented at all ProCredit institutions to ensure adequate internal control. This system is based on the principles of segregation of duties, dual control and the separation of front and back office for all risk-relevant operations up to the management level; this ensures that risk management and risk control are performed independently of front-office functions.

The concept of three lines of defence is of central importance for our risk management and our risk culture, as it establishes that appropriate risk management and protection against undesirable risks is not limited to the risk functions.

- Each ProCredit bank has revenue-generating business units that form the first line of defence for the group-wide internal control system. Control and risk management responsibility therefore lies with each individual ProCredit bank to set procedures for client onboarding, client risk classification and client due diligence. Group-wide minimum standards are set by ProCredit Holding for this purpose. The control duties in the first line of defence also underscore the dual responsibility of these departments, which both generate business for the ProCredit group and at the same time keep watch on the associated risks and controls.
- The second line of defence comprises the various risk management and compliance functions in the individual ProCredit banks and ProCredit Holding. By defining group-wide minimum standards, ProCredit Holding strengthens the second line of defence in all ProCredit institutions in accordance with German and EU regulatory standards. ProCredit Holding also ensures that these requirements are embedded in the group's policies and procedures.
- The third line of defence is composed of the internal audit departments of the ProCredit banks, which are supported by Group Audit at ProCredit Holding. Group Audit is responsible for quality assurance, monitoring and technical guidance of the third line of defence in the ProCredit banks. Each internal audit function carries out risk assessments of the respective institution at least once per year in order to arrive at a risk-based annual audit plan. Each audit department reports to an audit committee, which generally

meets on a quarterly basis. The Group Audit team monitors the quality of the audits conducted in each ProCredit bank and provides technical guidance.

Furthermore, there are additional external control levels that complement the ProCredit group's three existing internal lines of defence. These include external auditors and banking supervisory authorities.

Key elements of risk management

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

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

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

distribution channels. This ensures that new risks are assessed and all necessary preparations and tests are completed prior to the introduction of a new or significantly changed product for the first time.

Management of Individual Risks

The material risks for the ProCredit group are credit risk, market risks (foreign currency risk and interest rate risk), liquidity and funding risk, operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk.

ESG risks are environmental, social or corporate governance events or conditions whose occurrence may have an actual or potential negative impact on financial position and financial performance as well as on reputation. We deliberately do not give separate treatment to ESG risks, as it would hardly be possible to isolate such risks. Managing ESG risks is an integral part of our business strategy. ESG risks can have a material impact on all of our identified risks, contributing as a factor in their materiality. ESG risks for the ProCredit group have the greatest impact on credit risk arising from business with clients, i.e. the impact that ESG risks have on our clients and the corresponding business models and thus on their ability to survive.

The management of material risks in the ProCredit group is described in greater detail in the following section.

Credit risk

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

in '000 EUR	31.12.2023	31.12.2022
Central bank balances	2,133,061	1,771,117
Loss allowances for central bank balances	*-5,324*	*-3,098*
Loans and advances to banks	372,710	281,174
Loss allowances for loans to banks	*-570*	*-721*
Derivative financial assets	8,083	12,729
Investment securities	751,705	480,225
Loss allowance for investment securities	*-1,236*	*-167*
Loans and advances to customers	6,226,475	6,107,726
Loss allowance for loans to customers	*-196,760*	*-214,930*
Other assets (financial instruments excluding shares)*	48,143	39,837
Loss allowance for other assets	*-1,940*	*-1,622*
Financial off-balance sheet transactions	925,494	823,404
Non-financial off-balance sheet transactions	193,958	192,738
Provisions for off-balance sheet transactions	*-6,792*	*-4,195*
Total	**10,447,008**	**9,484,218**

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

Customer credit risk

The key objectives of credit risk management are to achieve high quality and low risk concentrations within the loan portfolio, as well as appropriate coverage of credit risks with loss allowances. The diversification of our business activities through 12 banks in 13 countries, combined with the experience we have gained in these markets over the past decades, form the basis for managing customer credit risk.

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

- intensive analysis of the debt capacity and repayment capacity of borrowers, taking account for expected future cash flows as well as assessing ESG aspects
- carefully documenting the risk assessments and the processes conducted during lending operations, such that the analyses performed can also be understood by expert third parties
- avoiding overindebtedness among credit clients
- building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- monitoring the repayment of credit exposures
- customer-oriented, intensified loan management in the event of arrears
- collateral realisation in the event of insolvency

The group's framework for managing customer credit risk is presented in the relevant policies and standards. The policies specify, among other things, the responsibilities for managing credit risk in the group and at the level of each individual bank, the principles for the organisation of the lending business, the principles involved in loan disbursement and monitoring, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the group's lending operations with business clients and private clients and of the range of credit offered. They also set forth the rules governing restructuring, loss allowances and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management). We divide our credit exposures mainly into very small, small and medium-sized business credit exposures and credit exposures to private clients. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: involvement of back-office functions, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict separation of front and back-office functions up to the management level is applied for risk-relevant operations.

A careful creditworthiness assessment is a necessary form of credit risk management for us. Our credit decisions are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. We maintain regular contact with our business clients, including regular on-site visits to ensure that we give adequate consideration to their specific risk profile and needs. For private customers, the assessment is mainly based on the amount and source of income and their overall debt.

Assessment of ESG risks as part of credit risk

Our credit risk assessment takes ESG risks into account at all levels of the lending and monitoring process. The process starts at the loan application stage with a screening of potential borrowers against our exclusion and watch lists for environmental and social impact. As a matter of principle, we do not wish to enter into business relationships with customers who are exposed to significant governance, environmental and/or social risks, nor do we want to finance projects and economic activities that have a negative impact on the environment or society. All business customers are assigned an environmental category based on the environmental impact caused by their business operations. Customers with a high environmental impact are generally subject to a more detailed and comprehensive assessment, including governance and climate change aspects regarding the environmental and social risks of their business model. Environmental and social risk assessments at borrower level are carried out to varying degrees, depending on the environmental category of the borrower, the level of individual credit risk and, in the case of renewable energy project finance, based on installed capacity. This internal risk assessment is part of the annual monitoring process. Environmental and social risk events are part of the early warning indicators that aim to ensure the monitoring and timely identification of credit exposures with elevated environmental and social risk. When analysing the financial situation of borrowers, particularly their payment capacity, the possible impact of risks inherent in their industry and other factors identified in the risk assessment are taken into account. The portfolio is also analysed with regard to the potential impact of transition risks and physical climate risks. Transition risk is assessed by taking into account available macroeconomic scenarios, the carbon-pricing mechanism and the payment capacity of borrowers. Transition risk, which results from political and regulatory decisions, is very limited given our portfolio structure. The analysis of physical risks is based on sector and location data for individual exposures, which are assessed using short, medium and long-term climate projections.

Approval process for credit exposures

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

The most important factor for credit committee decisions is a funding and collateral structure that is based on the client's needs and conditional on the respective risk profile. In general, high collateral requirements apply to our exposures in the SME sector; specifically: the lower the loan amount, the more detailed the documentation, the shorter the loan period, the longer the client's history with the bank, and the higher the account turnover with the bank, then the lower our collateral requirements will be.

The group credit risk management policies limit the possibility for unsecured credit operations. Depending on the risk profile and the term of the exposure, loans can also be issued without being fully collateralised. Credit exposures are primarily covered with collateral security, mostly through mortgages.

As a rule, the valuation of collateral is based on assessments conducted by external, independent experts. In order to ensure that impairment is identified at an early stage and that appropriate measures are initiated, a plausibility check of the collateral value is performed when there are indicators of impairment and at least annually. External assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff.

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

The following table provides an overview portfolio coverage with loss allowances and collateral:

	31.12.2023		31.12.2022	
in '000 EUR	**Defaulted loan portfolio**	**Total loan portfolio**	**Defaulted loan portfolio**	**Total loan portfolio**
Loan portfolio	169,244	6,226,475	199,670	6,107,726
Loss allowance	*- 97,559*	*- 196,760*	*- 123,395*	*- 214,930*
Coverage ratio excluding collateral	57.6%	3.2%	61.8%	3.5%
Loan collateral*	105,188	4,156,964	103,550	3,952,537
Coverage ratio including collateral*	119.8%	69.9%	113.7%	68.2%

**Previous year figures have been changed as result of changing the collateral allocation algorithm.*

In addition to the collateral described above, there are other types of credit enhancement, such as synthetic securitisation. These are, in the sense of the CRR, transactions in which we transfer credit risk through financial guarantees. The corresponding fee expense is recognised over the term of the guarantee as part of the fee and commission expense in the income statement. In 2023, ProCredit Bank Bulgaria concluded a financial guarantee agreement with the European Investment Fund covering a portfolio of business loans and credit facilities in the amount of EUR 300 million.

Early risk detection and monitoring

The early detection of increases in credit risk at the level of a credit exposure is incorporated into all lending-related processes, resulting in rapid assessment of the degree of financial difficulty faced by clients. This is done at the individual customer level and at portfolio and sub-portfolio level (e.g. for clients in specific industries or specific regions) based on the currently available and relevant information such as customer financial data or market information.

Supplementary to that assessment, we have early warning indicators based on quantitative and qualitative risk features; these indicators are implemented by the banks and monitored at portfolio level. These are in part client-specific and include, for example, declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, arrears, and changes in the structure of the business. In addition, we also identify potential risks for customers on the basis of general risk factors, such as those arising from specific economic sectors or geographical regions. Such risk factors can also lead to limits on exposures to certain groups of customers. If we cannot rule out an increase in the credit risk of a customer, they are added to a watch list and monitored more closely; this acts as a preliminary stage of intensified management. Regular recording and analysis of these early warning indicators helps to manage the portfolio, identify default risks at an early stage and take the required measures to avoid a significant increase in credit risk. Reports on affected portfolios are regularly given to the corresponding branch management, the bank's head office and in aggregated form to ProCredit Holding. Exceptional events which could have an impact on large areas of the loan portfolio (e.g. rise in interest rates) lead to further analyses at group and bank level.

Relevant credit risk events

We monitor our loan portfolio continuously for possible risk-relevant developments. During the 2023 financial year, several macroeconomic developments were identified as negative factors influencing credit risk and the repayment capacity of our customers. These include the rapid rise in interest rates following the restrictive monetary policy of many central banks, the persistently high inflation in many countries, particularly in the first half of the year, and the elevated uncertainty regarding the stability of global energy supplies and prices, especially at the beginning of the year. Many of these developments were also exacerbated in part by a deterioration in the global security situation, including the war against Ukraine and the renewed conflict in the Middle East.

The conflict in Ukraine has a significant and lasting impact on our Ukrainian loan portfolio. The loan portfolio contracted due to a significant reduction in new business, the devaluation of the local currency and write-offs of defaulted loans. As of the reporting date, the Ukrainian loan portfolio represented 8.0% of the total portfolio of the group (12.2022: 9.5%). Exposures to customers whose business activities are exclusively in occupied territories or in close proximity to military activities are considered by us to be defaulted. These exposures account for about 4% of ProCredit Bank Ukraine's total loan portfolio. The share was more than halved compared to the end of the previous year due to repayments and write-offs. The impact on all of our other customers is continuously monitored, particularly with regard to their repayment capacity. If necessary, clients are downgraded and/or exposures are restructured. Due to the termination of the Black Sea Grain Initiative involving Russia and Ukraine in the second half of the year, we made adjustments to the risk classifications of clients in the Ukrainian agricultural sector. To this end, we analysed the potential impact of a non-continuation of the grain deal on our loan portfolio in the agricultural sector. For parts of the analysed portfolio a significant increase in credit risk was identified, which led to transfers from Stage 1 to Stage 2 for exposures amounting to a EUR 68 million. As a result of these adjustments and stage transfers, there was an increase in loss allowances by EUR 7.4 million as of the end of Q3 2023.

We are also monitoring the potential impact of the war in Ukraine on the operations of our other banks. Here, the analysis and assessment includes the second-round effects on customers from sectors that could be exposed to potential impacts from supply chain disruptions, economic slowdowns, inflation, and energy availability issues. The persistently challenging macroeconomic conditions in 2023, in particular the strong inflation, continue to be analysed regularly in the context of our clients. A systematic deterioration in the quality of our loan portfolio due to the economic conditions was not observed.

Due to the sharp rise in interest rates this year, we are still paying particular attention to the potential negative impact of elevated interest charges on our clients. The primary goal is the early identification of customers for whom further interest rate increases could lead to limited repayment capacity. These are monitored more closely as part of a watch list, with further measures being considered in order to prevent possible defaults. As a result, a loan portfolio of EUR 54 million was transferred to Stage 2 in 2023. Our analyses showed that the vast majority of customers are in a position to bear or pass on the increased interest burden. Based on the quality indicators for our loan portfolio at the end of the year, we were unable to identify any significant change in riskiness in our banks. Furthermore, we are currently observing an easing of the relevant reference rates as compared with the increases in 2022 and the first half of 2023. Nevertheless, we continue to take the above-mentioned effects into account as part of a general negative outlook.

Risk- and quality-dependent treatment
On the basis of asset quality indicators, the loan portfolio is divided into categories: performing, underperforming and defaulted. This categorisation is based on a risk classification system that takes account for repayment arrears as well as other risk characteristics, including the initiation of bankruptcy or legal proceedings, restructurings or collateral liquidations by other banks. In addition, other factors which indicate a significant deterioration of the economic situation of the client can also play a role. The portfolio indicators allow for a clear overview of the quality of the group's portfolio and that of an individual bank, and represent one of the most important tools for the credit risk management process. The indicators and the associated internal processes are defined in accordance with the requirements of the European Banking Authority.

- The *performing* loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being specifically determined.
- The *underperforming* loan portfolio comprises exposures with elevated credit risk. This can be caused by temporary payment difficulties (30-90 days) or restructuring, or by a deterioration in the financial circumstances of clients, as expressed through an adjustment of the risk classification. Nevertheless, the bank still assesses full repayment of the exposure to be probable, e.g. after restructuring.
- The *defaulted* loan portfolio comprises all exposures in default, pursuant to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178), that have shown lasting payment difficulties (over 90 days) or other indications. These include, among other factors, when the borrower is highly unlikely to meet their loan obligations to the banking group in full or when insolvency proceedings have been initiated. Further details are provided below.

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

in '000 EUR	31.12.2023	31.12.2022
Real estate	4,360	3,685
Other	1,515	85
Repossessed property	**5,875**	**3,770**

Loss allowances

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

Three-stage approach

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

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

Calculation of expected credit loss (ECL)

The following parameters are used in the calculation of expected credit loss:

- Exposure at Default (EAD)

  EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the expected exposures (including credit risk from off-balance sheet business) at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. For potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overdraft facilities, conversion factors are estimated based on empirical analysis of historical data; for payment guarantees and letters of credit, a conversion factor of 100% or 50%, respectively, is set on the basis of professional judgment.

- Probability of Default (PD)

  The probability of a loan default within a certain period of time is derived from historical default events, taking account for the current macroeconomic expectations. These data include the time, type and amount of default as well as information about the characteristics of the customer from our internal risk classification system. The parameters are country-specific and differentiate the risk levels of exposures according to the customer segments defined at bank level. We use statistical models to analyse the collected data and make forecasts for the expected PD, taking account of scenarios for the development of the economic environment (PiT estimate). In addition, we estimate the PDs over the remaining lifetime of an exposure.

- Loss Given Default (LGD)

  The LGD reflects the expected extent of the loss from a defaulted credit exposure. The figure comprises the probability of recovery from the default and the estimated recovery rates for both scenarios (recovery/non-recovery). The recovery rates are calculated from the discounted cash flows based on historical data on funds received from defaulted customers and on the realisation of collateral and guarantees. The estimated probabilities and recovery rates are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment.

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through a regression analysis. The multi-stage selection process for relevant macroeconomic factors, which address various dimensions of the economic environment (economic performance, inflation, unemployment, interest rate environment, currency strength, energy prices), is based on professional discretion, their statistical significance and economic relevance. The selection process is validated annually. Publications of the International Monetary Fund (IMF), the Economist Intelligence Unit (EIU) and the European Central Bank (ECB) are used as data sources for the historical data and forecasts of the following relevant macroeconomic factors: GDP, inflation, unemployment rate, lending rate, purchasing power parity, gas and oil price index. Due to the limited availability of data as a result of the war, we rely exclusively on data and forecasts from the Economist Intelligence Unit (EIU) for the bank in Ukraine.

In order to establish the ECL parameters, a probability-weighted average value is calculated based on various scenarios for the macroeconomic factors.

The calculation of loss allowances is automated and parameter-based for exposures in Stage 1 and Stage 2 as well as individually insignificant Stage 3 exposures. Loss allowances for individually significant Stage 3 exposures are estimated by credit analysts.

The 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 base scenario normally weighted at 50% and the alternative scenarios at

25%. The stronger weighting of the downside scenario (40%) as of the reporting date is intended to reflect the currently tense overall economic situation. A detailed description can be found in the section on overlays.

Baseline scenario	Country	Albania	Bosnia and Herzegovina	Bulgaria	Germany	Ecuador	Georgia	Kosovo	Moldova	North Macedonia	Romania	Serbia	Ukraine
GDP growth in %	2023	3.6	2.0	1.7	-0.5	–	6.2	3.8	2.0	2.5	2.2	2.0	-14.8
	2024	3.3	3.0	3.2	–	1.8	4.8	4.0	4.3	3.2	3.8	3.0	3.2
	2025	3.4	3.0	–	–	–	5.2	4.0	–	–	3.8	4.5	3.0
Inflation rate in %	2023	3.8	2.2	–	–	2.4	0.8	1.5	5.0	–	–	8.2	5.0
	2024	3.6	2.1	2.2	2.8	1.5	3.0	3.7	5.0	2.3	–	4.0	5.2
	2025	3.0	2.2	–	–	1.5	–	1.5	5.0	–	–	3.5	5.5
Unemployment rate in %	2023	–	–	–	–	–	18.4	–	4.9	–	–	–	–
	2024	–	–	–	3.3	–	18.6	–	4.2	14.1	–	–	–
	2025	–	–	–	–	–	18.1	–	4.2	14.0	–	–	–
Change in credit interest rate in %	2023	–	–	–	–	–	-0.7	–	-0.8	1.0	1.6	–	–
	2024	–	-0.1	-0.1	–	–	-2.0	0.3	-1.0	–	-0.8	-2.5	–
	2025	–	–	–	–	-0.3	–	–	–	–	–	-1.5	–
Change in purchasing power parity in %	2023	–	–	–	–	–	–	–	–	–	–	–	44.2
	2024	2.7	–	–	–	–	–	–	–	–	–	–	–
Change in gas price in %	2023	-59.4	–	-59.4	–	-59.4	–	–	–	-59.4	–	–	-59.4
	2024	30.8	–	30.8	30.8	30.8	30.8	30.8	–	30.8	30.8	–	–
	2025	–	–	–	–	–	–	-5.9	–	–	–	–	–
Change in oil price in %	2023	-18.8	–	–	–	-18.8	–	–	–	–	–	–	–
	2024	–	-2.9	–	–	–	-2.9	–	–	–	–	–	–
	2025	–	–	–	–	–	–	–	-3.4	–	–	–	–
Weight		50%	50%	50%	50 %	50 %	50 %	50%	50%	50%	50%	50%	50%

Downside scenario	Country	Albania	Bosnia and Herzegovina	Bulgaria	Germany	Ecuador	Georgia	Kosovo	Moldova	North Macedonia	Romania	Serbia	Ukraine
GDP growth in %	2023	2.1	-0.1	0.3	-2.1	–	4.8	1.8	-2.5	1.5	-0.2	-0.7	-19.3
	2024	1.8	0.9	1.8	–	0.0	3.4	2.0	-0.2	2.2	1.4	0.3	-1.4
	2025	1.9	0.9	–	–	–	3.8	2.0	–	–	1.4	1.7	-1.6
Inflation rate in %	2023	5.1	3.9	–	–	4.8	3.7	6.0	11.6	–	–	12.6	10.4
	2024	4.8	3.8	7.0	3.7	3.9	5.9	8.2	11.6	5.0	–	8.4	10.6
	2025	4.3	3.9	–	–	3.9	–	6.1	11.6	–	–	7.9	10.9
Unemployment rate in %	2023	–	–	–	–	–	19.6	–	5.9	–	–	–	–
	2024	–	–	–	4.0	–	19.8	–	5.2	14.1	–	–	–
	2025	–	–	–	–	–	19.3	–	5.2	14.0	–	–	–
Change in credit interest rate in %	2023	–	–	–	–	–	0.3	–	1.0	1.5	4.3	–	–
	2024	–	0.7	0.4	–	–	-1.1	1.1	0.8	–	1.8	0.6	–
	2025	–	–	–	–	0.3	–	–	–	–	–	1.6	–
Change in purchasing power parity in %	2023	–	–	–	–	–	–	–	–	–	–	–	52.3
	2024	3.4	–	–	–	–	–	–	–	–	–	–	–
Change in gas price in %	2023	-22.3	–	-22.3	–	-22.3	–	–	–	-22.3	–	–	-22.3
	2024	67.8	–	67.8	67.8	67.8	67.8	67.8	–	67.8	67.8	–	–
	2025	–	–	–	–	–	–	31.2	–	–	–	–	–
Change in oil price in %	2023	0.7	–	–	–	0.7	–	–	–	–	–	–	–
	2024	–	16.5	–	–	–	16.5	–	–	–	–	–	–
	2025	–	–	–	–	–	–	–	16.1	–	–	–	–
Weight		40%	40%	40%	40 %	40 %	40 %	40%	40%	40%	40%	40%	40%

Upside scenario	Country	Albania	Bosnia and Herzegovina	Bulgaria	Germany	Ecuador	Georgia	Kosovo	Moldova	North Macedonia	Romania	Serbia	Ukraine
GDP growth in %	**2023**	4.7	3.5	3.9	0.3	–	9.2	6.8	6.8	4.5	6.0	5.4	-10.3
	2024	4.4	4.5	5.4	–	4.6	7.7	7.0	9.0	5.2	7.6	6.4	7.7
	2025	4.5	4.5	–	–	–	8.2	7.0	–	–	7.6	7.9	7.5
Inflation rate in %	**2023**	2.7	0.8	–	–	-0.1	-2.6	-0.2	-1.9	–	–	6.0	-1.2
	2024	2.5	0.7	-1.2	2.0	-1.0	-0.4	2.0	-1.9	0.3	–	1.8	-1.0
	2025	1.9	0.8	–	–	-0.9	–	-0.1	-1.9	–	–	1.3	-0.7
Unemployment rate in %	**2023**	–	–	–	–	–	17.3	–	3.8	–	–	–	–
	2024	–	–	–	2.8	–	17.5	–	3.1	12.5	–	–	–
	2025	–	–	–	–	–	17.0	–	3.1	12.4	–	–	–
Change in credit interest rate in %	**2023**	–	–	–	–	–	-1.7	–	-3.6	0.3	0.5	–	–
	2024	–	-0.4	-0.6	–	–	-3.0	-0.3	-3.8	–	-1.9	-4.8	–
	2025	–	–	–	–	-1.0	–	–	–	–	–	-3.8	–
Change in purchasing power parity in %	**2023**	–	–	–	–	–	–	–	–	–	–	–	34.4
	2024	0.5	–	–	–	–	–	–	–	–	–	–	–
Change in gas price in %	**2023**	-88.5	–	-88.5	–	-88.5	–	–	–	-88.5	–	–	-88.5
	2024	1.6	–	1.6	1.6	1.6	1.6	1.6	–	1.6	1.6	–	–
	2025	–	–	–	–	–	–	-35.1	–	–	–	–	–
Change in oil price in %	**2023**	-37.9	–	–	–	-37.9	–	–	–	–	–	–	–
	2024	–	-22.0	–	–	–	-22.0	–	–	–	–	–	–
	2025	–	–	–	–	–	–	–	-22.5	–	–	–	–
Weight		10%	10%	10%	10 %	10 %	10 %	10%	10%	10%	10%	10%	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 positive or negative macroeconomic conditions. The following table presents the loss allowances for the group with the respective macroeconomic changes.

	31.12.2023		
in '000 EUR	**Loss allowance Positive macroeconomic change**	**Loss allowance**	**Loss allowance Negative macroeconomic change**
South Eastern Europe	97,134	98,677	100,385
Eastern Europe	80,959	81,757	82,480
of which contribution of PCB Ukraine	*64,682*	*65,322*	*65,874*
South America	15,684	15,886	16,091
Germany	426	440	454
Total	**194,203**	**196,760**	**199,410**

Changes in the above assumptions can lead to changes in the calculated loss allowances over time. In this context, discretionary decisions and estimation uncertainties can have a significant impact on the establishment of loss allowances for collectively and individually assessed exposures. Our discretionary decisions reflect, among other aspects, the approach to determining a significant increase in credit risk (SICR) and the selected macroeconomic factors and scenarios.

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. At the moment of its introduction, the change to this methodology led to a EUR 9.4 million decrease in loss allowances for the group, not including ProCredit Bank Ukraine.

Overlays

Overlays are 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	Change	31.12.2023
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	-0.8	4.6
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	10.6	34.1
Total		**28.9**	**9.7**	**38.7**

in EUR m

Overlay description	Impact on	31.12.2022	Change	31.12.2023
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	-0.7	3.6
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	13.3	19.7
Total		**10.7**	**12.6**	**23.3**

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 adjusted weighting of scenarios (baseline/downside/upside) for the calculation of loss allowance parameters remained consistent with the previous year. Likewise unchanged, the base scenario has a weighting of 50%, the weighting of the downside scenario is 40% and the upside scenario is 10%. This overlay has an effect amounting to an EUR 4.6 million increase in loss allowances for all banks in the group except ProCredit Bank Ukraine.

The current global economic environment is characterised by several interrelated crises with negative consequences for the energy market, price developments and interest rates. A slight easing can be observed in all these areas, particularly compared to the first half of the year. Nevertheless, the overlays have been retained.

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

The adjustments were based on observations of maximum default and loss rates from historical default events in the crises that serve as stress levels. The key parameters, PD and LGD, have been increased using the defined probability of occurrence of the stress level (20%, based on expert assessment). The introduction of the new methodology for estimating LGD led to an adjustment in the calculation of the stress level; the underlying assumptions for the calculation were not changed compared to the previous methodology. As part of the calculation of LGD, it is assumed that the probability of a defaulted credit exposure migrating back to Stage 1 or 2 is zero. A further measure was the increase in the credit conversion factors for potential receivables from off-balance sheet items by 20%. The overlay leads to a EUR 34.1 million increase in loss allowances for all banks except ProCredit Bank Ukraine.

Overall, the amount for all overlays for banks other than ProCredit Bank Ukraine increased compared to the previous year by EUR 9.7 million to EUR 38.7 million.

The war in Ukraine has led to a high level of uncertainty. The macroeconomic shock in Ukraine in the previous year was cushioned by stabilising measures taken by the government; economic output for 2023 has stabilised and the forecasts for the coming years are positive, albeit conditionally.

As the loan portfolio in the occupied areas and surrounding regions is largely allocated to Stage 3 and assessed through individual estimation of losses, the ECL parameters are only applied to the loan portfolio outside that zone. For parameter estimation, the slightly positive GDP values in 2023 are replaced with the most negative historical value of the macroeconomic factors prior to 2022 in order to obtain consistent conservative parameters that reflect the current situation. Estimated model parameters in Ukraine were further adjusted using historically observed stress levels from previous crises.

The LGD adjustment for ProCredit Bank Ukraine is based on our experience from observing relevant LGDs from the Ukraine conflict in 2014/15. The loss ratios were increased by an additional 10%. The LGDs of the portfolio with business activities in the current conflict area are assessed individually under conservative assumptions.

We have also increased the PD on the basis of historical observations. Taking into account the adjustment of the economic forecast in the model, the model parameters were further increased by a stress factor of 10%. The lifetime PDs for exposures with increased default risk since initial recognition (Stage 2) have also been raised to reflect possible negative consequences of the war in the future.

Furthermore, in establishing loss allowances on all exposures, we have not assumed any early repayments. The credit conversion factor is set to 100% for all empirically determined parameters. This means that all off-balance sheet receivables were converted 100% into credit risk-equivalent balance sheet items in the event of default. The adjustment of the model parameters increases loss allowances by EUR 19.7 million.

Due to increased uncertainty of negative macroeconomic developments resulting from the war, the weighting of the scenarios for calculating loss allowance parameters was retained from the previous year. The weighting is set as follows: 50% (50% in the baseline model) for the baseline scenario, 40% (25% in the baseline model) for the downside scenario and 10% (25% in the baseline model) for the upside scenario. The effect of this adjustment amounts to a EUR 3.6 million increase in loss allowances.

The overlays for the loan portfolio of ProCredit Bank Ukraine amount to a total of EUR 23.3 million. This corresponds to an increase of EUR 12.6 million compared to the previous year. The overlays ensure that the risk assessment remains appropriate and conservative, with a slightly positive macroeconomic outlook for Ukraine.

Individually assessed exposures are not taken into account when calculating the overlays, as individual assessment of defaulted exposures is not parameter-based. The volume of the individually assessed portfolio in Ukraine was reduced by half to around EUR 30 million in December 2023 due to repayments and write-offs. Around 84% of the defaulted portfolio in Ukraine has been individually assessed by credit analysts using conservative assumptions, resulting in a coverage ratio of 80%.

in '000 EUR	12-months PD range	31.12.2023		31.12.2022	
Risk classes 1-5: Performing	0% - 1,5%	2,505,795	40.2%	2,307,355	37.8%
	1,5% - 4,0%	1,180,579	19.0%	1,442,089	23.6%
	4,0% - 7,0%	704,941	11.3%	725,552	11.9%
Risk classes 6-7: Underperforming	7,0% - 10,0%	155,553	2.5%	182,159	3.0%
	10,0% < 100%	515,898	8.3%	333,375	5.5%
Risk class 8: Defaulted	100%	153,935	2.5%	181,870	3.0%
Without risk class*		1,009,775	16.2%	935,327	15.3%
Gross outstanding amount		**6,226,475**	**100.0%**	**6,107,726**	**100.0%**

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

The country-specific PDs are assigned to the scale for internal risk classification. This results in a breakdown of the loan portfolio into the presented PD intervals. In this context, the risk classes may overlap due to the different risk environments of the individual banks in terms of their assigned PDs. Exposures assigned to risk classes 6 and 7 correspond to the underperforming category and are considered to have higher risk. They therefore show PDs of generally more than 7%. The risk classifications are assigned according to an internal evaluation process for the current repayment capacity of the credit exposure, based on quantitative as well as qualitative factors.

Significant increase in credit risk (SICR)

Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk.

The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over that remaining time period at initial recognition. A significant increase in credit risk is deemed to exists if the difference between these two PDs exceeds a factor of 2.5. This limit is set by the Management Board, based on an analysis of historical data on the risk characteristics of the loan portfolio. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk is no longer significantly elevated.

In addition, qualitative criteria are used for SICR decisions. A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

- Contractual payments are past due by more than 30 days but not more than 90 days
- Classification of the loan as “restructured” (*forbearance*) pursuant to internal policies (adjustment of contractually agreed conditions)
- Classification of the loan in risk classes 6 or 7, which are associated with an increase in credit risk
- Recognition of a possible increase in credit risk based on information from the early warning system

A return from Stage 2 to Stage 1 occurs when no overdue payments are outstanding for more than 30 days and no other Stage 2 criteria are met. Forborne exposures are subject to an additional two-year probationary period during which no payments due may be outstanding for more than 30 days. The period begins with the restructuring of the contract.

Impaired credit exposures
If a credit exposure is deemed to be impaired, it is transferred to Stage 3 accordingly. The definition of impairment according to IFRS 9 corresponds to the definition used for the Defaulted portfolio in internal risk management, and also to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178). This default definition is applied to all exposures which are part of the loan portfolio of the group. The group considers an exposure to be impaired if at least one of the default definition criteria is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When establishing Stage 3 loss allowances, a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 250,000 (for all exposures to a client). For indications of impairment of significant exposures, an individual assessment is performed to determine loss allowances, taking account for probability-weighted expected inflows in various scenarios, including collateral liquidation. For individually insignificant exposures, loss allowances are determined using parameters for the collective assessment of credit risk with the ECL model.

Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. Unrestructured loans can be repaid no sooner than three months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. Restructured loans can be repaid no sooner than 12 months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. No migration between stages is possible for POCI exposures.

Purchased or Originated Credit Impaired (POCI) exposures
In line with IFRS guidelines, the group performs separate recognition of POCI exposures. Within our business model, the acquisition of impaired exposures is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation through substantial modification of the contractually agreed cash flows. For POCI exposures, no allowances for impairment are made at the time of initial recognition. In subsequent periods, all changes with regard to the expected losses over the remaining maturity period (lifetime ECL) are recognised as an expense in the income statement and reported accordingly as loss allowances for these exposures.

Changes to contractual terms (modifications)
Changes to the originally agreed contractual conditions of an exposure are possible, in particular with the aim of improving the prospects of repayment and, if possible, avoiding default, foreclosure or the realisation of collateral. We use qualitative and quantitative factors to determine the existence of a substantial modification of contractual conditions. As a quantitative factor, the net present value of cash flows is determined in order to assess the changed conditions of an exposure (net present value test). In the event of a substantial change, the original contract is derecognised and a new exposure is recognised at the fair value at the time of modification. In the case of a non-substantial change, the gain or loss is recognised through profit or loss.

Write-offs
When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure.

For exposures of any size, the banks carry out an individual assessment of the justified feasibility of repayments. Based on the assessment, the banks may decide to write off the exposure or continue to actively manage the exposure in order to allow for further repayment of the loan. A portion of written-off exposures are still subject to enforcement activities.

	31.12.2023		
in '000 EUR	**Stage 3**	POCI	Total
Written-off exposures subject to enforcement activity	36,786	163	36,948

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

The following table provides an overview of the respective loan portfolio, as well as loss allowances by stage and segment.

	31.12.2023				
in '000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	POCI	**Total**
South Eastern Europe					
Gross outstanding amount	4,307,663	237,262	80,342	1,059	**4,626,325**
Loss allowances	-36,930	-16,319	-44,934	-494	**-98,677**
Net outstanding amount	4,270,733	220,942	35,408	565	**4,527,648**
Eastern Europe					
Gross outstanding amount	734,497	286,190	53,989	552	**1,075,227**
Loss allowances	-10,693	-29,927	-40,641	-496	**-81,757**
Net outstanding amount	723,804	256,262	13,348	56	**993,470**
South America					
Gross outstanding amount	402,868	45,437	32,654	648	**481,607**
Loss allowances	-2,873	-2,019	-10,874	-120	**-15,886**
Net outstanding amount	399,995	43,417	21,780	528	**465,721**
Germany					
Gross outstanding amount	41,660	1,656	-	-	**43,316**
Loss allowances	-416	-23	-	-	**-440**
Net outstanding amount	41,244	1,632	-	-	**42,876**
Total					
Gross outstanding amount	5,486,688	570,543	166,985	2,258	**6,226,475**
Loss allowances	-50,912	-48,289	-96,449	-1,109	**-196,760**
Net outstanding amount	5,435,776	522,254	70,536	1,149	**6,029,715**
Financial off-balance sheet transactions					
Nominal amount	840,729	84,039	726	-	**925,494**
Provisions	-3,661	-2,126	-429	-	**-6,217**

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 off-balance sheet transactions					
Nominal amount	768,658	53,666	1,080	–	**823,404**
Provisions	–2,626	–1,026	–543	–	**–4,195**

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

Development of loss allowances in the South Eastern Europe segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-35,957**	**-10,748**	**-43,428**	**-418**	**-90,550**
New financial assets originated	-16,165	-	-	-	**-16,165**
Release due to derecognition	2,790	1,322	5,220	-	**9,332**
Transfer to Stage 1	-2,707	2,669	38	-	**-**
Transfer to Stage 2	7,159	-7,992	833	-	**-**
Transfer to Stage 3	40	2,811	-2,851	-	**-**
Change in credit risk	8,050	-4,322	-16,588	-85	**-12,945**
Usage of allowance	-	-	11,889	9	**11,898**
Exchange rate movements and others	-141	-59	-47	-1	**-247**
Loss allowances as of 31.12.2023	**-36,930**	**-16,319**	**-44,934**	**-494**	**-98,677**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-27,261**	**-11,012**	**-43,893**	**-451**	**-82,617**
New financial assets originated	-12,180	-	-	-	**-12,180**
Release due to derecognition	2,756	1,019	4,975	-	**8,750**
Transfer to Stage 1	-1,662	1,625	36	-	**-**
Transfer to Stage 2	2,338	-2,757	419	-	**-**
Transfer to Stage 3	325	4,186	-4,511	-	**-**
Change in credit risk	-191	-3,734	-15,666	-106	**-19,697**
Usage of allowance	-	-	15,183	140	**15,324**
Exchange rate movements and others	-82	-76	29	0	**-130**
Loss allowances as of 31.12.2022	**-35,957**	**-10,748**	**-43,428**	**-418**	**-90,550**

The change in loss allowances in the South Eastern Europe segment in the 2023 financial year was mainly due to additions for newly disbursed loans. Furthermore, loss allowances increased compared with the previous year based on a change in credit risk for Stage 2 and Stage 3. In particular, loss allowances for Stage 2 increased through transfers during the year, mainly exposures from Stage 1, as well as through the regular update of the model parameters. Usage of loss allowances due to write-offs was lower than in the previous year.

Development of loss allowances in the Eastern Europe segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-13,755**	**-26,231**	**-67,697**	**-627**	**-108,310**
New financial assets originated	-9,233	-	-	-	**-9,233**
Release due to derecognition	1,545	4,635	5,204	6	**11,389**
Transfer to Stage 1	-3,303	3,292	11	-	**-**
Transfer to Stage 2	10,398	-10,602	204	-	**-**
Transfer to Stage 3	141	3,742	-3,882	-	**-**
Change in credit risk	2,828	-5,500	-8,290	-52	**-11,015**
Usage of allowance	-	127	30,186	177	**30,489**
Exchange rate movements and others	687	611	3,624	0	**4,923**
Loss allowances as of 31.12.2023	**-10,693**	**-29,927**	**-40,641**	**-496**	**-81,757**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-15,248**	**-6,099**	**-14,167**	**-499**	**-36,014**
New financial assets originated	-3,648	-8	-21	-	**-3,677**
Release due to derecognition	1,217	1,839	2,267	-	**5,323**
Transfer to Stage 1	-6,225	6,219	6	-	**-**
Transfer to Stage 2	11,411	-11,446	34	-	**-**
Transfer to Stage 3	264	18,819	-19,083	-	**-**
Change in credit risk	-3,236	-39,437	-49,742	-145	**-92,560**
Usage of allowance	-	907	7,895	16	**8,817**
Exchange rate movements and others	1,709	2,976	5,115	1	**9,801**
Loss allowances as of 31.12.2022	**-13,755**	**-26,231**	**-67,697**	**-627**	**-108,310**

In the Eastern Europe segment, the largest change in loss allowances during the financial year was usage of loss allowances due to write-offs at ProCredit Bank Ukraine. The change in credit risk and the update of model parameters and overlays in 2023 resulted in higher loss allowances. The additions from new business also increased loss allowances in Stage 1. The effect of currency fluctuations on loss allowances was lower than in the previous year.

Development of loss allowances in the South America segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-2,815**	**-1,288**	**-11,008**	**-197**	**-15,308**
New financial assets originated	-1,189	-	-	-	**-1,189**
Release due to derecognition	526	337	2,118	0	**2,981**
Transfer to Stage 1	-510	342	168	-	**-**
Transfer to Stage 2	118	-1,162	1,044	-	**-**
Transfer to Stage 3	18	58	-76	-	**-**
Change in credit risk	886	-351	-4,699	72	**-4,092**
Usage of allowance	-	-	1,141	-	**1,141**
Exchange rate movements and others	93	45	437	5	**581**
Loss allowances as of 31.12.2023	**-2,873**	**-2,019**	**-10,874**	**-120**	**-15,886**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-3,102**	**-1,037**	**-8,317**	**-**	**-12,457**
New financial assets originated	-1,332	-	-	-	**-1,332**
Release due to derecognition	629	214	2,340	-	**3,183**
Transfer to Stage 1	-349	210	139	-	**-**
Transfer to Stage 2	80	-668	589	-	**-**
Transfer to Stage 3	56	122	-178	-	**-**
Change in credit risk	1,404	-63	-5,746	-200	**-4,604**
Usage of allowance	-	-	639	-	**639**
Exchange rate movements and others	-200	-66	-473	2	**-737**
Loss allowances as of 31.12.2022	**-2,815**	**-1,288**	**-11,008**	**-197**	**-15,308**

In South America, an increase in loss allowances in Stage 2 was responsible for the largest change, in particular due to the transfer of loans back from Stage 3. Overall, loss allowances in Stage 3 is the largest item presented; at the same time, the amount showed a slight decrease during the financial year from stage transfers, releases and slightly higher usage of allowances due to write-offs compared to the previous year. Additions to loss allowances due to newly issued loans were at a similar level to 2022.

Development of loss allowances in the Germany segment

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-425**	**-316**	**-21**	**–**	**-762**
New financial assets originated	-3	–	–	–	**-3**
Release due to derecognition	-17	–	2	–	**-15**
Transfer to Stage 1	-37	37	–	–	**–**
Transfer to Stage 2	23	-23	–	–	**–**
Transfer to Stage 3	–	–	–	–	**–**
Change in credit risk	43	279	19	–	**341**
Usage of allowance	–	–	–	–	**–**
Exchange rate movements and others	–	–	–	–	**–**
Loss allowances as of 31.12.2023	**-416**	**-23**	**–**	**–**	**-440**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-353**	**-4**	**–**	**–**	**-356**
New financial assets originated	-32	–	–	–	**-32**
Release due to derecognition	16	–	–	–	**16**
Transfer to Stage 1	–	–	–	–	**–**
Transfer to Stage 2	77	-77	–	–	**–**
Transfer to Stage 3	–	4	-4	–	**–**
Change in credit risk	-133	-240	-17	–	**-390**
Usage of allowance	–	–	–	–	**–**
Exchange rate movements and others	–	–	–	–	**–**
Loss allowances as of 31.12.2022	**-425**	**-316**	**-21**	**–**	**-762**

In the Germany segment, there was a significant reduction in loss allowances, with the most significant changes resulting from changes in credit risk in the individual stages. Loss allowances in Stage 2 and Stage 3 were significantly reduced without being utilised.

The tables below show our loan portfolio broken down by internal risk classification and by economic sector and stage.

in '000 EUR		31.12.2023				
Loan portfolio	**Risk class**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	39,623	–	–	–	**39,623**
	2	876,684	1,843	–	–	**878,527**
	3	1,597,529	49,254	–	–	**1,646,783**
	4	1,311,654	95,187	–	–	**1,406,841**
	5	713,148	117,459	–	–	**830,606**
Underperforming	6	–	190,439	–	–	**190,439**
	7	–	69,946	–	–	**69,946**
Defaulted	8	–	–	151,729	2,206	**153,935**
Without risk class*		948,051	46,415	15,256	53	**1,009,775**
Gross outstanding amount		**5,486,688**	**570,543**	**166,985**	**2,258**	**6,226,475**

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.*

	31.12.2023											
	Business loans								Private loans			
in '000 EUR	Wholesale and retail trade	Agricul-ture, forestry and fishing	Produc-tion	Trans-portation and storage	Electrici-ty, gas, steam and air conditio-ning supply	Construc-tion and real estate	Hotel, restau-rant and catering	Other economic activities	Housing	Invest-ment loans	Con-sumer loans	Total
Stage 1												
Gross outstanding amount	1,361,498	831,254	1,041,595	249,481	321,173	509,618	169,165	396,464	456,795	58,994	90,653	**5,486,688**
Loss allowance	-9,381	-8,410	-8,877	-1,850	-3,551	-4,101	-1,280	-2,805	-6,847	-1,579	-2,231	**-50,912**
Net outstanding amount	1,352,117	822,844	1,032,718	247,631	317,622	505,516	167,884	393,658	449,948	57,415	88,422	**5,435,776**
Stage 2												
Gross outstanding amount	106,910	172,386	129,976	22,770	43,331	33,967	14,321	31,233	8,708	2,114	4,828	**570,543**
Loss allowance	-6,244	-13,576	-9,396	-2,418	-7,440	-2,788	-1,054	-4,634	-543	-62	-133	**-48,289**
Net outstanding amount	100,666	158,810	120,580	20,351	35,891	31,178	13,267	26,598	8,165	2,052	4,695	**522,254**
Stage 3												
Gross outstanding amount	30,191	44,747	47,121	8,618	3,225	6,106	7,581	12,332	4,437	903	1,724	**166,985**
Loss allowance	-16,364	-30,427	-25,530	-4,934	-1,550	-3,089	-3,815	-6,711	-2,240	-615	-1,174	**-96,449**
Net outstanding amount	13,827	14,320	21,591	3,684	1,675	3,017	3,766	5,621	2,197	288	550	**70,536**
POCI												
Gross outstanding amount	125	286	5	131	-	13	1,014	646	10	29	-	**2,258**
Loss allowance	-79	-237	-5	-116	-	-13	-412	-226	-3	-20	-	**-1,109**
Net outstanding amount	46	49	-	15	-	-	602	420	7	9	-	**1,149**
Total												
Gross outstanding amount	1,498,723	1,048,672	1,218,697	281,000	367,729	549,703	192,081	440,675	469,950	62,040	97,205	**6,226,475**
Loss allowance	-32,068	-52,650	-43,808	-9,318	-12,541	-9,991	-6,561	-14,376	-9,633	-2,276	-3,538	**-196,760**
Net outstanding amount	1,466,655	996,022	1,174,889	271,682	355,188	539,712	185,519	426,299	460,316	59,764	93,667	**6,029,715**

	31.12.2022											
	Business loans								Private loans			
in '000 EUR	**Wholesale and retail trade**	**Agricul-ture, forestry and fishing**	**Produc-tion**	**Trans-portation and storage**	**Electrici-ty, gas, steam and air conditio-ning supply**	**Construc -tion and real estate**	**Hotel, restau-rant and catering**	**Other economic activities**	**Housing**	**Invest-ment loans**	**Con-sumer loans**	**Total**
Stage 1												
Gross outstanding amount	1,389,994	935,838	1,089,302	226,711	303,669	462,900	148,771	362,808	421,164	51,202	67,705	**5,460,063**
Loss allowance	-10,125	-8,275	-9,805	-1,960	-3,214	-3,996	-1,435	-3,085	-7,748	-1,675	-1,636	**-52,952**
Net outstanding amount	1,379,868	927,563	1,079,497	224,751	300,455	458,904	147,337	359,723	413,416	49,528	66,070	**5,407,111**
Stage 2												
Gross outstanding amount	80,345	108,039	122,086	24,471	11,966	37,044	23,493	32,460	4,088	2,285	1,714	**447,993**
Loss allowance	-4,599	-10,693	-9,655	-1,988	-3,390	-2,095	-1,912	-3,663	-410	-110	-68	**-38,583**
Net outstanding amount	75,746	97,347	112,431	22,483	8,576	34,949	21,581	28,797	3,679	2,175	1,646	**409,410**
Stage 3												
Gross outstanding amount	34,173	65,381	50,145	10,900	3,438	5,741	5,187	14,432	4,676	1,084	1,565	**196,721**
Loss allowance	-20,555	-50,234	-25,676	-6,250	-2,286	-3,045	-2,725	-7,203	-2,306	-768	-1,105	**-122,154**
Net outstanding amount	13,617	15,146	24,468	4,650	1,152	2,696	2,462	7,229	2,370	315	461	**74,567**
POCI												
Gross outstanding amount	239	843	0	155	-	19	1,074	567	22	30	1	**2,949**
Loss allowance	-82	-223	-	-153	-	-19	-577	-150	-16	-21	-1	**-1,242**
Net outstanding amount	157	620	0	1	-	-	497	417	6	9	-	**1,707**
Total												
Gross outstanding amount	1,504,750	1,110,101	1,261,533	262,237	319,074	505,703	178,526	410,267	429,950	54,601	70,986	**6,107,726**
Loss allowance	-35,361	-69,425	-45,136	-10,351	-8,890	-9,155	-6,648	-14,101	-10,479	-2,574	-2,810	**-214,930**
Net outstanding amount	1,469,389	1,040,676	1,216,396	251,886	310,183	496,548	171,877	396,166	419,471	52,027	68,176	**5,892,796**

Credit risk at the portfolio level is assessed on a monthly basis and, if necessary, more frequently. This includes an analysis of portfolio structure and quality, restructured exposures, write-offs, coverage level and concentration risk.

Concentration risk in the loan portfolio is effectively limited by a high degree of diversification. This diversification is a consequence of lending in particular to small and medium-sized businesses in various economic sectors and to private clients. The distribution of the loan portfolio across 13 countries likewise makes a significant impact in terms of diversification.

in '000 EUR	31.12.2023 < EUR 100,000	EUR 100,000 – 250,000	EUR 250,000 – 750,000	EUR 750,000 – 1,500,000	> EUR 1,500,000	Total
Business loans	**930,916**	**1,256,652**	**1,760,153**	**872,449**	**777,111**	**5,597,281**
Wholesale and retail trade	271,938	377,534	494,025	231,580	123,647	1,498,723
Agriculture, forestry and fishing	247,631	283,565	309,549	129,430	78,498	1,048,672
Production	167,318	271,464	433,822	215,278	130,816	1,218,697
Transportation and storage	74,008	69,586	77,025	38,906	21,475	281,000
Electricity, gas, steam and air conditioning supply	8,147	17,890	83,594	56,695	201,404	367,729
Construction and real estate	52,127	99,150	180,690	102,933	114,803	549,703
Hotel, restaurant and catering	28,331	41,673	60,654	25,107	36,315	192,081
Other economic activities	81,418	95,790	120,795	72,519	70,153	440,675
Private loans	**370,088**	**180,829**	**73,937**	**4,340**	**–**	**629,194**
Housing	228,269	169,438	67,902	4,340	–	469,950
Investment loans	55,416	5,699	925	–	–	62,040
Consumer loans	86,403	5,692	5,110	–	–	97,205
Gross outstanding amount	**1,301,004**	**1,437,481**	**1,834,090**	**876,790**	**777,111**	**6,226,475**

in '000 EUR	31.12.2022 < EUR 100,000*	EUR 100,000 – 250,000*	EUR 250,000 – 750,000*	EUR 750,000 – 1,500,000*	> EUR 1,500,000	Total
Business loans	**933,038**	**1,256,791**	**1,723,517**	**892,755**	**746,088**	**5,552,189**
Wholesale and retail trade	271,457	378,802	506,590	240,453	107,448	1,504,750
Agriculture, forestry and fishing	260,650	295,284	342,386	122,916	88,865	1,110,101
Production	169,667	272,956	384,372	268,962	165,576	1,261,533
Transportation and storage	69,609	66,471	75,369	31,352	19,436	262,237
Electricity, gas, steam and air conditioning supply	7,993	14,868	75,564	47,058	173,590	319,074
Construction and real estate	53,462	96,726	168,696	85,605	101,214	505,703
Hotel, restaurant and catering	26,066	36,353	58,429	26,715	30,963	178,526
Other economic activities	74,135	95,331	112,110	69,695	58,996	410,267
Private loans	**343,786**	**153,128**	**55,297**	**3,327**	**–**	**555,537**
Housing	227,770	145,430	53,424	3,327	–	429,950
Investment loans	49,331	4,773	497	–	–	54,601
Consumer loans	66,685	2,925	1,376	–	–	70,986
Gross outstanding amount	**1,276,824**	**1,409,919**	**1,778,814**	**896,082**	**746,088**	**6,107,726**

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

In addition, the ProCredit banks limit the concentration risk of their portfolios by means of requirements that are standardised across the group. Large credit exposures (those exceeding 10% of regulatory capital of the respective ProCredit bank) are approved by the bank's Supervisory Board and the Group Risk Management Committee. Furthermore, large credit exposures may not exceed 25% of regulatory capital of a bank, and the sum of all large credit exposures may not exceed 150% of its regulatory capital.

The quality of the loan portfolio in all client categories is monitored by credit control units at the individual bank level. They assess the quality of the credit analysis as well as compliance with internal procedures and identify signs of fraudulent activity. These teams comprise experienced staff who conduct on-site visits to customers and also systematically screen the portfolio for irregularities.

Counterparty risk, including issuer risk

The counterparty risk of the ProCredit group includes issuer risk. We define counterparty risk as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk in the ProCredit group mainly arises from keeping highly liquid assets for the purpose of managing liquidity. There are also structural exposures towards national central banks in the form of mandatory minimum reserves. We limit counterparty risk within the ProCredit group through our investment strategy.

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

Counterparty risk is managed according to the principle that our liquidity must be placed securely and in the most diversified manner. While the group tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. risk considerations predominate. For this reason, we only work with carefully selected, reliable banks which normally have high credit ratings, we typically place our money for short terms and we use only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. Within the ProCredit group, it is prohibited to engage in speculative trading. Liquidity in domestic currency is predominantly invested in central bank papers or sovereign bonds in the respective country. EUR or USD, on the other hand, are generally invested in OECD sovereigns or securities issued by multilaterals with a high international rating. The impact of market price changes on the group is limited.

Russia's invasion of Ukraine led to a downgrade of the country by all major rating agencies in 2022. The group's counterparty and issuer risk in Ukraine consists mainly of exposures towards the National Bank of Ukraine in local currency. We consider it unlikely that they will be affected by a potential sovereign debt default. Nonetheless, in establishing loss allowances in accordance with IFRS 9 requirements, the exposures to the National Bank of Ukraine are partly assigned to Stage 2.

In August 2023, Fitch downgraded Ecuador's issuer default rating from "B-" to "CCC+". Accordingly, the ratings of several local banks have also deteriorated.

At year-end 2023, the group had EUR 0.6 million in balances with banks domiciled in Russia. Due to the sanctions currently in place, the ProCredit banks do not have access to these funds; therefore, we have assigned these receivables to rating category "D" and established loss allowances for the total amount of these balances.

The group's exposure to counterparty and issuer risk increased compared to the previous year. This development is attributable in particular to higher liquidity reserves in our banks.

in '000 EUR	**31.12.2023**	**in %**	**31.12.2022**	**in %**
Central bank balances	1,815,617		1,578,019	
Mandatory reserve	*821,748*		*642,300*	
of which covered by insurance	*-312,120*	61.6	*-190,000*	67.1
Other balances with central banks	*1,311,312*		*1,128,817*	
Loss allowances for central bank balances	*-5,324*		*-3,098*	
Loans and advances to banks	372,710	12.6	281,174	11.9
Loss allowances for loans and advances to banks	*-570*		*-721*	
Derivative financial assets	8,083	0.3	12,729	0.5
Investment securities	751,705	25.5	480,225	20.4
Loss allowance for investment securities	*-1,236*		*-167*	
Total	**2,946,310**	**100.0**	**2,351,259**	**100.0**

The exposure to banking groups contains repurchase agreements in the amount of EUR 128.1 million. For these, collateral items were obtained with a fair value in approximately the same amount. None of them were repledged or sold.

Creditworthiness of a counterparty is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Examples of such events are a breach of contract (such as default or overdue payment), significant financial difficulties of a party to a contract, or a significant deterioration of the external rating. None of our investment securities was past due nor showed any signs of impairment. They are thus assigned to Stage 1 (performing). The exception is central bank balances with the National Bank of Ukraine in local currency, which are assigned to the rating category "CC" based on Ukraine's country rating. Here, EUR 53.9 million is assigned to Stage 1 and EUR 28.7 million to Stage 2. We have established provisions in accordance with IFRS 9 requirements (see also notes 16-19 to the consolidated financial statements).

The tables below provide a breakdown of the balances with central banks, loans and advances to banks, and of the investment portfolio by rating category and corresponding loss allowances. Counterparties are assigned to rating categories based on the “long-term issuer default rating” from Fitch; if unavailable, then from S&P or Moody's, or according to our own methodology.

in '000 EUR	31.12.2023		31.12.2022	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
AAA	688,966	0	647,380	0
BBB	222,745	-106	149,297	-72
BBB-	291,734	-25	83,973	-16
BB+	432,010	-162	270,244	-110
BB	83,102	-42	211,738	-54
BB-	57,933	-36	80,077	-36
B+	171,208	-169	51,507	-49
B	-	-	102,876	-135
B-	68,032	-407	123,483	-502
CCC	34,669	-894	-	-
CC	82,662	-3,482	50,542	-2,123
Central bank balances	**2,133,061**	**-5,324**	**1,771,117**	**-3,098**

in '000 EUR	31.12.2023		31.12.2022	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
AA	21,728	0	22,831	0
AA-	102,247	0	107,077	-1
A+	1,785	0	1,378	0
A	429	0	121	0
A-	46,990	-2	23,789	-1
BBB+	9,831	0	17,442	-1
BBB	7,473	0	128	0
BBB-	97	0	130	0
BB+	128,163	-1	68,288	0
BB	17,335	0	17	0
BB-	3	0	13,160	0
B+	11,057	-1	969	0
B	77	0	5,531	-2
B-	2,670	0	16,321	-1
CCC	21,717	-2	3,278	0
CC	544	0	-	-
D	563	-563	715	-715
Loans and advances to banks	**372,710**	**-570**	**281,174**	**-721**

in '000 EUR	31.12.2023		31.12.2022	
Ratings	Gross outstanding amount	Loss allowance	Gross outstanding amount	Loss allowance
AAA	141,563	-2	30,507	-1
AA+	75,461	-2	30,622	-1
AA-	27,907	-1	-	-
BBB	16,374	-6	26,577	-9
BBB-	47,293	-23	43,939	-17
BB+	121,192	-51	82,986	-36
BB	38,424	-13	28,662	-10
BB-	16,426	-5	24,641	-14
B+	1,525	-2	16,035	-8
B	18,301	-22	25,140	-31
B-	56,775	-56	89,899	-20
CCC	53,795	-109	-	-
CC	136,670	-944	81,217	-19
Investment securities	**751,705**	**-1,236**	**480,225**	**-167**

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for credit risk. ProCredit banks conclude transactions only with counterparties that have previously been analysed and for which a limit has been approved. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. Exposures to shadow banks are limited to 20% of total group capital, which is stricter than the regulatory limit of 25%. Essentially, these comprise transactions in the framework of ordinary business activities with locally regulated commercial banks in those countries where we operate whose banking regulations (supervisory and regulatory requirements) are not considered to be equivalent to CRR.

In order to avoid risk concentrations on group level, an additional maximum limit towards each banking group and each state group (total exposure towards central bank, government and state-owned entities) exists. Due to mandatory minimum reserves, a concentration exists at group level with regard to exposures towards central banks. The group has therefore insured a significant share, totalling EUR 312.1 million (2022: EUR 190.0 million), of this amount with guarantees from the Multilateral Investment Guarantee Agency (MIGA). The requirements for large exposures were met at all times.

Country risk

We define country risk as the risk that the group is not able to enforce rights over certain assets in a country or that a counterparty in that country is unable to perform an obligation due to convertibility or transfer restrictions on its cross-border obligations. Country risk thus arises solely from cross-border transactions.

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

We set country limits in order to diversify cross-border transactions as much as possible. These country limits are defined taking into account both the risk perspective and the strategic business perspective. All cross-border transactions and developments in the ProCredit countries of operation are monitored regularly. Among other things, internal indicators, external ratings and country-specific information are used for this purpose. Additionally, we closely follow the developments in all countries where we operate, including through regular communication and exchange of information with our colleagues in the ProCredit banks and through publications by economic research institutes.

The war in Ukraine and the associated level of political and macroeconomic uncertainty represent substantial country risk. Ukraine's rating was downgraded by all major ratings agencies in 2022. Fitch has set Ukraine's long-term issuer default rating (IDR) at 'CC' and downgraded the country ceiling, which corresponds to the risk of conversion or transfer restrictions, to 'B-'.

The group's cross-border exposures to Ukraine mainly comprise transactions between ProCredit Holding and ProCredit Bank Ukraine. Under the martial law in effect since February 2022, the National Bank of Ukraine has imposed restrictions which also apply to international payment transactions. However, the timely settlement of ProCredit Bank Ukraine cross-border liabilities has not been affected.

In August 2023, Fitch downgraded Ecuador's issuer default rating from 'B-' to 'CCC+'. The decision was based on elevated financing risks resulting from fiscal deterioration, with limited scope for additional local-market financing and a difficult external financing environment. The agency had previously improved the country ceiling by one notch to 'B'. In addition, S&P upgraded the IDR and country ceiling of Bosnia and Herzegovina by one notch to 'B+' and 'BB', and Greece by two and four notches to 'BBB-' and 'AA-', respectively.

Ratings agencies maintained the sovereign ratings for our other countries of operation during the year. At the end of 2023, two countries in which we operate (Bulgaria and Georgia) had a 'positive' outlook from Fitch. The outlook for our other countries of operation is 'stable'.

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

Market risks

Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates or other parameters which influence prices. Relevant market risks for us are foreign currency risk and interest rate risk in the banking book. All ProCredit banks are non-trading book institutions. We manage market risks in such a way that their impact is as limited as possible from an overall risk perspective. In accordance with our risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes.

Foreign currency risk

We define foreign currency risk as the risk that a group company or the group as a whole incurs losses due to exchange rate fluctuations or that the group's equity is reduced through currency translation effects.

At the level of individual banks, foreign currency risk can have adverse effects on income and can thus lead to a decline in regulatory capital ratios. This is the case when the volume of its assets and liabilities denominated in the corresponding foreign currency does not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set at bank level.

Domestic currency depreciation can reduce regulatory capital ratios at bank level in cases where the capital of a bank is held in a different currency than many of the assets it supports: foreign currency assets appreciate (from a local perspective) and the bank therefore has higher risk-weighted assets but the capital remains unchanged. To mitigate this risk, the group aims to keep a high share of assets in the domestic currency of the respective banks.

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

The translation reserve changed from EUR -81.8 million at the end of 2022 to EUR -85.5 million in December 2023. The official exchange rate of the hryvnia to the US dollar was frozen following the Russian invasion. The Ukrainian central bank announced during the course of the year that it was aiming to ease exchange rate restrictions. This plan was then implemented in October. The hryvnia is no longer pegged to the US dollar, but the Ukrainian central bank reserves the right to make further exchange rate interventions. The hryvnia depreciated by around 6.5% in 2023.

The reserves from currency translation were also negatively impacted by the strong euro. This led to a depreciation of the US dollar (-3.5%) and the Georgian lari (-3.3%). That effect was offset by the appreciation of the Moldovan leu (7.0%) and the Albanian lek (10.2%).

Within the scope of the group's capital adequacy calculation in the economic approach, a value-at-risk procedure is defined for fluctuations in the translation reserve. This amount rose by EUR 5.2 million during the year and stood at EUR 80.7 million as of December 2023.

Interest rate risk in the banking book

Interest rate risk is the risk of incurring losses due to changes in market interest rates and primarily arises from differences between the repricing maturities of assets and liabilities. Our aim in interest rate risk management is to keep these differences as small as possible in all currencies. This is particularly relevant against the background of the limited opportunities to manage this risk using interest rate derivatives, especially in the local currencies of our banks. In addition, interest rate swaps can be used to hedge the interest rate risk arising primarily from long-term, fixed-interest investment loans in euros and US dollars (micro fair value hedge). These are designated as hedging instruments in hedging relationships (hedge accounting) in accordance with IFRS 9. In addition, interest rate floors have been agreed for some of our customer loans (automatic options).

The measurement, monitoring, limiting and management of interest rate risk in the group is based on both the economic value impact (EVI) and P&L-oriented perspectives. The risk is measured on a regular basis, at least quarterly. The assets and liabilities are distributed across time buckets according to the contractual terms, thereby aggregating individual contracts into homogeneous groups. Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific analyses of historical data. Modelled country-specific, risk-free yield curves are used in a multi-curve approach to discount the cash flows. In addition, regularly updated assumptions on planned business developments are used to calculate the P&L indicator.

At the bank level, we assume a +/– parallel shift of the yield curves. The magnitude of the interest rate shock is essentially determined on the basis of a historical analysis of the corresponding yield curves. For each currency, only the parallel shift which results in a loss is considered in the calculation. Limits are set in relation to regulatory capital for the economic value impact and in relation to the forecast net interest income for the P&L effect. In addition, further scenarios are considered.

At group level, account is taken for EVI effects within the scope of the capital adequacy calculation in the economic approach. In this calculation, a complete loss of the value of the automatic options (floors) as of the calculation date is assumed. This value is determined using the Bachelier model, which also takes into account the possible impact of a negative interest rate environment. In addition, a potential 12-month P&L effect is determined. The indicators are calculated using Value-at-Risk models with a holding period of one year and confidence level of 99.9% (EVI) or 99% (P&L effect). The maturity-specific interest rate shocks per curve are based on the historical daily development of the reference curves over the last ten years.

in '000 EUR

31.12.2023		31.12.2022	
Economic Value Impact	12 month P&L-Effect	Economic Value Impact	12 month P&L-Effect
64,248	8,960	76,307	8,416

As of year-end, the negative economic value impact had decreased by EUR 12.1 million compared to the previous period and stood at EUR 64.2 million. On the one hand, the long-term interest rates of the euro reference yield curve showed a downward revision over the course of the year. This has led to an increase in the value of the automatic options (interest rate floors) allocated to the variable-rate loan portfolio. On the other hand, the contribution of the fixed-interest loan portfolio denominated in US dollars showed a decrease due to higher discount rates, thus leading to a positive net overall effect. The 12-month P&L effect increased by EUR 0.5 million to EUR 9.0 million. Both indicators remained within their limits.

In addition, the calculation of the present value of the interest book and the calculation of economic value impact according to the regulatory interest shock scenarios from BaFin are implemented and limited accordingly.

Liquidity and funding risk

Liquidity and funding risk addresses the ProCredit group's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity risk

We assess short-term liquidity risk in the ProCredit banks on the basis of a liquidity gap analysis, among other instruments, and we monitor this risk using numerous indicators. These include a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI), a survival period, and the liquidity coverage ratio stipulated by CRR (Liquidity Coverage Ratio, LCR). The SLI measures whether institutions have sufficient liquidity in relation to the expected inflows and outflows of funds in the next 30 days. The survival period is the timeframe during which the banks are able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements from the ProCredit banks. LCR indicates whether the ProCredit banks and the group have sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

Market-wide, institution-specific (idiosyncratic) and combined stress tests are conducted monthly and ad hoc. Each ProCredit bank should keep sufficient liquid funds to meet its obligations, even in difficult times. Moreover, each bank has a contingency plan. If unexpected circumstances arise and an individual bank proves not to have sufficient liquid funds, ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis. In addition, ProCredit Holding has developed a liquidity contingency plan.

Liquidity is managed on a daily basis by the respective treasury departments, based on the ALCO-approved cash flow projections, and is monitored by risk management and ALCO as well as monthly by Group ALCO. Liquidity movements within the group are coordinated by Group ALCO in order to utilise liquidity as efficiently as possible.

Despite the comfortable liquidity position overall, developments at group and bank level will continue to be closely monitored. Due in particular to the war in Ukraine, the liquidity situation of the ProCredit Bank in Ukraine and other ProCredit banks in the region are monitored and analysed on a daily basis in order to identify and be able to address potential problems in a timely manner. ProCredit Bank Ukraine's liquidity increased further in 2023, mainly due to an increase in customer deposits and loan repayments.

The liquidity situation of the group remained adequate over the course of the year. Highly liquid assets have increased significantly. This was mainly due to a strong increase in deposits. The banks and the group had sufficient liquidity available at all times in 2023 to meet all financial obligations in a timely manner.

The following tables show the undiscounted cash flows of the financial assets and financial liabilities of the group according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in '000 EUR	31.12.2023 Carrying amount	Gross nominal inflow/ outflow	Up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Maturity not appli-cable
Assets								
Cash	219,879	219,879	219,879	-	-	-	-	-
Central bank balances	2,127,737	2,127,826	2,127,826	-	-	-	-	-
Loans and advances to banks	372,141	372,475	344,614	23,516	3,765	580	-	-
Derivative financial assets	8,083	8,083	78	-	-	1,037	6,967	-
Investment securities	750,542	770,367	235,458	149,026	228,507	157,376	-	-
Loans and advances to customers	6,029,715	7,121,322	243,058	478,968	2,047,250	3,189,574	1,181,833	-19,361
Current tax assets	4,132	4,132	64	-	3,729	340	-	-
Other assets	64,382	64,423	21,550	2,910	2,288	1,184	8,039	28,454
Total assets	**9,576,611**	**10,688,508**	**3,192,527**	**654,420**	**2,285,539**	**3,350,090**	**1,196,839**	**9,092**
Liabilities								
Liabilities to banks	1,127,680	1,218,959	102,419	38,818	251,105	725,426	105,148	-3,957
Derivative financial liabilities	1,334	1,334	379	-	-	2	953	-
Liabilities to customers	7,254,236	7,306,719	4,978,567	384,387	1,479,919	441,969	21,878	-
Debt securities	147,088	163,468	302	868	60,570	58,319	44,915	-1,506
Other liabilities	48,613	48,613	16,188	920	6,309	15,939	5,422	3,835
Provisions	21,997	21,997	3,836	1,691	7,884	5,835	1,359	1,392
Current tax liabilities	23,513	23,513	941	20,925	1,647	-	-	-
Subordinated debt	139,269	231,403	8,941	2,304	31,525	65,387	123,934	-688
Total liabilities	**8,763,728**	**9,016,005**	**5,111,573**	**449,914**	**1,838,958**	**1,312,877**	**303,607**	**-923**
Off-balance sheet transactions								
Performance guarantees, payment guarantees and letters of credit		358,092	358,092	-	-	-	-	-
Loan commitments (revocable)		750,437	750,437	-	-	-	-	-
Loan commitments (irrevocable)		10,923	10,923	-	-	-	-	-
Total off-balance sheet transactions		1,119,452	1,119,452	-	-	-	-	-
Contractual liquidity surplus (+)/gap (-)			**-3,038,498**	**204,506**	**446,581**	**2,037,214**	**893,232**	**10,016**

in '000 EUR	31.12.2022 Carrying amount	Gross nominal inflow/ outflow	Up to 1 month	1 – 3 months	4 – 12 months	1 – 5 years	over 5 years	Maturity not appli-cable
Assets								
Cash	171,663	171,663	171,663	–	–	–	–	–
Central bank balances	1,768,019	1,768,134	1,751,510	–	–	16,624	–	–
Loans and advances to banks	280,453	280,606	257,722	17,383	5,201	300	–	–
Derivative financial assets	12,729	12,729	26	11	–	1,640	11,052	–
Investment securities	480,168	493,280	197,780	63,188	86,044	138,122	8,145	–
Loans and advances to customers	5,892,796	6,606,890	257,728	440,596	1,921,670	2,820,296	1,183,512	–16,913
Current tax assets	4,323	4,323	–	1,857	2,285	181	–	–
Other assets	53,564	57,921	19,529	1,878	6,330	934	6,315	22,936
Total assets	**8,663,714**	**9,395,545**	**2,655,958**	**524,914**	**2,021,531**	**2,978,096**	**1,209,025**	**6,023**
Liabilities								
Liabilities to banks	1,318,647	1,403,497	61,329	48,914	268,160	886,080	143,612	–4,598
Derivative financial liabilities	614	614	104	–	490	–	20	–
Liabilities to customers	6,289,511	6,324,455	4,571,612	256,380	1,073,374	411,542	11,547	–
Debt securities	191,988	212,048	333	917	50,224	117,264	46,046	–2,738
Other liabilities	40,248	40,248	11,943	1,338	5,045	14,297	4,822	2,804
Provisions	18,168	18,168	2,732	1,417	4,436	4,635	2,626	2,322
Current tax liabilities	2,028	2,028	257	1,199	572	–	–	–
Subordinated debt	93,597	111,454	553	1,101	6,948	99,351	4,000	–498
Total liabilities	**7,954,802**	**8,112,512**	**4,648,863**	**311,267**	**1,409,248**	**1,533,168**	**212,673**	**–2,708**
Off-balance sheet transactions								
Performance guarantees, payment guarantees and letters of credit		341,220	341,220	–	–	–	–	–
Loan commitments (revocable)		656,384	656,384	–	–	–	–	–
Loan commitments (irrevocable)		18,539	18,539	–	–	–	–	–
Total off-balance sheet transactions		**1,016,143**	**1,016,143**	**–**	**–**	**–**	**–**	**–**
Contractual liquidity surplus (+)/gap (–)			**–3,009,047**	**213,646**	**612,282**	**1,444,928**	**996,351**	**8,730**

When presented by contractual maturity, there is a contractual liquidity shortfall in the first maturity band, in particular due to sight deposits, overnight deposits and contingent liabilities. However, contractual liquidity shortfalls do not represent the group's liquidity risk. In order to take appropriate account of liquidity risk, assumptions are made about inflows and outflows based on statistical models or regulatory benchmarks. Guarantee commitments usually expire without being called upon. Due to covenant breaches by Banco ProCredit Ecuador regarding the capital adequacy ratio and average return on assets, liabilities to banks (EUR 32.1 million) and subordinated debt (EUR 6.4 million) have been classified as short term. Early repayment is not expected; corresponding waiver agreements had been concluded by the time the consolidated financial statements were prepared.

At group level, short-term liquidity risk is measured particularly by means of LCR. As of 31 December 2023, the LCR was 178% (2022: 155%) at group level, and thus above the regulatory requirement of 100% and our internally defined early warning threshold. This indicates an appropriate liquidity situation for the group. It should be emphasised that, for the majority of ProCredit banks, the LCR at individual institution level is significantly higher than the consolidated LCR at group level. Due to liquidity transfer restrictions, which are mainly based on national regulatory requirements in the countries where we operate, a portion of the banks' liquidity buffer is not included in LCR consolidation.

Pledged assets

Assets are deemed to be pledged when they are committed to collateral agreements or agreements to improve the credit assessment of on- or off-balance sheet transactions and it is not possible to withdraw these assets from the terms of such agreements.

Our banks have a limited amount of pledged assets, as they largely fund their activities through deposits. These comprise primarily assets which are pledged on a portfolio basis for special-purpose funding. These pledges would be exercised in case of default of interest or principal payment on the respective loans; the maturities of these pledges are the same as the maturities of the respective liabilities. The maturities of these pledges are in line with the related liabilities. As of 31 December 2023, the pledged assets of the ProCredit group amounted to EUR 39.7 million (see also note 25 to the consolidated financial statements). This corresponds to 0.4% of total assets.

Funding risk

Funding risk is the danger that additional funding cannot be obtained, or can only be obtained at higher costs. This risk exists at ProCredit group level and for ProCredit Holding. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that we finance our lending operations primarily through deposits; our deposit-taking operations focus on our target group of business clients and private clients/savers. These are supplemented by loans from international financial institutions (IFIs). The funding of our group has proven to be resilient. As of end-December 2023, the largest funding source was deposits with EUR 7,254.2 million. Liabilities to banks are the second-largest source of funding, accounting for EUR 1,127.7 million.

We manage, measure and limit funding risk through business planning, maturity gap analysis and several indicators. This includes the structural liquidity ratio (net stable funding ratio, NSFR). As of 31 December 2023 the NSFR was 158% (12.2022: 146%).

The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed at group level. Group ALCO monitors the progress of all individually significant transactions with external funding providers, especially international financial institutions. ProCredit Holding and the ProCredit Bank in Germany also offer bridge financing. A key indicator for limiting funding risk is the deposit concentration indicator. In addition, funding via the interbank market is limited by two indicators (share of interbank liabilities and overnight liabilities in total liabilities).

Operational risk

In line with the *Capital Requirements Regulation* (CRR), we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence.

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events identified in the group with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/or preventive measures for reducing or avoiding operational and fraud risk. The number of loss events during the financial year was 203 (12.2022: 205). The table below provides an overview of the gross and net losses due to operational loss events.

in Mio. EUR	**31.12.2023**	**31.12.2022**
Gross loss	3.8	0.9
Current net loss	0.6	0.8

Figures as of 31 December 2023 are based on our Risk Event Database (RED) as of 22 January 2024; figures as of 31 December 2022 are based on the RED as of 6 February 2023.

In addition, risk assessments are carried out annually throughout the group. In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, these risk assessments are systematically performed in order to identify and evaluate key risks and to assess the adequacy of the control processes. Risk mitigation measures are defined for the areas identified as high risk. These two control components complement each other and provide an overall picture of the operational risk profile for each ProCredit bank, ProCredit Holding and the group as a whole.

In addition, early warning indicators have been defined centrally for all ProCredit banks, in order to identify areas of banking business with increased fraud risk. These can be expanded upon by the subsidiary banks. The early warning indicators are analysed regularly and, where needed, preventive measures are agreed upon.

To complete the management of operational risk, all new products and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation.

Operational risk is accounted for and monitored within the scope of the group's capital adequacy calculation in the economic approach. In this context, scenario analyses are used to supplement the historical risk events from the risk event database.

The group has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The ProCredit banks carry out a classification of their information assets and conduct a risk assessment on their critical information assets each year. The business continuity framework implemented in the group ensures that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes. The IT service provider, Quipu, is part of the ProCredit group and supports all group companies with respect to software and hardware.

The war in Ukraine represents an additional risk from an operational risk perspective. Thanks to the measures taken to protect our employees and ensure business continuity, we were able to maintain our business activities and ensure the availability of IT systems without any loss of performance.

Risks arising from money laundering, terrorist financing and other acts punishable by law

Responsible behaviour is an integral part of our values-oriented business model. This is reflected in the Code of Conduct for the group's employees as well as in the contents of the introductory courses for new staff and in the curricula of the ProCredit academies. The prevention of money laundering, terrorist financing and fraud is a key component of our self-perception. This is illustrated by the criteria used to select customers and by the few cases of internal fraud within the group.

ProCredit banks are in full compliance with all regulatory requirements concerning the prevention of money laundering and terrorist financing. Moreover, our banks have implemented the group-wide guidelines on the prevention of money laundering and terrorist financing, which can be stricter than the legal requirements prevailing in the individual countries of operation. Implementation is regularly reviewed by the group's Anti-Money Laundering Officer.

As the ProCredit group is supervised by the German financial supervisory authorities, we implement the requirements stipulated by the German Money Laundering Act, as well as the requirements applicable at the European level, across the group as minimum requirements in all of our banks. As the superordinated company for the ProCredit group, ProCredit Holding is responsible for ensuring group-wide compliance with these requirements. All ProCredit banks also have their own independent money laundering officers, who in turn implement both group-wide requirements and national regulations for the prevention of money laundering and terrorist financing in the respective banks.

Our ethical responsibility is documented in the form of our Code of Conduct and Exclusion List, which contain the core rules and regulations that all employees of ProCredit banks are obliged to observe. The group-wide guidelines on the prevention of money laundering, terrorist financing and fraudulent activities, together with their subordinate directives, specify how these basic rules are to be implemented in practice.

Besides identifying all contracting parties and clarifying the purpose of the business relationship, at our banks the collection of client data always also entails identifying the beneficial owner of all funds that are managed in customer accounts. Beneficial owners are natural persons who substantially profit from a business structure, even if they are not personally in evidence during our business relationship with a client.

All ProCredit banks use specialised software to identify payments that give cause for suspicion of money laundering, terrorist financing or fraud. Anti-money laundering officers in all of our banks work closely with the responsible law enforcement authorities and report regularly to the Group Anti-Money Laundering (AML) Officer at ProCredit Holding, who in turn is the main contact for supervisory and law enforcement authorities in Germany and other countries.

Other material risk

Other risks that are assessed as material include business risk and model risk.

Business risk is defined as the risk of reduced profitability due to external and internal factors. These include deteriorating economic conditions, unanticipated regulatory interventions and disadvantageous business decisions. Business risk is mitigated by means of a structured process for the planning, implementation, assessment and adjustment of the business strategy and risk strategy, as well as through the regular interaction between the Management Board of ProCredit Holding and the management team in the banks. Furthermore, the standardised software products provided by the group's own IT provider, Quipu, likewise have risk-mitigating effects. Last but not least, our internal training programme also promotes a high level of competence among our managers and staff.

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

Capital management

Capital management in the group is guided by the principle that neither a ProCredit bank nor the group as a whole may incur greater risks than they are able to bear. In this context, the group has the following objectives:

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

The principle of capital adequacy is monitored using different indicators for which early warning indicators and limits have been established.

Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College pursuant to Section 8a KWG, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities.

Capitalisation in the economic perspective

Ensuring sufficient capitalisation in the economic perspective is a key element of ProCredit's risk management and capital management processes. In the context of the economic perspective, the capital needs arising from our specific risk profile are compared with the available capital resources to assure that the ProCredit group's capitalisation is sufficient. The required capitalisation in the economic perspective was adequate at all times during the course of 2023.

The included material risks and the limits set for each risk reflect the specific risk profile of the group and are based on the annually conducted risk inventory. The group's economic capital requirements are determined for the following risks:

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

When calculating the economic capital required to cover risk exposures we apply a one-year risk assessment horizon. The methods we use to calculate the amount of economic capital required to cover the different risks the group is exposed to are based on statistical models, provided that appropriate models are available. The countries in which we do business have a relatively volatile history. Therefore, our datasets include various periods of stress.

As of 31 December 2023, we have introduced explicit management buffers for business risk, funding risk, ESG risk and the sum total of non-material risks. These are deducted directly from the risk taking potential before the resources available to cover risk (RAtCR) amount is determined.

The risk taking potential amounted to EUR 911.1 million at the end of December 2023 (2022: EUR 790.7 million). The RAtCR was set by the Management Board at EUR 820.0 million (2022:

EUR 790.0 million). This reflects the maximum acceptable risk amount for the ProCredit group. The economic capital required to cover the risks is compared with the internal capital available for each risk and for covering all risks.

The table below shows the distribution of RAtCR among the different risks and the limit utilisation. In the standard scenario, which is calculated with a 99.9% confidence level, the ProCredit group needs 72.6% of its RAtCR (2022: 75.2%) to cover its risk profile.

	31.12.2023	31.12.2022
in EUR m	Limit Used	Limit Used
Credit Risk	385.0	351.0
Interest Rate Risk	64.3	76.3
Foreign Currency Risk	80.7	75.5
Operational Risk	21.4	21.3
Funding Pricing Risk*	–	26.8
Model Risk	44.0	43.0
Total	**595.4**	**593.9**
Total limit used in %	**72.6%**	**75.2%**

** The treatment of funding pricing risk in the economic perspective has been adjusted.*

Stress tests

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

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

Capitalisation in the normative perspective

The normative perspective analyses whether regulatory and supervisory capital requirements have been met on a continuous basis. This was the case at all times during the reporting period. The group's regulatory capital ratios are presented below:

	31.12.2023	31.12.2022
Common equity Tier 1 capital ratio	14.3%	13.5%
Tier 1 capital ratio	14.3%	13.5%
Total capital ratio	**15.8%**	**14.3%**

The ProCredit group does not have any AT1 instruments. Therefore, as of 31 December 2023 our entire Tier 1 capital consisted of Common Equity Tier 1 capital.

Our (CET1) Tier 1 capital ratio rose from 13.5% to 14.3% during the reporting period. The total capital ratio increased from 14.3% to 15.8%.

Tier 1 capital increased by EUR 64.6 million, primarily due to the recognition of the previous year's result and two thirds of the interim profits reported as of 30 September 2023. Total capital increased by EUR 111.0 million due to prolonged and newly issued subordinated debt.

Risk-weighted assets (RWA) increased by EUR 105.7 million compared to December 2022, in particular due to higher RWA for market risks and operational risk. Despite the growth in the loan portfolio and central bank balances, the RWA for credit risk decreased slightly due to various RWA efficiency measures. Among these measures are the inclusion of new financial guarantees and other collateral, as well as synthetic securitisation of a sub-portfolio of ProCredit Bank Bulgaria with the European Investment Fund (EIF) and the expansion of insurance coverage for central bank balances through the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group. The sovereign rating downgrade for Ecuador led to a one-time increase in RWA by around EUR 110 million during the reporting period, as the risk weighting on receivables in the country, including central bank balances, increased from 100% to 150%.

During the reporting period, the level of capitalisation in the ProCredit group constantly exceeded the regulatory requirements, which include an SREP requirement of 3.5 percentage points as of 31 December 2023. As of year-end 2023, the ProCredit group reported a comfortable leverage ratio of 8.8%.

in '000 EUR	**31.12.2023**	**31.12.2022**
Equity	884,847	820,244
Assets	10,052,908	9,173,765
Leverage ratio	**8.8%**	**8.9%**

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

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

Primary responsibility for the internal control system and risk management system in the financial reporting process, and thus for its effectiveness and monitoring, lies with the Management Board. The Management Board establishes the general principles and defines areas of responsibility. The finance area implements the requirements of the Management Board and defines the specific parameters within the framework provided. Group Operational Risk Management identifies and assesses risks on a regular basis. Risk assessment comprises an evaluation of operational and fraud risks as well as a review of the effectiveness of the respective controls. If necessary, appropriate measures are defined and implemented in order to limit the risks identified.

The financial reporting process aims to standardise, to the greatest extent possible, the application of the main international financial reporting standards and related processes. The Group Accounting & Taxes department establishes the accounting manual, which applies throughout the group, and defines the material processes in the respective policies, taking account for the principle of dual control. The processes for report preparation are largely automated and the functionalities of the key IT applications have been defined on a centralised basis. IT permissions are defined and regularly monitored in accordance with the respective policies.

The financial reporting process is supported by a multi-step control system. This ensures compliance with legal requirements and the implementation of internal policies. The units in the group prepare information relevant for financial reporting with the support of IT applications which are uniform throughout the group. The information packages from units in the group for the preparation of the consolidated financial statements are reviewed locally, taking account for the dual control principle, and then subject to standardised quality checks. Consolidation is carried out using standard software support.

In addition, Internal Audit supports the Management Board and the Supervisory Board in their control functions through independent and objective risk-oriented audits. Regular audits are performed on the financial reporting processes in the ProCredit Holding and ProCredit group to determine whether they are effective, orderly and cost efficient.

DISCLOSURES REQUIRED BY TAKEOVER LAW PURSUANT TO SEC. 289a, SEC. 315a SENTENCE 1 GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH)

The share capital of ProCredit Holding AG (the Company) is divided into 58,898,492 registered shares with no par-value. Each share entitles its holder to one vote.

In principle, all shares can be freely traded.

Certain restrictions apply to the shares held by Zeitinger Invest GmbH, DOEN Participaties B.V., the European Bank for Reconstruction and Development, KfW and ProCredit Staff Invest GmbH & Co. KG (the Core Shareholders), as follows:

In accordance with an agreement between the Core Shareholders dated 7 July 2011, which was last amended on 18 April 2023 (the CS Agreement), the Core Shareholders have each undertaken in principle to hold certain minimum shareholdings in the Company; accordingly, the Core Shareholders must hold a total of at least 20% of the Company's share capital by 31 December 2024.

As at 31 December 2023, the following shareholders held (directly or indirectly) 10% or more of the voting rights according to their last voluntary notification:

- Zeitinger Invest GmbH (voluntary notification dated 13 April 2023)
- Federal Republic of Germany (indirectly via KfW) (voluntary notification dated 17 April 2023)
- DOEN Foundation (indirectly via DOEN Participaties B.V.) (voluntary notification dated 14 April 2023)

MultiConcept Fund Management S.A., 2180 Luxembourg, Luxembourg, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.02%) of the total voting rights on 23 June 2023.

The European Bank for Reconstruction and Development, London, United Kingdom, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 8.70% (previously 3.64%) of the total voting rights on 17 May 2023.

International Finance Corporation, Washington, DC, USA, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 0.00% (previously 9.97%) of the total voting rights on 17 May 2023.

The Trustees of Tufts College, Somerville, USA, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.92%) of the total voting rights on 8 October 2021. The voting rights were attributed to the Trustees of Tufts College via the Omidyar-Tufts Active Citizenship Trust (previously Omidyar-Tufts Microfinance Fund).

ProCredit Staff Invest Beteiligungs GmbH, Frankfurt/Main, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.92%) of the total voting rights on 28 November 2019. The voting rights of ProCredit Staff Invest 1 GmbH & Co. KG and ProCredit Staff Invest 2 GmbH & Co. KG, both based in Frankfurt/Main, Germany, were attributed to it.

responsAbility AG, Zurich, Switzerland, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 0.00% (previously 4.45%) of the total voting rights on 1 November 2019.

MainFirst SICAV, Senningerberg, Luxembourg, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 3.10% (previously: 0.00%) of the total voting rights on 6 February 2018.

The Kingdom of Belgium, represented by the Deputy Prime Minister and Minister for Development Cooperation, Digital, Telecommunications and Postal Affairs, Mr Alexander De Croo, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The voting rights of the Belgian Investment Company for Developing Countries S.A., Brussels, Belgium, were attributed to the Kingdom of Belgium.

The Kingdom of the Netherlands, represented by its Ministry of Finance, The Hague, the Netherlands, represented by the Director of the Finance Directorate, Mr Helmer Vossers, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The voting rights of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague, Netherlands, were attributed to the Kingdom of the Netherlands.

Zeitinger Invest GmbH, 60486 Frankfurt/Main, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 17.48% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange

The TIAA Board of Overseers, New York, NY, USA, notified the Company on 29 December 2016 that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 9.44% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights were attributed to the TIAA Board of Overseers via the Teachers Insurance and Annuity Association of America, New York, USA.

Stichting DOEN, Amsterdam, the Netherlands, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 13.76% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights were attributed to Stichting DOEN via DOEN Participaties B.V., Amsterdam, Netherlands.

The Federal Republic of Germany, represented by the Federal Ministry of Finance, Berlin, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 14.52% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market

(Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights are attributable to the Federal Republic of Germany via KfW, Frankfurt/Main, Germany.

There are no shareholders holding shares with special rights conferring power of control.

As at 31 December 2023, the employees of the Company, according to the most recent voluntary notification from 14 April 2023, collectively held 2.45% of the voting rights via the investment company ProCredit Staff Invest GmbH & Co. KG. The investment company is the direct shareholder and thus exercises the voting rights for the employees of the Company. As far as employees are direct shareholders, they themselves exercise the voting rights control.

The members of the Management Board are appointed and removed by the Supervisory Board of the Company in accordance with sec. 84 and 85 AktG and Art. 6 (3) of the Articles of Association of the Company. Pursuant to sec. 179 (2) sentence 2 AktG in conjunction with Art. 20 of the Articles of Association of the Company, the Articles of Association of the Company can be amended upon resolution of the Company's General Meeting with simple majority.

The Management Board of the Company was authorised by the Extraordinary General Meeting of the Company on 15 November 2019 to acquire, in accordance with sec. 71 (1) No. 8 AktG and within the statutory limits, treasury shares up to a total of 1.5% of the share capital existing at the time of the adoption of the resolution by the General Meeting or – if this value is lower – of the share capital existing at the time the authorisation is exercised. The authorisation is valid until five years after 15 November 2019. The authorisation may be exercised directly by the Company or by third parties commissioned by the Company; it permits the acquisition of the Company's own shares in their entirety or in partial amounts as well as one-off or multiple acquisitions. The acquisition of treasury shares can only be effected via the stock exchange. The Company may only pay a price per share (excluding incidental acquisition costs) which does not deviate more than 10% above or below the arithmetic mean of the prices of the Company's non-par value shares in the closing auction in Xetra trading (or a corresponding successor system) on the Frankfurt Stock Exchange during the last ten trading days prior to the conclusion of the commitment transaction.

The Management Board of the Company is also authorised to use shares of the Company acquired on the basis of the above authorisation for all legally permissible purposes, and in particular for the following: They may be transferred free of charge to selected members of the respective management as well as to selected employees in managerial and key positions of certain enterprises affiliated with the Company within the meaning of sections 15 et seq. of the German Stock Corporation Act (AktG) and domiciled abroad under the proviso that these shares are transferred without delay as contributions in kind to ProCredit Staff Invest GmbH & Co. KG in exchange for shares in the limited partnership; the transfer of the shares to the aforementioned employees shall be effected in accordance with a staff programme. Shareholders' subscription rights to these treasury shares are excluded to this extent pursuant to sections 71 (1) no. 8, 186 (3) and (4) AktG.

In accordance with Art. 4 (3) of the Articles of Association, the Company's Management Board is authorised, with the approval of its Supervisory Board, to increase the Company's share capital by up to a total of EUR 29,449,245.00 by issuing up to 5,889,849 new non-par value registered non-par value shares against contributions in cash and/or in kind one or in several smaller amounts until the end of 4 June 2028 (Authorised Capital 2023).

There are no significant agreements between the Company and another party that are subject to a change of control of the Company following a takeover bid.

Furthermore, there are no compensation agreements in place with the members of the Management Board or with any employees of the Company in the event of a takeover bid.

CORPORATE GOVERNANCE STATEMENT[14]

The corporate governance statement, which also includes the statement on the German Corporate Governance Codex required by sec. 161 of the German Stock Corporation Act (AktG), is published on our website (https://www.procredit-holding.com/investor-relations/corporate-governance/corporate-governance-statement/).

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

Annual Financial Statements

ProCredit Holding AG

Rohmerplatz 33-37

60486 Frankfurt am Main, Germany

HR Frankfurt Section B No. 132455

Tax No. 04724142020

The management report for ProCredit Holding AG and the group management report for the ProCredit group have been combined and published together with the consolidated financial statements for ProCredit Holding AG for the financial year ending 31 December 2023.

The annual financial statements and the group management report, which includes the combined management report for ProCredit Holding AG for the 2023 financial year, will be submitted electronically to the entity maintaining the Company Register for publication there.

BALANCE SHEET

in EUR	Note	31.12.2023	31.12.2022
A. Fixed assets			
I. Intangible fixed assets			
1. Trademarks and software		940.00	1,590.00
II. Tangible fixed assets			
1. Other equipment, operating and office equipment		240,161.00	262,811.50
III. Long-term financial assets			
1. Shares in affiliated companies	2	651,666,123.90	632,118,284.90
2. Loans to affiliated companies	3	233,990,297.86	279,664,363.07
3. Long-term securities		40,787,725.53	2,169,725.53
		926,685,248.29	**914,216,775.00**
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	4	8,483,612.53	59,761,175.70
of which, with a time to maturity of more than one year:		*0.00*	*0.00*
2. Other assets	5	1,103,975.69	770,172.32
of which, with a time to maturity of more than one year:		*0.00*	*0.00*
II. Cash in hand and bank balances	6	110,913,229.56	63,320,715.42
of which, with affiliated companies:		*108,919,952.27*	*62,226,174.24*
		120,500,817.78	**123,852,063.44**
C. Prepaid expenses	7	4,334,969.50	7,201,800.05
Total assets		**1,051,521,035.57**	**1,045,270,638.49**
A. Equity	8		
I. Subscribed capital		294,492,460.00	294,492,460.00
II. Capital reserves		149,749,051.95	149,749,051.95
III. Revenue reserves			
1. Legal reserve		135,960.75	135,960.75
IV. Retained earnings	9	116,703,110.56	60,250,867.82
		561,080,583.26	**504,628,340.52**
B. Provisions			
1. Other provisions	10	803,275.12	1,302,685.00
C. Liabilities	11		
1. Bonds		220,596,308.93	266,684,351.43
of which, with a time to maturity of up to one year:		*73,637,032.91*	*49,182,476.32*
of which, with a time to maturity of more than one year:		*146,959,276.02*	*217,501,875.11*
2. Liabilities to banks		40,468,185.92	55,205,502.59
of which, with a time to maturity of up to one year:		*468,185.92*	*30,205,502.59*
of which, with a time to maturity of more than one year:		*40,000,000.00*	*25,000,000.00*
3. Trade payables		319,352.16	394,714.06
of which, with a time to maturity of up to one year:		*319,352.16*	*394,714.06*
of which, with a time to maturity of more than one year:		*0.00*	*0.00*
4. Liabilities to affiliated companies		7,037,284.68	1,113,142.69
of which, with a time to maturity of up to one year:		*7,037,284.68*	*1,113,142.69*
of which, with a time to maturity of more than one year:		*0.00*	*0.00*
5. Other liabilities		221,216,045.50	215,941,902.20
of which, with a time to maturity of up to one year:		53,590,421.62	21,941,902.20
of which, with a time to maturity of more than one year:		167,625,623.88	194,000,000.00
of which, taxes:		*243,560.38*	*142,736.96*
of which, for social security:		*2,594.93*	*21,554.74*
		489,637,177.19	**539,339,612.97**
Total equity and liabilities		**1,051,521,035.57**	**1,045,270,638.49**

INCOME STATEMENT

	in EUR	Note	1.1.–31.12.2023	1.1.–31.12.2022
1	Sales revenue	14	17,566,974.52	15,786,493.52
2	Other operating income	15	21,254,836.74	39,618,538.43
3	Personnel expenses		11,972,536.92	9,613,350.52
	a) Wages and salaries		*9,913,396.65*	*7,860,939.60*
	b) Social security, post-employment and other employee benefit costs		*2,059,140.27*	*1,752,410.92*
	of which, in respect of retirement pensions:		*364,057.30*	*283,184.72*
4	Depreciation on intangible and tangible fixed assets		88,979.62	112,557.41
5	Other operating expenses	16	20,104,750.23	22,710,024.79
	Net operating income (-loss)		**6,655,544.49**	**22,969,099.23**
6	Income from long-term equity investments	17	80,410,698.79	23,414,294.57
	of which, from affiliated companies:		*80,410,698.79*	*23,414,294.57*
7	Income from profit and loss transfer agreements	18	988.22	44,901.88
8	Other interest and similar income		16,612,328.62	14,830,916.58
	of which, from affiliated companies:		*16,518,290.71*	*14,818,854.28*
	Financial income		**97,024,015.63**	**38,290,113.03**
9	Depreciation on long-term financial assets	19	14,497,921.00	67,521,280.00
10	Expenses from profit and loss transfer agreements	18	5,838,668.64	793,537.31
11	Interest and similar expenses		24,586,550.59	17,406,246.59
	of which, to affiliated companies:		*0.00*	*189,122.16*
	Financial expenses		**44,923,140.23**	**85,721,063.90**
12	Taxes on income (corporate income tax, trade rax and other taxes)	20	2,304,177.15	222,299.33
13	**Result after taxes/ Net Income (-loss) for the year**		**56,452,242.74**	**-24,684,150.97**
14	Profit carried forward from previous years		60,250,867.82	84,935,018.79
15	Dividend distribution		0.00	0.00
16	**Retained earnings**		**116,703,110.56**	**60,250,867.82**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

BASIS OF FINANCIAL ACCOUNTING

1 Disclosures on recognition, measurement and presentation principles

The financial statements of ProCredit Holding AG ("ProCredit Holding"), Frankfurt am Main, as of 31 December 2023, were prepared in accordance with sections 242ff and 264ff of the German Commercial Code [Handelsgesetzbuch] (HGB) as well as the German Stock Corporation Act [Aktiengesetz] (AktG). The provisions governing large corporations apply. The income statement has been prepared in accordance with the cost of production method as per section 275 (2) HGB. The preparation of these Financial Statements follows the same accounting policies and methods of computation as were used for the Financial Statements for the 2022 financial year.

Intangible fixed assets and tangible fixed assets are valued at acquisition cost and, to the extent that they are depreciable, their value is reduced by regular depreciation amounts. The depreciation amounts are based on the expected useful life of the respective asset items and are calculated using the straight line method:

Intangible assets	3 - 5 years
Operating and office equipment	3 - 20 years

If an asset is permanently impaired, it is written down to the impaired value. Low-value assets with individual acquisition costs of up to EUR 800 are written off in full in the year of acquisition and reported as disposals.

In the case of financial assets, shares and securities are valued at acquisition cost. Loans are valued at nominal amount, unless they are part of a valuation unit (see below). If a financial asset is impaired permanently, it is written down to the lower fair value amount. Impairment on long-term financial assets is generally tested by comparing the net present value of future cash flows from investments with the respective carrying value. In cases in which the reasons for permanent impairment have ceased to exist, a reversal of the impairment is undertaken; the acquisition cost serves as the asset value ceiling.

Receivables and other assets are generally reported at nominal value or at lower market prices, unless they are part of a valuation unit (see also below). Premiums or discounts appear on a pro-rata temporis basis in the income statement. Balances at banks are recognised at nominal value.

Equity is recognised at nominal amount.

Other provisions include all contingent liabilities which are discernible as of the balance sheet date and are established in an amount determined on the basis of prudent business judgement as the required settlement amount. Where applicable, these also take into account future cost and price increases. Provisions with a remaining term of more than one year are discounted at the average market rate published by the Deutsche Bundesbank corresponding to their remaining maturity.

Liabilities are reported at the amount repayable.

In order to determine the deferred taxes arising from temporary differences between the valuations of assets, liabilities and accruals and deferrals under the Commercial Code and their valuations for tax purposes or due to tax loss carry-forwards, the valuation is based on the company-specific tax rates at the time that the differences are eliminated. The amounts of the resulting tax burden/relief are not discounted. The calculation was based on a tax rate of 31.93%. Deferred tax assets and liabilities are offset. In accordance with the option set forth in section 274 (1) sentence 2 HGB, a surplus of deferred tax assets is not recognised in the balance sheet.

Derivative financial instruments are concluded to cover interest and exchange rate fluctuations. Fair values for interest rate derivatives, interest rate currency derivatives and forward exchange transactions are determined using the present value method, taking into account the yield curve of the corresponding currency. Data available on the market, such as yield curves and spot and forward rates, are used to determine the fair values of derivative financial instruments. Valuation units, including derivative hedging transactions, are recognised in accordance with the requirements of section 254 HGB. ProCredit Holding strives to reduce the risk from currency transactions to a minimum through the formation of micro-hedges. Micro-hedges are used to cover the risk of individually identifiable underlying transactions. The prospective and retrospective effectiveness is determined using the critical terms match. Financial accounting is performed in accordance with the "*Durchbuchungsmethode*" (revaluation method). Offsetting of positive and negative changes in value are recognised through profit or loss in the income statement.

All amounts are presented in euros (EUR), unless otherwise stated. Positions in foreign currency are translated using the closing rate valid at the end of the reporting period, with the exception of closed currency positions (see note 13). Receivables and liabilities in foreign currencies are generally translated at the middle exchange rate. Expenses resulting from the currency translation of these items are recognised, and income is recognised if the remaining term of the receivables and liabilities denominated in foreign currency does not exceed one year. The US dollar exchange rate as of 31 December 2023 was EUR 1/USD 1.105. For computational reasons, figures may exhibit rounding differences of ± one unit (EUR, %, etc.).

Recognition and measurement is performed on a going-concern assumption.

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

BALANCE SHEET DISCLOSURES

2 Shares in affiliated companies

in '000 EUR

Affiliated company	at book value 1.1.2023	Participation in %	Addition in 2023	Appreciation +/ Depreciation – in 2023	Disposal in 2023	at book value 31.12.2023	Participation in %
ProCredit Bank Sh.a. Tirana, **Albania**	32,662	100%	0	-6,499	0	26,162	100%
ProCredit Bank d.d. Sarajevo, **Bosnia and Herzegovina**	21,609	100%	0	685	0	22,295	100%
ProCredit (Bulgaria) EAD Sofia, **Bulgaria**	125,761	100%	15,000	0	0	140,761	100%
Banco ProCredit S.A. Quito, **Ecuador**	29,205	100%	0	-7,999	0	21,206	100%
JSC ProCredit Bank Tbilisi, **Georgia**	77,340	100%	0	0	0	77,340	100%
ProCredit Bank AG **Frankfurt am Main, Germany**	75,000	100%	0	0	0	75,000	100%
ProCredit Academy GmbH Fürth/Weschnitz, **Germany**	500	100%	0	0	0	500	100%
QUIPU GmbH Frankfurt am Main, **Germany**	6,141	100%	0	0	0	6,141	100%
ProCredit Bank Sh.a. Pristina, **Kosovo**	77,968	100%	0	0	0	77,968	100%
ProEnergy LLC Pristina, **Kosovo**	95	95%	0	0	0	95	95%
ProCredit Bank A.D. Skopje, **North Macedonia**	31,503	100%	0	0	0	31,503	100%
ProCredit Regional Academy Eastern Europe dooel Veles, **North Macedonia**	1,962	100%	0	0	0	1,962	100%
ProCredit Reporting DOOEL Skopje, **North Macedonia**	5	100%	0	0	0	5	100%
BC ProCredit Bank S.A. Chisinau, **Moldova**	25,322	100%	0	0	0	25,322	100%
ProCredit Bank S.A. Bucharest, **Romania**	29,135	100%	0	18,360	0	47,496	100%
ProCredit Bank a.d. Belgrade Belgrade, **Serbia**	83,130	100%	0	0	0	83,130	100%
JSC ProCredit Bank Kiev, **Ukraine**	14,780	100%	0	0	0	14,780	100%
Total	**632,118**		**15,000**	**4,548**	**0**	**651,666**	

In 2023, a capital increase was carried out at the following subsidiary:

- ProCredit Bank EAD, Bulgaria

Annual impairment testing of shares in affiliated companies resulted in a write-up for ProCredit Bank d.d., Bosnia and Herzegovina, and for ProCredit Bank S.A., Romania, as well as a write-down for ProCredit Bank Sh.a., Albania, and Banco ProCredit S.A., Ecuador. (See also Annex 1: Statement of changes in fixed assets)

3 Loans to affiliated companies

in EUR	Senior	Subordinated	31.12.2023	31.12.2022
ProCredit Bank Sh.a. Tirana, **Albania**	5,000,000	7,000,000	12,000,000	12,000,000
Procredit Bank d.d. Sarajevo, **Bosnia and Herzegovina**	10,000,000	0	10,000,000	15,000,000
ProCredit Bank (Bulgaria) EAD Sofia, **Bulgaria**	30,000,000	0	30,000,000	30,000,000
Banco ProCredit S.A. Quito, **Ecuador**	74,945,813	8,409,722	83,355,535	100,129,600
JSC ProCredit Bank Tbilisi, **Georgia**	15,138,000	5,000,000	20,138,000	20,138,000
ProCredit Bank AG Frankfurt am Main, **Germany**	0	10,000,000	10,000,000	10,000,000
ProCredit Academy GmbH Fürth/Weschnitz, **Germany**	700,000	6,000,000	6,700,000	6,700,000
QUIPU GmbH Frankfurt am Main, **Germany**	0	0	0	0
ProCredit Bank Sh.a. Pristina, **Kosovo**	0	7,500,000	7,500,000	7,500,000
ProCredit Bank A.D. Skopje, **North Macedonia**	0	11,000,000	11,000,000	12,000,000
ProCredit Regional Academy Eastern Europe dooel Veles, **North Macedonia**	740,000	0	740,000	640,000
BC ProCredit Bank S.A. Chisinau, **Moldova**	0	6,556,763	6,556,763	13,556,763
ProCredit Bank a.d. Belgrade Belgrade, **Serbia**	16,000,000	0	16,000,000	32,000,000
JSC ProCredit Bank Kiev, **Ukraine**	0	20,000,000	20,000,000	20,000,000
Total	**152,523,813**	**81,466,484**	**233,990,298**	**279,664,363**

Loans to affiliated companies are not secured. At the end of the reporting period, a variable interest rate was payable on about 26.4% of the loans; the remaining loans were granted on the basis of a fixed interest rate.

4 Receivables from affiliated companies

in EUR	31.12.2023	31.12.2022
Short term loans	0	50,300,000
Accrued Interest	4,617,096	5,146,754
Foreign-exchange and interest-rate swap	0	222,029
Collateral for swap transactions	3,000,000	3,000,000
Others	866,517	1,092,394
Total	**8,483,613**	**59,761,176**

Other receivables are trade receivables in the amount of EUR 866,517.

5 Other assets

in EUR	31.12.2023	31.12.2022
Tax receivables	952,015	296,780
Others	151,961	473,393
Total	**1,103,976**	**770,172**

6 Receivables from banks

ProCredit Holding reported receivables from banks in the following positions:

in EUR	31.12.2023	31.12.2022
Loans to affiliated companies	226,550,298	272,324,363
Receivables from affiliated companies	8,431,532	59,334,117
Cash in hand and bank balances	110,913,230	63,320,715
Total	**345,895,060**	**394,979,195**

The receivables from banks have the following remaining maturities:

in EUR	31.12.2023	31.12.2022
Up to three months	137,887,481	142,067,153
More than three months and up to one year	57,734,875	46,152,464
More than one year and up to five years	96,362,982	137,849,856
More than five years	53,909,722	68,909,722
Total	**345,895,060**	**394,979,195**

7 Prepaid expenses

The item "Prepaid expenses" consists primarily of disbursement fees in relation to the issuance of loans and bonds amounting to EUR 3,023,955 (previous year: EUR 3,782,070). The expenses are amortised according to the terms of the loan. In the reporting period, amortised disbursement fees amounted to EUR 1,149,372 (previous year: EUR 1,182,854).

8 Equity

	2023			2022		
	Number of shares	Amount subscribed capital EUR	Amount capital reserve EUR	Number of shares	Amount subscribed capital EUR	Amount capital reserve EUR
As at January 1	58,898,492	294,492,460	149,749,052	58,898,492	294,492,460	149,749,052
Capital increase	-	-	-	-	-	-
As of 31. December	**58,898,492**	**294,492,460**	**149,749,052**	**58,898,492**	**294,492,460**	**149,749,052**

All issued shares are non-par value shares and fully paid. The nominal value or notional value per share is EUR 5.00. Each holder of ordinary shares is entitled, subject to a resolution of the General Meeting, to receive dividends and are entitled to one vote per share.

In accordance with Art. 4 (3) of the Articles of Association, the Management Board is authorised, with the approval of its Supervisory Board, to increase the Company's share capital by up to a total of EUR 29,449,245.00 by issuing up to 5,889,849 new non-par value registered non-par value shares against contributions in cash and/or in kind one or in several smaller amounts until the end of 4 June 2028 (Authorised Capital).

The Management Board of the Company was authorised by the Extraordinary General Meeting of the Company on 15 November 2019 to acquire, in accordance with sec. 71 (1) No. 8 AktG and within the statutory limits, treasury shares up to a total of 1.5% of the share capital existing at the time of the adoption of the resolution by the General Meeting or – if this value is lower – of the share capital existing at the time the authorisation is exercised. The authorisation is valid until five years after 15 November 2019. The authorisation may be exercised directly by the Company or by third parties commissioned by the Company; it permits the acquisition of the Company's own shares in their entirety or in partial amounts as well as one-off or multiple acquisitions. The acquisition of treasury shares can only be effected via the stock exchange. The Company may only pay a price per share (excluding incidental acquisition costs) which does not deviate more than 10% above or below the arithmetic mean of the prices of the Company's non-par value shares in the closing auction in Xetra trading (or a corresponding successor system) on the Frankfurt Stock Exchange during the last ten trading days prior to the conclusion of the commitment transaction.

As of 31 December 2023, ProCredit Holding does not hold any treasury shares.

9 Retained earnings

At the next General Meeting, the Management Board intends to propose the distribution of dividends totalling EUR 37.7 million or EUR 0.64 per share. The remaining retained earnings of EUR 79,008,075.68 are to be carried forward to new account.

10 Other provisions

in EUR	31.12.2022	Used	Released	Additions	31.12.2023
Audit fees	322,600	322,600	0	329,143	329,143
Untaken vacations	450,005	450,005	0	238,868	238,868
Others	530,080	478,187	51,893	235,263	235,263
Total	**1,302,685**	**1,250,792**	**51,893**	**803,275**	**803,275**

11 Liabilities

The table below provides an overview of the remaining maturity of liabilities:

in EUR	31.12.2023	31.12.2022
Bonds		
up to three months	1,404,752	284,368
more than three months and up to one year	72,232,280	48,898,108
more than one year and up to five years	63,000,000	177,501,875
more than five years	83,959,276	40,000,000
Liabilities to banks		
up to three months	430,812	48,167
more than three months and up to one year	37,374	30,157,336
more than one year and up to five years	25,000,000	25,000,000
more than five years	15,000,000	0
Trade payables		
up to three months	319,352	394,714
Liabilities to affiliated companies		
up to three months	7,037,285	1,113,143
more than three months and up to one year	0	0
Other Liabilities		
up to three months	11,189,474	10,627,502
more than three months and up to one year	42,400,948	11,314,400
more than one year and up to five years	121,500,000	172,000,000
more than five years	46,125,624	22,000,000
Total	**489,637,177**	**539,339,613**

Other liabilities mainly includes promissory note loans from non-banking institutions.

12 Contingent liabilities

The contingent liabilities consist of guarantees issued to third parties amounting to EUR 384,501,290.62 (previous year-end: EUR 479,845,531.48); these guarantees are to secure liabilities of companies affiliated to

ProCredit Holding. A claim on the guarantees is not expected due to the net assets, financial position and results of operations of the subsidiaries concerned.

13 Derivative financial instruments

All swap transactions were with ProCredit Bank Germany and are therefore recognised as receivables from or liabilities to affiliated companies.

The fair value of derivative financial instruments is as follows:

		31.12.2023	
in EUR	nominal amount	positive fair value	negative fair value
Foreign-exchange swaps	46,791,624	0	267,199
Total	**46,791,624**	**0**	**267,199**

FX swaps have a maximum remaining maturity until 2 January 2024.

INCOME STATEMENT DISCLOSURES

14 Sales revenue

in EUR	1.1.–31.12.2023	1.1.–31.12.2022
Income from management service agreements	11,156,139	9,571,589
Income from reimbursed expenses	2,232,553	1,572,682
Income from guarantees to subsidiaries	3,487,577	3,961,834
Other sale revenue	690,705	680,389
Total	**17,566,975**	**15,786,494**

By geographic market:

in EUR	1.1.–31.12.2023	1.1.–31.12.2022
Germany	1,241,121	1,113,560
Other EU-Countries	3,345,922	2,800,764
Remaining Europe	11,496,942	10,719,041
South America	1,482,990	1,153,128
Total	**17,566,975**	**15,786,494**

Revenues include back charges of EUR 565,739 from the Management Service Agreements for 2022.

15 Other operating income

in EUR	1.1.–31.12.2023	1.1.–31.12.2022
Income from appreciation in value of shares of subsidiaries	19,045,760	39,403,410
Currency translation income	1,749,004	163,609
Income from the sale of assets	168	16,712
Other income	348,011	28,087
Income from previous periods	111,894	6,720
Total	**21,254,837**	**39,618,538**

The income from the reversal of impairment losses on financial assets results from the annual impairment testing of investments. This resulted in a write-up for ProCredit Bank d.d., Bosnia and Herzegovina, and for ProCredit Bank S.A., Romania.

Other operating income includes a gain from the merger of ProCredit General Partner AG with ProCredit Holding AG in the amount of EUR 86,141.

The income from previous periods mainly consists of a BaFin levy refund for 2021 in the amount of EUR 39,538 and a tax refund of EUR 67,625 from the liquidation of ProCredit Holding AG & Co. KGaA Sucursal colombiana, Bogota, Colombia.

16 Other operating expenses

in EUR	1.1.–31.12.2023	1.1.–31.12.2022
Administration expenses	10,728,051	7,043,203
Legal and advisory services	3,060,609	7,415,574
Expenses to be reimbursed by affiliated companies	1,860,331	1,633,430
Other personnel expenses	1,765,449	1,444,795
Expenses due to exchange rate differences and hedging transactions	1,528,535	4,315,744
Other expenses	1,161,775	857,279
Total	**20,104,750**	**22,710,025**

The other operating expenses consist mainly of legal and consultancy fees, administration expenses and advances to affiliated companies and other investors, for which ProCredit Holding will be reimbursed.

The income from the reimbursement of advances for affiliated companies and other investors is included in the position "Sales revenue".

The Auditor's total fee for the financial year is calculated as follows:

in EUR	1.1.-31.12.2023	1.1.-31.12.2022
Audit fees	496,650	401,238
Other confirmatory services	116,050	5,800
Total	**612,700**	**407,038**

17 Income from equity holdings

in EUR	1.1.-31.12.2023	1.1.-31.12.2022
ProCredit Bank (Bulgaria) E.A.D. Sofia, Bulgaria	51,518,467	0
JSC ProCredit Bank Tbilisi, **Georgia**	14,914,175	5,371,365
ProCredit Bank a.d. Belgrade Belgrade, **Serbia**	13,978,053	0
JSC ProCredit Bank Kiev, **Ukraine**	4	4
ProCredit Bank Sh.a Pristina, **Kosovo**	0	18,000,000
Banco ProCredit S.A. Quito, **Ecuador**	0	42,925
Total	**80,410,699**	**23,414,295**

18 Income and expenses from profit-transfer agreements

During the reporting period, profit and loss transfer agreements existed with ProCredit Bank AG, Frankfurt am Main, ProCredit Academy GmbH, Fürth/Weschnitz and Quipu GmbH, Frankfurt am Main.

The following profit for the year was transferred to ProCredit Holding:

in EUR	1.1.-31.12.2023	1.1.-31.12.2022
ProCredit Academy GmbH Fürth/Weschnitz, **Germany**	988	0
QUIPU GmbH Frankfurt am Main, **Germany**	0	44,902
Total	**988**	**44,902**

ProCredit Holding assumed the following loss for the year:

in EUR	1.1.-31.12.2023	1.1.-31.12.2022
ProCredit Academy GmbH Fürth/Weschnitz, **Germany**	0	793,537
QUIPU GmbH Frankfurt am Main, **Germany**	5,838,669	0
Total	**5,838,669**	**793,537**

The net profit for the year of ProCredit Bank AG, Frankfurt am Main, amounted to EUR 0 due to an allocation to other revenue reserves.

19 Write-down on financial assets

Annual impairment testing of the investments resulted in a write-down for ProCredit Bank Sh. a., Albania, and for Banco ProCredit S.A., Ecuador.

20 Taxes on income

Taxes on income in the current financial year consist mainly of foreign capital gains tax on interest income amounting to EUR 156,239 (2022: EUR 219,485) and foreign capital gains tax on dividend income amounting to EUR 2,096,708 (2022: EUR 2,579).

ADDITIONAL DISCLOSURES

21 Other financial obligations

Rental commitments

ProCredit Holding incurred obligations totalling EUR 5,174,709.81 arising from rental contracts concluded at usual market conditions.

22 Supervisory Board and Management Board

The following persons served as members of the Supervisory Board:

Rainer Ottenstein Frankfurt am Main	Member (Chairperson since 07 March 2022) (Member since 30 November 2016) Member of the supervisory boards of: ProCredit Bank AG, Frankfurt am Main, Germany ProCredit Bank Sh. a, Pristina, Kosovo ProCredit Bank S.A., Bucharest, Romania ProCredit Bank A.D. Belgrade, Belgrade, Serbia JSC ProCredit Bank, Kiev, Ukraine JSC ProCredit Bank, Tbilisi, Georgia
Dr. H.P.M. (Ben) Knapen Amsterdam	Advisor (Member since 26 May 2020) Member of the supervisory boards of: Leiden Asia Centre, Leiden, Netherlands (Chairperson) ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria
Helen Alexander Potsdam	Member (Member since 31 May 2022) Member of supervisory board of: Banco ProCredit S.A., Quito, Ecuador
Marianne Loner Zürich	Finance Expert (MBA) (Member till 5 June 2023) Member of the supervisory boards of: Sura Asset Management S.A., Medellin, Colombia Amundi Planet Sicav-SIF, Luxembourg, Luxembourg
Jovanka Joleska Popovska Skopje	Member (Member since 27 May 2021) Member of the supervisory boards of: ProCredit Bank Sh.a., Tirana, Albania ProCredit Bank A.D., Skopje, North Macedonia (Chair) BC ProCredit Bank S.A., Chisinau, Moldova
Dr Jan Martin Witte Washington D.C.	Senior Advisor, Sustainable Energy Finance (Member till 05 June 2023)
Berna Ülman Istanbul	Finance expert (Member since 9 November 2023) Member of the supervisory boards of: Akis Real Estate, Istanbul,Turkey SilkRoad Real Estate, Tblisi, Georgia SEV Foundation, Istanbul,Turkey
Nicholas Tesseyman Thaxted	Independent non-executive director (Member since 05 June 2023) Member of the supervisory boards of: ProCredit Bank d.d., Sarajevo, Bosnia and Herzegovina First Bank S.A., Bukarest, Romania Eurobank Private Bank Luxembourg, Luxembourg, Luxembourg
Jan Schroeder-Hohenwarth Köln	Consultant (Member since 5 June 2023)
Karin Katerbau Oldenburg	Consultant (finance sector) (Member since 09 November 2023) Member of the supervisory board of: SMBC Bank EU AG, Frankfurt am Main, Germany

The total remuneration of ProCredit Holding's Supervisory Board in the financial year amounts to EUR 229 thousand (2022: EUR 81 thousand).

The following persons served as Management Board members of ProCredit Holding AG:

Management Board				
Hubert Spechtenhauser Frankfurt am Main ("Marktfolge") (Chair)	Eriola Bibolli Frankfurt am Main ("Marktfolge") (since 1. June 2023)	Christian Dagrosa Frankfurt am Main ("Markt") (since 1. January 2023)	Dr. Gian Marco Felice Frankfurt am Main ("Markt")	Sandrine Massiani Frankfurt am Main ("Marktfolge") (till 31. December 2023)

ProCredit Holding is represented by two members of the Management Board or by a Management Board member together with an authorised representative (*Prokurist*).

The total remuneration of the Management Board of ProCredit Holding consists of short-term benefits and amounted to EUR 1,711 thousand for the entire financial year (remuneration of the Management Board of ProCredit General Partner AG as representative of ProCredit Holding in 2022: EUR 857 thousand).

The following positions were also held by the members of the Management Board during the reporting period:

Hubert Spechtenhauser	Member of the supervisory boards of: ProCredit Bank AG, Frankfurt am Main, Germany (Chair) ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria Banco ProCredit S.A., Quito, Ecuador ProCredit Bank A.D. Belgrade, Belgrad, Serbia
Eriola Bibolli	Member of the supervisory boards of: ProCredit Bank Sh.a.,Tirana, Albania ProCredit Bank d.d., Sarajevo, Bosnia und Herzegovina (Chair) ProCredit Bank Sh. a, Pristina, Kosovo
Christian Dagrosa	Member of the supervisory boards of: ProCredit Bank Sh.a.,T irana, Albania ProCredit Bank d.d., Sarajevo, Bosnia und Herzegovina ProCredit Bank A.D., Skopje, Northmacedonia Banco ProCredit S.A., Quito, Ecuador Member of the management board of: ProCredit Reporting DOOEL, Skopje, Northmacedonia
Dr. Gian Marco Felice	Member of the supervisory boards of: ProCredit Bank S.A., Bucharest, Romania (Chair) ProCredit Bank A.D. Belgrade, Belgrade, Serbia (Chair) JSC ProCredit Bank, Kiev, Ukraine (Chair) ProCredit Bank AG, Frankfurt am Main, Germany ProCredit (Bulgaria) E.A.D., Sofia, Bulgaria JSC ProCredit Bank, Tbilisi, Georgia
Sandrine Massiani	Member of the supervisory boards of: BC ProCredit Bank S.A., Chisinau, Moldova (Chair) JSC ProCredit Bank, Tbilisi, Georgia

23 Additional Notes

ProCredit Holding prepares IFRS consolidated financial statements for the largest group of entities in accordance with the provisions of section 315e (1) HGB and publishes these in the Company Register.

The average number of staff members employed by ProCredit Holding during 2023 was 149 (56 male, 97 female). The total number of staff members at 31°December°2023 was 153.

The corporate governance statement, which also includes the statement on the German Corporate Governance Codex required by sec. 161 of the German Stock Corporation Act (AktG), is published on our website (https://www.procredit-holding.com/investor-relations/corporate-governance/corporate-governance-statement/).

24 Events after the reporting period

As of 1 April 2024, Mr Christoph Beeck and Mr George Chatzis will be appointed as members of the Management Board for a term of three years. Christoph Beeck will be responsible for Human Resources, Internal Audit, Compliance, Administration and Translation. After an onboarding phase, George Chatzis will take over the duties of Chief Risk Officer.

Frankfurt am Main, 13 March 2024

ProCredit Holding AG

Management Board

Hubert Spechtenhauser | Eriola Bibolli | Christian Dagrosa | Dr. Gian Marco Felice

Annex 1: Statement of changes in fixed assets

	Acquisition cost				Accumulated depreciation					Net book values	
in EUR	as of 1.1.2023	Additions	Disposals	as of 31.12.2023	as of 1.1.2023	Additions	Disposals	Appreciations	as of 31.12.2023	as of 31.12.2023	as of 31.12.2022
I. Intangible fixed assets											
1. Trademarks and software	1,088,064	0	0	1,088,064	1,086,474	650	0	0	1,087,124	940	1,590
	0	0	0	0	0	0	0	0	0	0	0
II. Tangible fixed assets	0	0	0	0	0	0	0	0	0	0	0
2. Other equipment, operating and office equipment	1,050,902	76,068	-115,779	1,011,191	788,091	88,330	-105,390	0	771,031	240,161	262,811
	2,138,966	**76,068**	**-115,779**	**2,099,255**	**1,874,565**	**88,980**	**-105,390**	**0**	**1,858,155**	**241,101**	**264,401**
III. Long-term financial assets											
1. Shares in affiliated companies	769,913,432	15,000,000	0	784,913,432	137,795,147	14,497,921	0	19,045,760	133,247,308	651,666,124	632,118,285
2. Loans to affiliated companies	279,664,363	5,827,341	-51,501,406	233,990,298	0	0	0	0	0	233,990,298	279,664,363
3. long-term securities	2,169,726	38,618,000	0	40,787,726	0	0	0	0	0	40,787,726	2,169,726
4. Other loans	1,042,623	0	-1,042,623	0	1,042,623	0	-1,042,623	0	0	0	0
	1,052,790,144	**59,445,341**	**-52,544,029**	**1,059,691,456**	**138,837,770**	**14,497,921**	**-1,042,623**	**19,045,760**	**133,247,308**	**926,444,147**	**913,952,374**
Total fixed assets	**1,054,929,110**	**59,521,409**	**-52,659,808**	**1,061,790,711**	**140,712,335**	**14,586,901**	**-1,148,013**	**19,045,760**	**135,105,463**	**926,685,248**	**914,216,775**

Annex 2: Share ownership

No information is provided on the subsidiaries ProCredit Reporting DOOEL, North Macedonia, and Pro Energy L.L.C., Kosovo, as they are of minor importance for the presentation of the financial position and financial performance.

	Name of institution	Legal residence	Share capital incl. Capital reserve ('000 EUR)	Retained earnings and other reserves ('000 EUR)	Profit/-loss for the year ('000 EUR)	Share in %
1	ProCredit Bank Sh.a.	Tirana, Albania	44,698	-5,336	1,597	100
2	ProCredit Bank d.d.	Sarajevo, Bosnia and Herzegovina	47,015	-6,933	5,193	100
3	ProCredit Bank (Bulgaria) E.A.D.	Sofia, Bulgaria	135,747	35,075	32,084	100
4	Banco ProCredit S.A.	Quito, Ecuador	39,362	12,141	-2,634	100
5	JSC ProCredit Bank	Tbilisi, Georgia	71,538	13,246	16,298	100
6	ProCredit Bank AG	Frankfurt am Main, Germany	75,000	11,643	9,479	100
7	ProCredit Academy GmbH	Fürth/Weschnitz, Germany	500	95	0	100
8	QUIPU GmbH	Frankfurt am Main, Germany	1,000	5,610	1,091	100
9	ProCredit Bank Sh.a.	Pristina, Kosovo	66,061	2,969	22,314	100
10	ProCredit Bank A.D.	Skopje, North Macedonia	29,000	40,223	9,624	100
11	ProCredit Regional Academy Eastern Europe dooel	Veles, North Macedonia	1,202	81	-204	100
12	BC ProCredit Bank S.A.	Chisinau, Moldova	25,099	15,665	6,916	100
13	ProCredit Bank S.A.	Bucharest, Romania	60,534	-16,655	3,651	100
14	ProCredit Bank a.d. Belgrade	Belgrade, Serbia	80,786	62,446	20,138	100
15	JSC ProCredit Bank	Kiev, Ukraine	83,785	-31,770	17,662	100

Annex 3: Voting rights notifications

MultiConcept Fund Management S.A., 2180 Luxembourg, Luxembourg, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.02%) of the total voting rights on 23 June 2023.

The European Bank for Reconstruction and Development, London, United Kingdom, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 8.70% (previously 3.64%) of the total voting rights on 17 May 2023.

International Finance Corporation, Washington, DC, USA, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 0.00% (previously 9.97%) of the total voting rights on 17 May 2023.

The Trustees of Tufts College, Somerville, USA, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.92%) of the total voting rights on 8 October 2021. The voting rights were attributed to the Trustees of Tufts College via the Omidyar-Tufts Active Citizenship Trust (previously Omidyar-Tufts Microfinance Fund).

ProCredit Staff Invest Beteiligungs GmbH, Frankfurt/Main, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 2.99% (previously 4.92%) of the total voting rights on 28 November 2019. The voting rights of ProCredit Staff Invest 1 GmbH & Co. KG and ProCredit Staff Invest 2 GmbH & Co. KG, both based in Frankfurt/Main, Germany, were attributed to it.

responsAbility AG, Zurich, Switzerland, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 0.00% (previously 4.45%) of the total voting rights on 1 November 2019.

MainFirst SICAV, Senningerberg, Luxembourg, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 3.10% (previously: 0.00%) of the total voting rights on 6 February 2018.

The Kingdom of Belgium, represented by the Deputy Prime Minister and Minister for Development Cooperation, Digital, Telecommunications and Postal Affairs, Mr Alexander De Croo, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The voting rights of the Belgian Investment Company for Developing Countries S.A., Brussels, Belgium, were attributed to the Kingdom of Belgium.

The Kingdom of the Netherlands, represented by its Ministry of Finance, The Hague, the Netherlands, represented by the Director of the Finance Directorate, Mr Helmer Vossers, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 4.98% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The voting rights of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague, Netherlands, were attributed to the Kingdom of the Netherlands.

Zeitinger Invest GmbH, Frankfurt/Main, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 17.48% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The TIAA Board of Overseers, New York, NY, USA, notified the Company on 29 December 2016 that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 9.44% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights were attributed to the TIAA Board of Overseers via the Teachers Insurance and Annuity Association of America, New York, USA.

Stichting DOEN, Amsterdam, the Netherlands, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 13.76% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights were attributed to Stichting DOEN via DOEN Participaties B.V., Amsterdam, Netherlands.

The Federal Republic of Germany, represented by the Federal Ministry of Finance, Berlin, Germany, notified the Company that its share of voting rights in ProCredit Holding AG & Co. KGaA, Rohmerplatz 33 – 37, Frankfurt/Main, Germany, amounted to 14.52% of the total voting rights on 20 December 2016, the date on which the shares of ProCredit Holding AG & Co. KGaA were first admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. In accordance with section 22 (1) sentence 1 no. 1 WpHG, these voting rights are attributable to the Federal Republic of Germany via KfW, Frankfurt/Main, Germany.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

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

Frankfurt am Main, 13 March 2024

ProCredit Holding AG

Management Board

Hubert Spechtenhauser	Eriola Bibolli	Christian Dagrosa	Dr. Gian Marco Felice

INDEPENDENT AUDITOR'S REPORT

To ProCredit Holding AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the annual financial statements of ProCredit Holding AG, Frankfurt am Main, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss for the financial year from 1 January 2023 to 31 December 2023, and notes to the annual financial statements, including a summary of significant accounting policies.

In addition, we have audited the management report of ProCredit Holding AG and the Group (combined management report) for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those components of the combined management report mentioned in the "Other Information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German Commercial Code applicable to stock corporations [Handelsgesetzbuch: German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion regarding the combined management report does not extend to the content of the components of the combined management report mentioned in the "Other Information".

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

Basis for the Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

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

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Valuation of shares in affiliated companies

Description of matter

In the annual financial statements as at 31 December 2023, shares in affiliated companies amounting to EUR 652 Mio. (62.0 % of total assets) are reported under long-term financial assets. Shares in affiliated companies are measured at cost or, in the event of an impairment that is expected to be permanent, at the lower fair value.

The impairment test is performed for each affiliated company. As part of the impairment test, a comparison is made as to whether the carrying amount of the investment is lower than the fair value at the reporting date. The fair value of the shares is determined using the discounted cash flow method on the basis of the present value of future cash flows. The discounting is based on the weighted average cost of capital of the respective affiliated company. The result of this valuation depends to a large extent on the estimation of future cash flows by management and on the discount rates used in each case. The valuation is therefore subject to significant uncertainties. In light of these and due to the high complexity of the process as well as the materiality of the shares in affiliated companies, this is a key audit matter.

Information on the valuation of shares in affiliated companies is provided in the section "B.2 Shares in affiliated companies" in the notes to the annual financial statements.

Auditor's response

We performed a risk assessment in relation to the shares in affiliated companies held by the Company. We obtained an understanding of the valuation process as part of our audit procedures on the internal control system. In doing so, we assessed - with the involvement of our BDO internal valuation specialists - the methodical procedure for carrying out the impairment test under German commercial code, including the determination procedure for calculating the cost of capital used for discounting.

Furthermore, after comparing the future cash inflows used in the calculation of the fair values with the approved planning of the respective affiliated company, we assessed the consistency of the planning as well as the appropriateness of the key assumptions, in particular by reconciling them with general and industry-specific market expectations of the respective countries in which the company under review operates. In doing so, we also assessed whether the interest and principal payments of the loans granted by ProCredit Holding AG were correctly reflected in the cash flows. Furthermore, we assessed the appropriate consideration of the effects of the Ukraine war in the planning calculations.

We investigated intensively with parameters used to determine the discount rates and traced their mathematical derivation, knowing that even relatively small changes in the discount rates used can have a significant impact on the amount of the calculated share values.

We then verified the arithmetical correctness of the calculation of the fair values of the shares in affiliated companies and the accounting recognition of the value adjustments determined.

Other Information

Management respectively the Supervisory Board are responsible for the other information. The other information comprises

- the section on sustainability in the annual report, to which reference is made in the section "Internal management system" (chapter "Fundamentals of the Group") in the combined management report
- the non-financial group statement (Impact Report), which is referred to in the combined management report
- the corporate governance statement published on the website referred to in the notes to the consolidated financial statements
- the other parts of the annual report, with the exception of the audited annual financial statements and combined management report and our audit opinion

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

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

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

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

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to stock corporations and that the annual financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the company. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of accounting and property damage) or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the electronic rendering of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file „ProCredit Holding_EA_2023“ that can be downloaded by the issuer from the electronic client portal with access protection and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format") . In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this rendering nor any other information contained in the above-mentioned electronic file.

In our opinion, the rendering of the annual financial statements and the combined group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this rendering nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023, contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above.

Basis for the opinion
We conducted our audit work of the rendering of the annual financial statements and the combined group management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Auditing in accordance with Section 317 (3a) HGB on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (June 2022)). Accordingly, our responsibilities are further described below. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibilities of Management and the Supervisory Board for the ESEF documents
The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the annual financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

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

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

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

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

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor at the annual general meeting on 5 June 2023. We were engaged by the Audit Committee on 24 November 2023. We have been the auditor of ProCredit Holding AG without interruption since the financial year 2021.

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

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

- Audit for the change of legal form from ProCredit Holding AG & Co. KGaA into ProCredit Holding AG
- Review of the condensed interim financial statements as at 30 June 2023
- Review of the condensed interim financial statements as at 30 September 2023
- Issue of an assurance report (agreed-upon procedures) in connection with the determination of the supervisory fees of the European Central Bank (ECB)
- Audit to obtain reasonable assurance about the appropriateness of the design and implementation of the measures to remedy the deficiencies identified during an audit in accordance with section 44 (1) sentence 2 KWG.

Other matter – use of the auditor's report

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Yanlu Zheng.

Frankfurt am Main, 15 March 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Grunwald	Zheng
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

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

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